east london idz
business streamlined

ANNUAL REPORT
2014 / 2015

east london idz
business streamlined

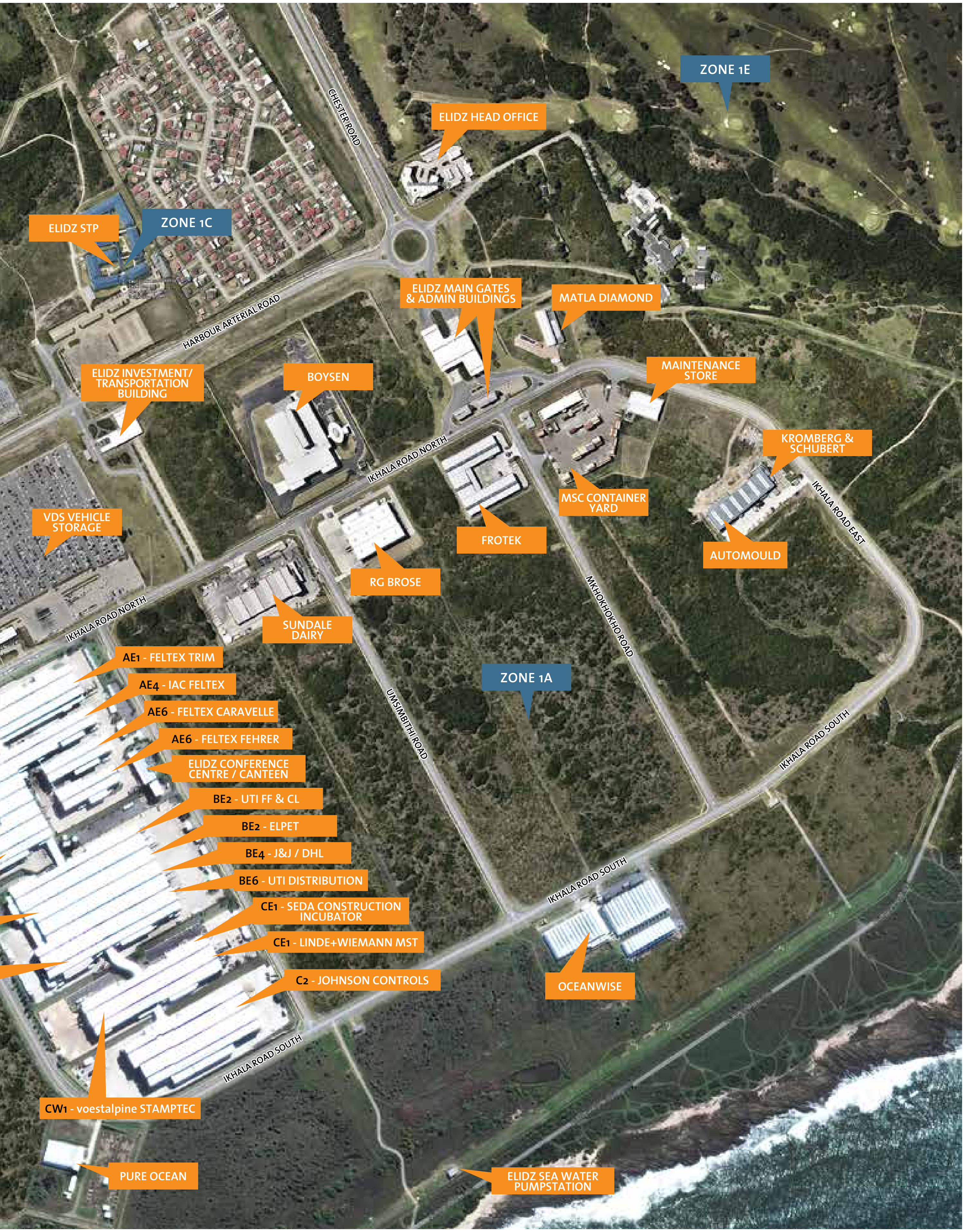
APPROVAL OF ANNUAL REPORT 2014 / 15

RECOMMENDED
NAME: Mr S. N. Kondlo
DESIGNATION: Chief Executive Officer

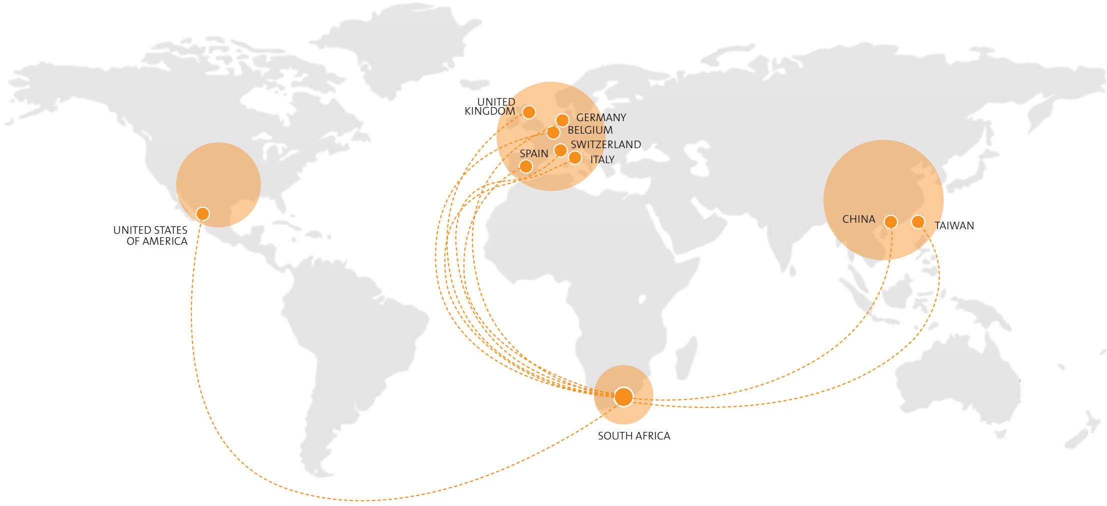
SUPPORTED
NAME: Ms N. I. Meinie-Anderson
DESIGNATION: Chairperson: Audit and Risk Committee

APPROVED
NAME: Mr Z. Tini
DESIGNATION: Chairperson ELIDZ Board of Directors

Aerial map of the
East London IDZ


ZONE 1E
ELIDZ HEAD OFFICE
CHESTER ROAD
ELIDZ STP
ZONE 1C
ELIDZ MAIN GATES & ADMIN BUILDINGS
MATLA DIAMOND
HARBOUR ARTERIAL ROAD
ELIDZ INVESTMENT/ TRANSPORTATION BUILDING
BOYSEN
MAINTENANCE STORE
IKHALA ROAD NORTH
KROMBERG & SCHUBERT
MSC CONTAINER YARD
VDS VEHICLE STORAGE
FROTEK
AUTOMOULD
IKHALA ROAD EAST
RG BROSE
SUNDALE DAIRY
IKHALA ROAD NORTH
MKHOKHOKHO ROAD
AE1 - FELTEX TRIM
ZONE 1A
AE4 - IAC FELTEX
AE6 - FELTEX CARAVELLE
UMSIMBITHI ROAD
AE6 - FELTEX FEHRER
IKHALA ROAD SOUTH
ELIDZ CONFERENCE CENTRE / CANTEEN
BE2 - UTI FF & CL
BE2 - ELPET
BE4 - J&J / DHL
BE6 - UTI DISTRIBUTION
IKHALA ROAD SOUTH
CE1 - SEDA CONSTRUCTION INCUBATOR
CE1 - LINDE+WIEMANN MST
C2 - JOHNSON CONTROLS
OCEANWISE
IKHALA ROAD SOUTH
CW1 - voestalpine STAMPTEC
PURE OCEAN
ELIDZ SEA WATER PUMPSTATION

Our International footprint & customers



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

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

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

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

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

Foxtec-Ikhwezi
Supplies high volume Forged non-ferrous products for automotive and engineering industries.

ILB Helios
Spanish company producing solar panels units

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

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

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

UTi
Logistics and supply chain management services.

DHL
Freight transportation, warehousing, distribution, supply chain solutions and logistics specialist.

Vehicle Delivery Service
VDS utilises the East London IDZ state of the art Vehicle Storage Centre. The facility has the capacity to store 2 500 vehicles under cover and a further 1154 in open parking.

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

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

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

Matla Diamond Works
Diamond cutting and polishing

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

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

Ocean Wise
Land based marine aquaculture operation specialising in FinFish farming and hatchery.

Pure Ocean Aquaculture
Finfish farm and hatchery

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

RG BROSE
German Based company manufacturing door systems for MBSA W205.

BOYSEN
Boysen develops and manufactures exhaust manifolds, catalytic converter silencers and exhaust systems.

Contents

PART A:

General Information

General Information

REGISTERED NAME:
East London Industrial Development Zone SOC Ltd

REGISTRATION NUMBER:
2003/012647/30

PHYSICAL ADDRESS:
Lower Chester Road,
Sunnyridge,
East London,
5201

POSTAL ADDRESS:
P.O. Box 5458,
Greenfields,
East London,
5208,

TELEPHONE NUMBER:
+27 43 702 8200

FAX NUMBER:
+27 43 702 8251

EMAIL ADDRESS:
info@elidz.co.za

WEBSITE ADDRESS:
www.elidz.co.za

EXTERNAL AUDITORS:
Auditor-General South Africa

BANKERS:
Standard Bank

COMPANY SECRETARY:
Jo-Anne Palmer

Abbreviations & Acronyms

AGSA	Auditor-General of South Africa
BBBEE	Broad Based Black Economic Empowerment
BCMM	Buffalo City Metropolitan Municipality
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSI	Corporate Social Investment
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
DTI	Department of Trade and Industry
ECDC	Eastern Cape Development Corporation
ELIDZ	East London Industrial Development Zone
IDZ	Industrial Development Zone
PFMA	Public Finance Management Act
TR	Treasury Regulations
MBSA	Mercedes-Benz South Africa
MEC	Member of Executive Council
MTEF	Medium Term Expenditure Framework
SEZ	Special Economic Zone
SMME	Small Medium and Micro Enterprises
SCM	Supply Chain Management

Core Ideology

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

VISION

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

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.

VALUES

Customer-Focused	The needs of our customers shape and drive our plans and actions
Solution-Oriented	In every situation we seek out possibilities that will win success for our customers and ourselves
Knowledgeable	We build individual and collective expertise through continuous learning and active knowledge sharing
Synergy	It is our unique skill in being able to combine diverse contributions into synergistic solutions
Efficiency	We respond with speed, and are accurate, capable and responsible in utilisation of resources.

LEGISLATIVE MANDATE

The mandate of the ELIDZ is to develop, operate and maintain modern infrastructure and to complementary attract strategic investments that:

- Promote the export competitiveness of South African manufactured products/services;
- Strengthen, expand and diversify the local / regional economy;
- Enable exploitation (via beneficiation of regional natural resources);
- Secure advanced foreign production and technology methods; and
- Encourage skills transfer and local intellectual capital development

The East London Industrial Development Zone's (ELIDZ) core legislative mandates and its approved corporate strategy remained relevant and in place. Processes were under way in the period to revise the core legislation applicable to the South African zones programme, but the regulatory process to activate the new legislation has yet to be completed. The promulgation of the Special Economic Zones Act and the anticipated regulations have been accommodated in the Strategic Plan.

Chairman's Statement

The 2014/15 financial year has seen notable changes in the East London Industrial Development Zone's operational environment. These changes have, in turn, required increased vigilance, strategic oversight and forecasting from the organisation's board of directors.

LEGISLATIVE DEVELOPMENTS

Key to these changes was the signing into law of the new Special Economic Zones (SEZ) Act No 16 of 2014 by South African President, Honourable Jacob Zuma in May 2014. The Act is a major milestone in the industrialisation programme of the country and is a confirmation that the Industrial Development Zones (and other forms of Special Economic Zones) are central to the country's growth path. Additionally, this development is also a signal that government is working hard to strengthen the IDZ programme and introduce fundamental tools to improve its competitiveness. This, in turn, will increase the ELIDZ's capability to deliver on its mandate of attracting strategic investors that will create jobs, strengthen our economy and enhance the region's manufacturing capability.

Having said that, the new SEZ Act, does not come without challenges. Firstly the "new and improved programme" creates more space for other locations to operate similar entities and, in doing so, creates competition for the limited government resources and strategic investors that

...increasing our efficiency in servicing our clients and reducing the cost of operating our industrial zone...

want to locate in South Africa. In response to this we have, in the last year, worked hard to sharpen the way that we do business. Key to this has been increasing our efficiency in servicing our clients and reducing the cost of operating our industrial zone whilst ensuring increased returns for our shareholders. Additionally, our new five year strategy (2015/16 - 2019/20), explores other critical strategic interventions including a revised business model, alternative sources of revenue and a diversified service offering.

Secondly, one of the key changes signalled in the new SEZ Act is that government is seeking to use the SEZ Act to encourage the participation of private sector players in the operations of the SEZs through Public Private Partnerships (PPPs). We continue to engage the creators of the legislation to understand how this aspect will be operationalised and we are further exploring the impact of this new development on our own business model. The reality, however, is that advocating for the participation of the private sector in a programme that was a brain child of government to drive socio-economic development, will need careful balancing of the priorities and interests of government against those of the private sector. Additionally, the reality is that when one looks at the varying state of development (and under-development) of various locations in South Africa and the Eastern Cape in particular – the appetite of private sector involvement in the operation of the Special Economic Zones may not be uniform and government will therefore need to take these variations into context as it implements this strategy.

As government moves to operationalise the new legislation, it is important to note that the Act has raised the hopes of current and potential investors in our location with regard to a more competitive operational environment. Policy instruments such as SEZ-specific incentives and access to funding will go a long way in encouraging increased industry participation in these locations. Investors are now currently waiting for detail in terms of some of these instruments and the delivery of this detail will impact on investor perceptions about the competitiveness of our location and that of the new SEZ programme as a whole. This is the basis of the ELIDZ's current strategy to mount a campaign for the foundational business rationale embodied in the SEZ legislation to be tested with existing IDZs and their enterprises prior to the implementation of sections of the Act, especially in light of some of the previous hurdles experienced in the IDZ programme.

...it is important to note that the Act has raised the hopes of current and potential investors in our location with regard to a more competitive operational environment.

CHANGING FISCAL ENVIRONMENT

The South African government's fiscal position has changed in the last twelve months with increased pressure on available state resources. These changes have heightened the vigilance of government in terms of looking at the efficiency of state owned entities. Additionally, the pressures in the national fiscus have significantly impacted on entities such as the ELIDZ, whose mandate is more developmental in nature.

Not only are the entities having to operate on reduced funding, there is also an increased pressure to accelerate the path to self-sustainability, forcing entities such as ours to focus on survival and day-to-day sustainability instead of the broader mandate of being catalyst for economic development. Additionally, new funding conditions, linked to the new SEZ Act, will also impact on the ELIDZ's ability to deliver on infrastructure that would act as a catalyst for both new sector development and strategic investment attraction and settlement. While these new funding conditions are likely to lead to a faster realisation of "self-sustainability and self-funding" for the ELIDZ, the reality is that this might be at the cost of more long-term strategic projects which have a longer lead time before the desired returns can be realised. The ELIDZ, however, continues to investigate various possible alternatives in resolving these challenges.

...new funding conditions, linked to the new SEZ Act, will also impact on the ELIDZ's ability to deliver...

CREATING SHAREHOLDER VALUE

The period under review saw significant changes in the ELIDZ's shareholding. As a part response to some of the conditions outlined in the SEZ Act, which attaches more responsibility to the Executive Authority as the future SEZ licensee, the 74% shareholding previously held by the Eastern Cape Development Corporation was transferred to the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). Buffalo City Metropolitan Municipality continues to hold its 26% shareholding in the ELIDZ.

The ELIDZ's board of directors exist to ensure that the organisation maximises shareholder value and meets the expectations of its shareholders. In line with this, the period under review has seen the augmentation of various initiatives to enable the board to understand the expectations of shareholders, deliver on expected returns and demonstrate continuous growth in shareholder value.

DRIVING PERFORMANCE

The period under review was the last financial year of our 5 year strategic cycle. The cycle started at the tail end of the global economic crisis which crippled economies globally and equally challenged our operating environment. Additionally in 2012/13, the ELIDZ board faced one of its biggest hurdles since inception when it received a qualified audit opinion from the Auditor-General of South Africa. The organisation has since recovered from the qualification and is well on its path to clean administration. Furthermore, rapid growth of the investor community within the ELIDZ and increased operations within the zone also tested the ELIDZ's resilience in operating a multi-sector, world class industrial location.

In response to these challenges, the ELIDZ board as the Accounting Authority, in consultation with the Executive Authority, made a decision to augment the skills base of the Board of Directors in order to ensure that there was relevant oversight in all the necessary areas of the organisation's business. To this end, the board now boasts capable members who have expertise in a wide range of areas including Accounting and Financial Management, Environmental Management, Investment Promotion and New Business Development as well as Engineering and ICT Governance and Operations.

The growth in terms of the depth and diversity of skills has over the last five years led to more robust oversight by the board and has promoted a healthy professional tension between the executive and the board and has assisted the organisation to strive for growth.

Despite the challenging environment, the ELIDZ continues to perform against the odds. This Annual Report reflects on performance during 2014/15 as the last year of our 5 year strategic cycle and illustrates how the organisation has fared in the delivery of key targets set by shareholders.

As the following sections will show, the ELIDZ continues to deliver on its mandate of attracting strategic investment, diversifying the local economy, introducing new technology and skills into the region whilst ensuring necessary value addition to existing natural resources. Our global footprint continues to grow, while significant strides can be noted in our development of new industry value chains.

These milestones would not be possible without the support and buy-in of shareholders and the support of our stakeholders. The continued hard work of our management and staff has also been an integral part of our success and will continue to be so in our new 5 year strategic cycle.

Mr. Z. Tini
Board Chairman

Chief Executive Officer's Strategic Overview

The end of the 2014/15 financial year is a significant milestone of the East London Industrial Development Zone. Not only does it mark the end of a 5 year strategic cycle for the organisation, it also coincides with the 10 year anniversary of the ELIDZ's first investor announcement worth R188 million in 2005.

More importantly, the period under review also saw the signing of the Special Economic Zones (SEZ) Act no 16 of 2014 by President Jacob Zuma in May 2014, activating the implementation of the Special Economic Zones (SEZ) programme and as such introducing substantial changes into the ELIDZ's operational environment.

As the organisation prepares to enter the new dispensation and adjust to these changes in the operational environment – it is vital that the ELIDZ reflect on its performance during the last year of the 5 year cycle, its ability to deliver on its mandate and its readiness to align operations to the new legislation and implement the necessary transitional strategy.

A CHANGING LANDSCAPE

The introduction of the SEZ programme as a successor of the Industrial Development Zone Programme is aimed at supporting balanced regional industrial growth by fostering the development of more competitive economies.

The SEZ Act provides a clearer framework for the development, operations and management of SEZs, including addressing some of the challenges of the IDZ Programme. It must, however, be noted that the ELIDZ is more concerned about the roll-out of the underlying supporting tools of the SEZ programme such as the completeness and clarity of regulations and guidelines to give effect to the intention of the act, clear details around the roll out of SEZ incentives, funding conditionality and co-ordination the impact of these in giving credence to the new programme. Our concern remains the ability for the programme, and by implication, the ELIDZ to smoothly transit into the new operational environment without affecting the organisation's capability to deliver value to its existing investors and without watering down the credibility and effectiveness of the zone's current value proposition. As a result, the ELIDZ continues to engage with the implementers of the programme and affected stakeholders to ensure that there is a shared understanding of how the new SEZ programme and the related supporting tools are going to be implemented and the contribution of each stakeholder to the successful roll out of the programme.

As an existing IDZ, the ELIDZ has been very active in 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 ELIDZ believes that this new programme has the potential to give new impetus to its operations and work to further strengthen the zone's position to develop and operate a world class industrial location that would increase industrialisation and diversify the regional economy. The extent of this potential lies in the ability for the various government stakeholders to collaborate in supporting the programme.

DELIVERING ON THE MANDATE

Amidst the critical changes in the operational environment, the ELIDZ still continues to implement strategies to deliver on its mandate. As such, the ELIDZ's five year strategy has been centred around its core mandate of attracting strategic investments that will have significant socio-economic impact on our region. It has been driven by the organisation's ability to attract and retain investments, diversify the local economic landscape, enable beneficiation of natural resources, secure advanced production and technology methods and encourage skills transfer. Since the beginning of 2010/11 the ELIDZ has made various inroads in this regard. Key to this has been the attraction of 22 new investors with a combined investment value of R1.92 billion in the last five years. This is despite the challenges posed by a slow recovery of the global economy from the 2008/09 economic downturn, growing geopolitical tensions and the possibility of another economic meltdown mainly as a result of the crashing commodity prices.

...22 new investors with a combined investment value of R1.92 billion in the last five years.

The period under review has also seen notable progress in the diversification of the ELIDZ's investment basket. At the beginning of the 5 year cycle more than 70% of the total investments secured by the ELIDZ (by value) represented the automotive sector. As at the end of the 2014/15 financial year, the renewable energy sector had overtaken the automotive sector as the sector with the highest value of investment with the automotive sector representing only 35% of the total investment secured to date. This is despite a growth of over R890 million in the automotive sector over the last five years.

...a growth of over R890 million in the automotive sector over the last five years.

There has also been remarkable growth in Renewable Energy investments in the period under review. The ELIDZ is progressing well in this sector with two renewable energy investors in solar PV manufacturing as well as inverter manufacturing already secured. The ELIDZ Science and Technology Park's (STP) focus on supporting growth through the incubation of new technologies remains critical to the development of this sector.

This strong value proposition is the main reason behind the ELIDZ growing pipeline boasting R2.5 billion worth of renewable energy investment in the advanced stages, once activated these investment have a direct job creation potential of 900 jobs.

Additionally, the ELIDZ has made significant strides in its ability to promote the beneficiation of natural resources in its sectors. An example of this is in the aqua-culture sector. The number of investors in the cluster have doubled in the 5 year cycle and there is increased land-take up in the land reserved for aqua-culture activity in Zone 1 of the zone. The zone's Metal Surface Treatment Plant is also another example of increased beneficiation as a result of the ELIDZ's activities. The facility has seen the introduction of new technologies and skills in the region's automotive sector and further enhances the province's value chain in this regard.

...ELIDZ has created 8140 direct construction job opportunities.

One of the critical pillars of the ELIDZ's existence is the ability to create jobs – in the last five years the ELIDZ has created 8140 direct construction job opportunities. Manufacturing and related services jobs have grown from 1035 in 2010/11 to 2931 as at the end of 2014/15. The ELIDZ Science and Technology Park continues to have a notable impact in the establishment and operation of a robust knowledge economy. Building a sustainable industrial and provincial economy requires the establishment and operation of a robust knowledge economy and in line with this the park has incubated 83 entrepreneurs.

ORGANISATIONAL SUSTAINABILITY

The ELIDZ's five year strategy (2010/11 – 2014/15) was informed by various factors. These included the organisation's long term business plan, the level of funding commitment by both shareholders and programme owners and the organisation's ability to operate within an enabling and supportive institutional framework. While the picture above paints an organisation that has met its mandate – the reality is that the good performance was achieved against the backdrop of significant challenges. Key to these was the under-funding of the ELIDZ operations by provincial government mainly as a result of R86 million that was devoted from the ELIDZ's budget allocation in 2012/13. Additionally, the period also saw the introduction of an additional programme, the Science and Technology Park, in the ELIDZ's mandate. The STP was initially positioned as a special programme with an additional budget allocation and was supposed to be subsequently added to the ELIDZ funding baseline and assumptions for provincial government funding. This, however, was not the case, and instead the programme ended up being funded from internal funds, initially intended for other programmes. The above factors did not only severely challenge the ELIDZ's ability to optimally operate during this period, it had a further knock-on effect on the ELIDZ's grant income in future years. This reduced the ELIDZ's provincial grant income baseline and further put pressure on budgets and programmes of future years.

This, combined with the changes in the funding mechanism for infrastructure by the DTI has meant that the ELIDZ management has had to increase its monitoring of expenditure, strengthen its strategies and related processes around debt collection and carefully manage its cash flow.

...there has been 46% growth in the ELIDZ's own generated revenue in the five year cycle.

On a more positive note, however, there has been 46% growth in the ELIDZ's own generated revenue in the five year cycle. It is also important to note the significant shareholder value created. Of the total of R2.7 billion worth of government (provincial and national) funding since inception, the ELIDZ has generated just over R 2 billion worth of assets. There is also a continued impact by our investors into national fiscus through payment of corporate tax. As an example a Statistics SA census of ELIDZ enterprises last year, using 2012/13 financials, reported a combined income of R2.1 billion from the zone enterprises surveyed. This can be translated into between R420 – R588 million into the national fiscus for the 2012/13 financial year.

OUTLOOK

While the dawn of the new SEZ environment is a positive one, with it comes significant changes that impact on the ELIDZ's operations. One of these changes is the heightened financial reliance on host regions to support SEZ implementation. This is being accompanied by a changed national SEZ financing regime with the existence of an SEZ fund which is designed as specialised capital projects funding. These developments will require the ELIDZ to sharpen its business cases for funding applications for capital projects while exploring other possible revenue sources to supplement operations. Having said that, it is critical that the changes in the operational environment do not affect the current momentum of delivering significant shareholder value. As such, as the organisation transitions into a new five year cycle, it does so with new priorities which it believes will assist in navigating the changing waters and succeed in meeting its mandate. The key priority areas include:

- An increased drive for self-sustainability and financial viability.
- Strategic industrialisation through new sector development, industrial diversification and innovation.
- Optimisation of new SEZ Programme as an enabler for the incorporation of new growth areas
- Improvement of the value offering and delivery to customers through the leveraging of new SEZ programme incentives and other relevant tools.
- Increased efficiencies in zone operations
- Increase the organisational socio-economic footprint.

In line with these strategic priorities, the ELIDZ has already begun the process to position the organisational resources to respond to this strategy. It continues to be confident of its ability to deliver value for shareholders while continuing on its mission of building an industrial legacy for future generations.

...continuing on its mission of building an industrial legacy for future generations.

....

Mr. S. N. Kondlo
Chief Executive Officer

Leadership

BOARD OF DIRECTORS

Our **Board Members**

1

Mr. Z. Tini
Chairman of the ELIDZ Board and Chairman of the Executive Committee of the Board *(non-executive member)*

Current employment: Managing Director of INCA Masonry Products

Skills: Business and Leadership Expert

Affiliations and memberships: Border Kei Chamber of Business Past President and Executive Member, Director at Own Haven Housing Association, Director at Eastern Cape Socio-Economic Consultative Council, Member of Concrete Manufacturing Association

2

Mr. S. Kondlo
Executive Director - Ex Officio

Current Employment: CEO ELIDZ

Skills: Engineering and Business Management

Affiliations and memberships: South African Institute of Agricultural Engineers (SAIAE), Water Institute of South Africa (WISA), Member Buffalo City Development Agency (BCDA), Deputy Chairperson: Walter Sisulu University Council

3

Ms. P. Nazo
Member of Finance and Tender Committee, Member of the Board *(non-executive member)*

Current Employment: Portfolio Head for Local Economic Development: Buffalo City Metropolitan Municipality

Skills: Local Economic Development , Community Relations, Development Communications, Public Relations, Project Management and Local Government Management.

Affiliations and memberships: Eastern Cape Geographical Name Change Committee, Metro Growth Development Strategy 2030 Chair.

4

Mr. A. Kanana
Member of Audit and Risk Committee, Member of the Board *(non-executive member)*

Current Employment: Director for Governance Reporting at the City of Johannesburg Metropolitan Council

Skills: Chartered Accountant (SA), Audit, Finance & Governance

Affiliations and memberships: SAICA, Shareholder Representative in the 11Board of Directors for the City of Johannesburg Metropolitan Council, Institute of Directors of South Africa (IODSA)

5

Ms. V. Sikwebu
Member Audit and Risk Committee, Member Investment Services Committee, Member of Board *(non-executive member)*

Current Employment: Pinnacle Africa

Skills: IT Governance and Strategy, Business management

Affiliations and memberships: IoDSA, BWA, Board of Governors for Merrifield Prep and College

6

Ms. N. I. Meinie-Anderson
Chairman of the Audit and Risk Committee, Member of the Executive Committee of the Board, Member of the Board *(non-executive member)*

Current employment: Regional Financial Manager – Southern Region of ESKOM

Skills: Chartered Accountant (SA), Audit, Finance & Governance

Affiliations and memberships: Independent Regulatory Board of Auditors (IRBA), South African Institute of Chartered Accountants (SAICA), The Association for the advancement of Black Accountants SA (ABASA), Institute of Directors South Africa (IODSA)

7

Mr. S. Caga
Chairman of the Investment Services Committee, Member of Executive Committee of the Board, Member of the Board *(non-executive member)*

Current Employment: Councillor Buffalo City Metropolitan Municipality

Skills: Leadership and Project Management

Affiliations and memberships: Chairman of Social Facilitation Committee, Member of Development Planning and Management Portfolio Committee

8

Ms. P. Mzazi-Geja
Member of Investment Committee, Member of Board *(non-executive member)*

Current Employment: Senior Manager: Biodiversity Conservation & Coastal Zone Management at the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism

Skills: Environmental Management and Conservation

Affiliations and memberships: NONE

9

E. Jooste
Member of the Audit and Risk Committee, Member of the Finance and Tender Committee, Member of Board *(non-executive member)*

Current Employment: Chief Executive Officer at EVJ Consulting (Pty) Ltd

Skills: Public Financial Management and Governance, Supply Chain Management, Public-Private Partnerships, Project Finance, Business Leadership and Management.

Affiliations and memberships: SAIPA, Chairperson: Audit & Risk Committee - Cacadu Development Agency

10

Mr. M. Saziwa
Member of the Investment Services Committee, Past Member of the Audit and Risk Committee, Member of the Board *(non-executive member)*

Current Employment: Educator

Skills: Labour, Skills Development

Affiliations and memberships:
Member of Walter Sisulu University Council representing National Economic Development and Labour Council, Chairman of COSATU in Eastern Cape, Director ASGISA and UVIMBA

11

Mr. S. Mase
Chairman of the Finance and Tender Committee, Member of the Executive Committee, Member of the Board *(non-executive member)*

Current Employment: Chief Executive Officer Eastern Cape Development Corporation

Skills: Finance, Leadership (MBL), Business (Investments and Portfolio Management)

Affiliations and memberships: Chairperson BOD of Trustees ILimalethu (Section 21), Director OR Tambo Ntinga Development Agency

12

Ms. N. S. Mteto
Member Finance and Tender, Member of the Board *(non-executive member)*

Current Employment: Attorney Private Practice

Skills: Legal

Affiliations and memberships: Black Lawyers Association, South African Law Society

Executive Management

THANDO LIONELL PUGH GWINTSA

Thando Gwintsa is the Executive Manager in the Office of the Chief Executive Officer (CEO) at the East London Industrial Development Zone (ELIDZ). Gwintsa joined the ELIDZ in 2003 and has held various positions during this time which has seen him climbing the ranks to his current position. He began his duties at the ELIDZ as the Safety, Health and Quality Manager in 2003, then ascended to be an Executive Manager: Investor Services in 2005. Following his dedication to the organisation Gwintsa was appointed to his current position in 2011. His extensive work experience includes working for the Lesotho Highlands Development Authority in the Construction and Building Sector, being a Medical Biologist, Environmental Management and Lecturing. Gwintsa is a Masters student of Project Management at the University of Southern Queensland (USQ) in Australia, holds Post Graduate Certificate in Enterprise Risk Management from UNISA, Master of Safety, Health and Environmental Management from USQ, Masters in Business Administration, USQ and the Medical Laboratory Science qualification from the College of Technology in Dublin, Ireland.

At the ELIDZ, Gwintsa is tasked to provide leadership and support to the organisation, enterprise risk management, corporate governance, quality management, management and execution of special programmes that pay special emphasis on developing the economy of the province.

AMANDA PATEKA MAGWENTSHU

Ms Amanda Pateka Magwentshu is the Executive Manager: Corporate Affairs at the East London Industrial Development Zone. She has, through her lifelong learning received extensive training in the field of humanities boasting several qualifications. These include a B.A. in Social Work from the University Of Fort Hare, B.A. (Honours) from the University of Transkei and Masters in Public and Development Management from the Wits University. She has also received additional training in countries such as Sweden and the Netherlands. Magwentshu has a combined 30 years' worth of experience in the Finance, Social Work, Support Services, Corporate Services, Human Resource, Labour Relations, Strategic and Project Management fields having spent a bigger part of her life working at the Buffalo City Municipality.

Her current responsibilities at the ELIDZ include managing the strategic and operational human resource function, facilitating efficient and effective management of the legal function, operationalising excellence of the Information Communication and Technology function, corporate communication, administration of record keeping and strong operational excellence of the organisation's research function.

TEMBELA ATWELL ZWENI

Mr Tembela Zweni is the Executive Manager for Zone Development at the East London Industrial Development Zone. He is a seasoned business professional with a strong Business Management and Economics background. His working career spans a wide variety of public and private institutions such as East London Industrial Development Zone (ELIDZ); Corporate Banker at Standard Corporate and Merchant Bank; Asset Finance at Wesbank and CEO of the Uitenhage Dispatch Development Initiative. As a CEO of UDDI he oversaw development and implementation of the mega projects such as the Automotive Logistic Park, the Science Park and various Agricultural and Manufacturing projects in Nelson Mandela Metropolitan Municipality. He is one of the first Black Professionals to involved in the electrification of first townships directly by Eskom in the early 90's. Zweni holds an Honours Degree in Economics, Master's Degree in Business Administration and has vast experience in various sectors including Pharmaceuticals, Tourism, Leather, Timber and Automotive.

His current responsibilities at the ELIDZ include the management of the organisation's infrastructure development programme, property, investment promotion, investor settlement and post settlement after care.

JOHAN BURGER

Mr Johan Burger is the Executive Manager Zone Operations within the East London IDZ. He qualified with a BSc degree from the University of the Witwatersrand and has worked for various major private and public companies in the built environment, operating in the property development and property management arena, as well as Maintenance and Facilities Management. He has a well-grounded background in the "built environment arena" having spent the earlier years of his career in the general building, civil engineering and construction industry before migrating across to the project management and construction project management environment.

Burger joined the ELIDZ in 2002 as a Technical Services Manager and was at the forefront of developing over 400 hectares of greenfield land into prime industrial property. He has managed high value, high impact infrastructure project portfolio worth over a billion rands. Later Burger was given the responsibility of heading the Zone Operations and Maintenance Unit at the ELIDZ. This unit is charged with the responsibility of managing the zone facilities, undertaking planned and preventative maintenance, managing the Safety, Security, Health and Environment Management portfolio of the ELIDZ and developing and maintaining critical shared services for the ELIDZ's Investor Community. Burger's experience in strategic and tactical facilities management have allowed him to obtain an Accredited Facilities Professional accreditation and become one of a new breed of Accredited Facilities Professionals in the country. He has also been extensively involved with as well as being chairman of the East London Chapter of SAFMA, being appointed as the Regional Chairman and having been involved with the local and National bodies of the South African Property Owners Association (SAPOA).

GIFT HAPPYMORE MATENGAMBIRI

Mr Gift Happymore Matengambiri, a qualified Chartered Accountant (South Africa) CA (SA) acted as Chief Financial Officer from April to October 2014. He has vast experience spanning close to a decade working within the auditing, financial accounting, taxation and financial management fields.

Accompanying his depth of experience in finance are his notable tertiary qualifications. He holds B. Compt (Honours), Certificate in Theory of Accounting (CTA), Final Qualifying Exam I&II and Chartered Accountant(South Africa).

He has applied his trade and shared his experiences with various organisations such as Auditor-General South Africa, AMG Global Chartered Accountants and Morar Chartered Accountants as a Director responsible for the Polokwane Branch. Mr Matengambiri joined the East London Industrial Development Zone in 2013 as Manager: Finance Controls & Reporting. He has been instrumental in helping the organisation strengthen its financial management control and reporting. This was further underlined by the unqualified audit opinion received by the ELIDZ from year under review following an audit by the AG.

BABALWA BUWA-MAGONGWA

Buwa-Magongwa, the Chief Financial Officer, is a Chartered Accountant with over ten years' working experience, most of which was accumulated in Finance environments at Pricewaterhouse Coopers (PWC), the South African Revenue Services (SARS), BHP Billiton, Buwa Gasa Gigaba Chartered Accountants (BGG CAs) as well as the Department of Public Works.

One of her biggest professional achievements was when in 2011, she was appointed as a Project Manager for the Limpopo Section 100 (1) (b) Administration Intervention by the National Department of Public Works to spear head the turnaround strategy of the Limpopo Department of Public Works. The Administration Intervention Team has since managed to take the Limpopo LDPW from a Disclaimer audit opinion to a qualified audit opinion in the current year AG regulatory audit.

Buwa-Magongwa also holds a BSC (Quantity Surveying) degree from the Nelson Mandela Metropole University (formerly known as the University of Port Elizabeth) with majors in Financial and Strategic Management in 2000 and has various other post graduate qualifications in her field.

Organisational Staff Complement

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**
Project Portfolio Management		1	1		**2**
Enterprise Quality Management		1	2		**3**
Total Filled Positions	1	3	4	1	**9**
Office of the CEO	1				**1**
Enterprise Risk Management		1			**1**
Total Vacant Positions	1	1	-	-	**2**
Total Positions	2	4	4	1	**11**

SPECIAL PROJECTS

Functional Area	EM	MG	SP	AS	
Science & Technology Park	1	1	2		**4**
Wild Coast SEZ (WCSEZ)		1			**1**
Total Positions	1	2	2	-	**5**

EXECUTIVE MANAGER: ZONE DEVELOPMENT

ZONE DEVELOPMENT

Functional Area	EM	MG	SP	AS	
Project Management & Coordination	1	2		1	**4**
Investment Analysis		1	1		**2**
Property Portfolio Management		2	1		**3**
Project Support Office			2		**2**
Sector Development			5		**5**
Total Filled Positions	1	5	9	1	**16**
Total Vacant Positions	-	-	-	-	**0**
Total Positions	1	5	9	1	**16**

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

EXECUTIVE MANAGER: FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT

Functional Area	EM	MG	SP	AS	
Financial Management	1			1	**2**
Financial Control & Reporting			1		**1**
Financial Management, Reporting & Administration		1	1	4	**6**
Management & Cost Accounting		1			**1**
Supply Chain Management			2		**2**
Total Filled Positions	1	2	2	7	**12**
Financial Management, Reporting & Administration			1		**1**
Supply Chain Management		1	2		**3**
Management & Cost Accounting				1	**1**
Total Vacant Positions	-	1	3	1	**5**
Total Positions	1	3	5	8	**17**

EXECUTIVE MANAGER: ZONE OPERATIONS

ZONE OPERATIONS

Functional Area	EM	MG	SP	AS	
Zone Operations	1			1	**2**
Maintenance & Facilities Management		1	3	3	**7**
Investor Support Services Management (Help Desk/Zone labour)		1		10	**11**
Safety, Health & Environmental Management		1	2	1	**4**
Total Filled Positions	1	3	5	15	**24**
Maintenance & Facilities Management		1			**1**
Total Vacant Positions	-	1	-	-	**1**
Total Positions	1	4	5	15	**25**

EXECUTIVE MANAGER: CORPORATE AFFAIRS

CORPORATE AFFAIRS

Functional Area	EM	MG	SP	AS	
Corporate Affairs	1			1	**2**
Legal & Contracts Management			1	1	**2**
Corporate Communications		1	3	1	**5**
Human Resources Management		1	2	3	**6**
Information Communication & Technology Management		1	5		**6**
Records Management		1	1		**2**
Total Filled Positions	1	4	12	6	**23**
Corporate Research			1		**1**
Total Vacant Positions	-	-	1	-	**1**
Total Positions	1	4	13	6	**24**

Statement of Responsibility and Confirmation

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General South Africa.

The annual report is complete, accurate and is free from any material omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements have been prepared in accordance with the SA GAAP standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects, in all material respects, the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2015.

……………………………….

Mr. S. N. Kondlo
Chief Executive Officer

Date: 18 August 2015

……………………………….

Mr. Z. Tini
Chairperson of the Board

Date: 18 August 2015

Statement by Company Secretary

In terms of Section 88 (2) (e) of the Companies Act, 71 of 2008, 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.

Mrs. J. Palmer
Company Secretary

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 99 to 143, which comprise the statement of financial position as at 31 March 2015, 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 the 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 these financial statements based on my audit. I conducted my audit in accordance with 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 2015 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 36 to the financial statements, the corresponding figures for 2013-14 have been restated as a result of errors discovered during 2014-15 in the financial statements of the public entity at, and for the year ended, 31 March 2014.

Irregular expenditure

9. As disclosed in note 34 to the financial statements, the public entity incurred irregular expenditure of R3,3 million during the year ended 31 March 2015. This was as a result of non-compliance with supply chain management policies, the PFMA and the *Treasury regulations*.

Change in legislation

10. With reference to note 2 to the financial statements, the Special Economic Zones Bill was promulgated into law on 19 May 2014 and will only become operational once the regulations that accompany the act are tabled. The act will significantly change the institutional structure of the public entity and its funding model. The public entity will have three years from the commencement of the Special Economic Zones Act to comply with the new requirements.

Additional matter

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

Other reports required by the Companies Act

12. As part of my audit of the financial statements for the year ended 31 March 2015, 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, I do not express an opinion on them.

Report on other legal and regulatory requirements

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation and 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

14. 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 2015:
    - Programme 1: zone development, on pages 47 to 50
    - Programme 2: zone operations, on pages 51 to 53

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

16. 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***.

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

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

Additional matter

19. 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

20. Refer to the annual performance report on pages 47 to 63 for information on the achievement of planned targets for the year.

Compliance with legislation

21. I performed procedures to obtain evidence that the public 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

22. Investment property disclosed in the financial statements submitted for auditing was not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA and section 29(1)(a) of the Companies Act. This was subsequently corrected.

Procurement and contract management

23. Not all goods, works or services were procured through a procurement process that was fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

Expenditure management

24. The accounting authority did not take effective steps to prevent irregular as well as fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Internal control

25. 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

26. Leadership did not adequately address the prior year audit findings and associated recommendations in a timely manner. This was due to vacancies and instability within key positions. As a result the public entity still had material misstatements in their financial statements which were subsequently corrected during the audit process, as well as material non-compliance with legislation.

Financial and performance management

27. The year-on-year inconsistencies in the assumptions used to value investment property resulted in continuous fluctuations in the fair value adjustment of investment property. As a result, the amount initially disclosed in the financial statements submitted for audit was materially misstated and had to be subsequently corrected.

28. Furthermore, management did not have adequate internal controls to prevent irregular as well as fruitless and wasteful expenditure for part of the year.

Governance

29. The audit and risk committee of the entity was fully functional and discharged their duties in accordance with their legislative mandate. However, there were material misstatements corrected in the financial statements and material non-compliance with legislation. This was due to the reasons as indicated in the above paragraphs.

Auditor - General

East London
29 July 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

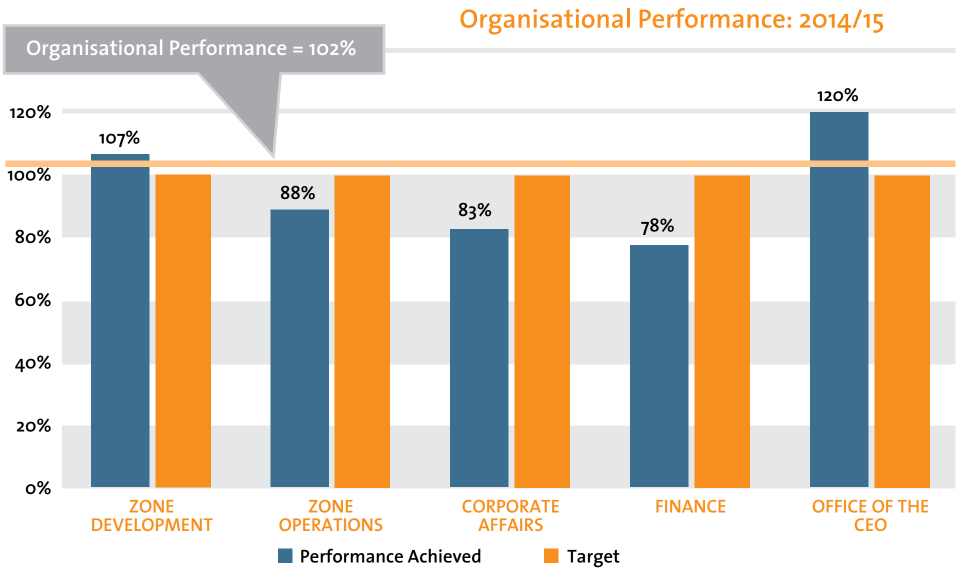
PART B:

Performance Information

Organisational Performance

KEY STRATEGIC OBJECTIVE ACHIEVEMENTS

GRAPH - ORGANISATIONAL PERFORMANCE AGAINST STRATEGIC GOALS 2014/15



The organisation yielded a score of 3.1 out of 5 for its achievements against predetermined objectives,...

Notwithstanding the challenging economic environment, the ELIDZ exceeded its overall performance target for the 2014/15 financial year. The organisation yielded a score of 3.1 out of 5 for its achievements against predetermined objectives. This translates to 102% for inclusive organisational performance. There are various factors which influenced these positive results. These include the following:

- Ability to convert investment pipeline into secured investors (the ELIDZ secured 6 investment projects against a target of 5).
- Ability to secure long-term leases with investors and tenants.
- Success in the development of new sector technology and incubation of related prototypes
- Exceeding set targets on internships
- Average electricity availability exceeded

An indepth discussion on the individual indicators under the respective programmes is contained in the programme performance overview sections of this report.

The programme performance sections also reveal areas in which the ELIDZ was unable to meet its targeted objectives. It must be noted, however, that whilst there were areas of under-performance, the impact of these on the ELIDZ's ability to attain its 5 year performance targets was minimal, mainly owing to the organisation's high performance trends in the first 4 years of the 5 year strategic cycle. The underperformance can be attributable to the following factors which impacted on the organisation's ability to operate optimally:

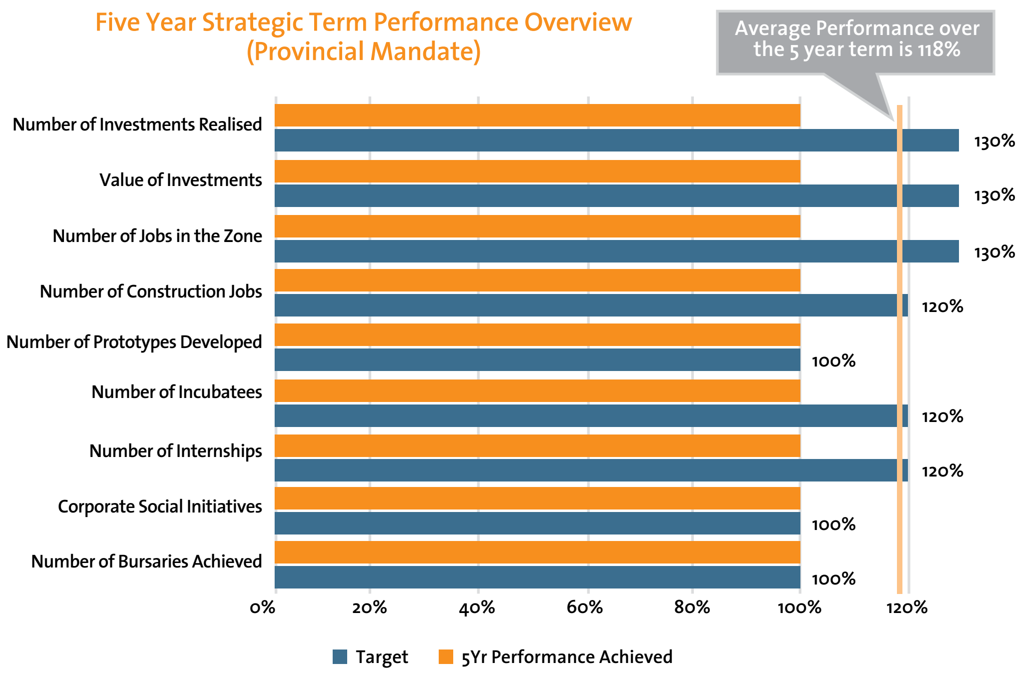
Changing institutional arrangements: One of the key contributors to the ELIDZ value proposition is the ability for the organization to build super-structures to lease to targeted strategic investors. This was challenged in the period under review due to changes in the funding mechanism for IDZs which included the introduction of the Special Economic Zones fund and the changes in some of the funding conditions.

Funding Shortfall: For the five year strategic cycle, the ELIDZ was under-funded by R147 million due to the devoting of funding in 2012/13 and the impact of that on the funding baseline for future years. The under-funding limited the ELIDZ's ability to fund all programmes that would lead to the attainment of its strategic objectives for the medium term – despite this factor, the performance targets were not altered for future years to align to the funding shortfall.

The under-funding limited the ELIDZ's ability to fund all programmes that would lead to the attainment of its strategic objectives...

Changes in economic and administrative landscape: The 2014/15 financial year saw various changes in the ELIDZ's operational environment which impacted on the ELIDZ's ability to swiftly undertake its core mandate of attracting strategic investments into the zone. This included the following:

- Continued electricity crisis impacting on the levels of international investor confidence and the ability for the ELIDZ to bed down strategic investments
- New controls introduced by Provincial Treasury which limited the ELIDZ's ability to swiftly undertake land transactions with the private sector.



The five year overview on performance poses a more encouraging outlook by achieving an average of 118% performance over the strategic term. The period has seen the achievement of 22 Investors with an investment value of R1.92 bn.

The period has seen the achievement of 22 Investors with an investment value of R1.92 bn.

Overview of Service Delivery Environment 2014/15

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The Department of Trade and Industry's (dti) process to deliver new legislation for an expanded SA zones sector reached a milestone in May 2014 when its Special Economic Zone (SEZ) Bill was translated into the Special Economic Zones Act No. 16 of 2014. This followed a process of public consultation to draw comment on the legislation from stakeholders, including the existing IDZs (whose projects will be absorbed and form part of the new SEZ programme, after a transitional phase of three years).

The SEZ Act was assented to by the State President, but has yet to be brought into force on a date still to be gazetted. In the interim, the dti has been active in developing a set of supportive regulations which must be finalised to accompany the Act before the formal commencement of the legislation. The Act is largely enabling in nature and contains a range of matters which the Minister must direct by way of the issue of regulatory prescriptions.

The Act is designed to address several positive changes, which are aimed at dealing with identified weaknesses that beset the current IDZ Programme.

The Act is designed to address several positive changes, which are aimed at dealing with identified weaknesses that beset the current IDZ Programme. It aims to clarify institutional arrangements across the spheres of State, create a basis for improved programme support tools (incentives) and introduces a new funding approach via the operation of a national SEZ Fund. The intended funding model also includes aims to incite participation of both development financial institutions (DFIs) and private investment for future Zones delivery.

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 has also issued its comments on the set of draft regulations issued by the dti. However, on the whole, the legislative process is seen as a welcome development in strengthening the programme's foundations and value proposition.

Emergence of New Programming Dispensation
Movement towards the design and delivery of new programming and the issue of requisite legislation is considered to be a positive development, by and large. Improvements mooted in the emerging commitment of government, as set out in the broad construct of the SEZ Policy and the SEZ Act No 16 of 2014, embrace plans to:

- Expand the provincial reach, type and footprint of economic zones;
- Create a framework for improved inter-governmental industrial developmental planning; and
- Improve on programme design and support measures.

...SA zones programme stands finally to receive some distinctive benefits...

After a long wait, the SA zones programme stands finally to receive some distinctive benefits to arm it in its efforts to attract and retain needed inward investment by foreign industries as well as domestic investment into industrial expansion, upgrading and concomitant job creation. Government has signalled its appetite to extend new and more attractive incentive offerings to Zone Enterprises in a bid to generate more solid economic impact from the SEZ Programme than has been possible under the IDZ regime.

Eyed incentive improvements -- for qualifying applicants -- include;

- A lowered corporate tax rate of 15% to selected, qualifying SEZs;
- An entry-wage level employment incentive (applicable in relation to Zone employment of job candidates earning below R60K/p.a).
- Extension of an accelerated depreciation allowance to incentivise private sector tenant facility construction, with depreciation of improvement value at 20% p.a.
- Continued provision of the current import duty and VAT suspension for approved and registered Customs Controlled Area Enterprises (CCAE);
- Continued provision of the current Section 12i tax concessions for investment for qualifying capital expenditure;
- Stepped up support to streamline authorisation and permitting processes through the setting up of 'one-stop-shop' inter-governmental services facilities.

Emergence of New Sector Participation Conditionality

While a broad platform is emerging to drive industrial development via SEZ projects, particularly in previously dis-enfranchised regions, it should also be observed that this is accompanied by more pronounced regulatory prescriptiveness that is to be exercised by national government under its prerogative to approve and empower Licensees and Operators to participate in the SEZ Programme.

A variety of programme participation conditionality requirements is expected to be applied and will be shaped by the Act's final regulatory pronouncements on Ministerial powers concerning the direction of programme purpose and other matters of strategic direction.

A groundswell of expectation is emerging among developmental role-players at provincial level that the Zones sector should be maturing to offer a far more robust industrialisation model, reflective of more integrated, eco-systemic development action and support. This potential conflict between national desires and provincial imperatives, if not considered and mediated in the programme design, may prove to be the demise of the well-intended improvements of this important intervention.

the Zones sector should be maturing to offer a far more robust industrialisation model, reflective of more integrated, eco-systemic development action and support.

Early signals from the dti were suggestive that the zones programme was being oriented to become leaner and focused -- rather than it being positioned to deal holistically with the entire industrial eco-system in a broad and integrative manner. The issue, however, remains difficult to read for operators in the sector, since the foundational policy statement for the SEZ Programme is clear in articulating the desirability for such holistic industrial development response across the spheres of government. This broad intent is, however, fundamentally narrowed and constrained in the actual instruments the SEZ is seeming moving to institute and enable via the Act – but may be realised in the longer-term with due programme development and resourcing.

Utility of Zones as Provincial Developmental Instruments

The SEZ Act continues to rely on engagement and support to be drawn from an intermixture of existing government programmes and agencies, with an expectation that the Intergovernmental Relations Framework will serve as an adequate collaborative mechanism. If not well managed, this may simply re-enact the programming co-ordination weaknesses that the IDZ Programme faced.

The Act also does not institute or guarantee formal collaborative mechanisms at the highest programme level (national Advisory Board) for the strategic orientation and deployment of Zones to attune the programme to the economic and industrial development strategies under the command of Provincial Premiers/MECs responsible for industrial development.

The SEZ Act creates the legislative machinery for the issue of requirements criteria, conditions, guidelines and regulations that will prescribe a very wide range of matters within the discretion of the dti Minister (via the national SEZ Advisory Board and Secretariat). To the extent that these may curtail the executive or developmental options of Premiers or MECs to drive for strategic industrial development outcomes, a question may be raised as to whether enough intergovernmental collaborative mechanisms will be rolled out to ensure balance influence over matters deemed in the Constitution to be of concurrent competence to the provincial sphere and its institutional entities.

Challenges of the Emerging Funding and Resourcing Regime

A major intended SEZ policy improvement seeks to engineer greater funding and resourcing assurance and predictability. However, early signals on dti funding models/proposals suggest there are moves to institute a curtailment in funding support relative to certain types of activity, like property improvement funding of tenant facilities (as has been possible under the IDZs programming).

Far more complex conditionality and variation in the nature of funding support over the project life-cycle is expected with introduction of a reducing scale exposure for the national SEZ Fund (and with a typically growing financial responsibility attaching to the provincial Licensee / Shareholder). The latter is expected – under the legislative prescripts – to take on financial commitments for the long-term Zones' Operations and Maintenance budgetary requirements. There is a potential for funding shortfalls to arise against currently budgeted long-term business plan expenditure, particularly in light of the emergence of significant fiscal pressure on both the national and provincial Treasury resources.

There is a potential for funding shortfalls to arise against currently budgeted long-term business plan expenditure, ...

Heightened financial pressure is also a prospect if IDZ applications to share in SEZ Fund support are discovered to be constricted for any reason (due to criteria-based disallowances or even merely due to institutional/procedural delays in obtaining funds access).

It has been signalled that the SEZ Fund will operate for subscription applications for and while it's voted funding resources are available. It is not clear if there may be a break in funding availability if the SEZ Fund is depleted and is not replenished with a new funding allocation immediately.

A consequence of the changing funding and resourcing landscape is that Zone Operators may be obligated to reconsider and re-validate their long-term project business model/philosophy; the national SEZ Programme has yet not yet defined and simulated a robust Business Model for IDZ/SEZ operating entities. Until the regulations and protocols for financing are finalised to address these matters comprehensively, it becomes difficult for IDZs/SEZs to plan their delivery of infrastructure, superstructures and services with a measure of confidence and precision.

Project Implementation Impact of Provincial Fiscal Pressures

In 2014/15 the service delivery environment was not affected by national programming uncertainties alone; developments at the provincial level also served to impact project delivery (and performance against the ELIDZ's long-term targeted objectives).

Operating with a funded total budget provision that had experienced a major contraction in the 2012/13 financial period, the ELIDZ has been struggling ever since to sustain a momentum to its business development efforts. These have had to be re-geared in the reality of the post-2013 depressed levels of financial resourcing that provincial treasury resources now avail to the ELIDZ under ever tightening austerity conditions.

This situation is leaving the organisation with restricted financial manoeuvrability to respond to its market potential in an agile and intentional manner. It has also effectively curtailed the intended rate of growth of own revenue generated per annum (which, in turn, is crucial for the entity's trajectory towards financial self-sufficiency).

Particularly susceptible to these developments is the momentum and eventual realisation of high-impact investment projects, such as the ELIDZ's multi-model OEM automotive facilities (MMOEM).

This project has been a strong focus within the ELIDZ business development efforts in recent financial periods but is placed into jeopardy by the fact that its go ahead hinges critically on the securing of sufficient funding commitment across the spheres of government. Such commitment typically overwhelms the funding capacity of the current SEZ Fund resources and is also problematic in relation to the funding contribution to be sought from provincial treasury sources under the currently depressed fiscal climate.

Limitation on Land Sale Transactions

A sensitivity of provincial Treasury towards the sale of land by IDZ operators has also emerged and has served to delay the finalisation of deals in progress in the course of 2014/15 (which had been conceptualised with the affected clients as land sale transactions).

The existing IDZ legislation permits sales of land and the ELIDZ maintains a policy to limit the total hectares of land that it markets for sale transaction, but these controls have not been found to satisfy Treasury concerns. Treasury is calling for additional approval procedures to be instituted for land sale deals. In consequence, the ELIDZ is facing a delay in finalising the affected land take up and in generating and utilising the associated income of such deals. This, in turn, is expected to delay the achievement of the investment-related direct outcomes and indirect performance impacts, especially in the short-term.

Efforts are being made to resolve this difficulty in conjunction with Treasury authorities and it is hoped that an accommodation will be found that will not place the ELIDZ at risk of loss of land sale deals due to expiry of investor interest in the event that an overly lengthy or onerous approval procedure may be applied.

Performance Outlook

Taken together, the national-level and provincial-level challenges impacting its operating environment have dented the ELIDZ's confidence of posting significant performance outcomes for the 2015/16 period.

challenges impacting its operating environment have dented the ELIDZ's confidence of posting significant performance outcomes for the 2015/16 period.

With limited financial scope to construct and deliver top-structures for lease clientele and a prospect of the delay (or even possible disallowance) to effect land sales to sale clientele, the entity is left to drive transactions largely on the basis of the lease of undeveloped land. This produces a much lower income potential for the business and effectively narrows its target market for investor clientele.

Collectively, this can be expected to impair the annual rates at which attendant socio economic impacts (like investment values and jobs) can be expected to be generated. It also constrains the revenue outlook for the entity and limits its capacity to drive or extend various revenue-linked activities in a number of areas, including its allocation of resources to corporate social investment programmes.

Revenue
& Expenditure

Organisational Operating Budget versus Expenditure

Voted Funds

	INCOME						EXPENDITURE					VARIANCE		
	Budget DEDEAT 2014 /2015	Budget Dti 2014 /2015	Trading and Finance Income	Other Funding	Prior Year Income (Roll-over)	Ad-justed Income 2014 /2015	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	15 063	0	0	-	-	15 063	3 516	4 666	4 285	2 510	14 977	15 063	86	1%
Science & Technology	11 394	0	3 800	-	-	15 194	2 269	2 107	2 074	6 545	12 995	15 194	2 199	14%
Corporate Affairs	39 895	0	0	-	0	39 895	10 609	9 905	12 689	6 470	39 673	39 895	222	1%
Financial Management	18 859	0	0	-	-	18 859	3 667	6 665	5 202	3 213	18 747	18 859	112	1%
Zone Development	1 221	0	26 606	-	-	27 827	5 072	17 428	-1 347	6 629	27 782	27 827	45	0%
Zone Operations	13 386	0	67 685	-	-	81 071	13 443	17 230	25 482	23 415	79 571	81 071	1 500	2%
Total Vat exclusive	**99 817**	**0**	**98 091**	**-**	**-**	**197 908**	38 576	58 001	48 385	48 781	193 743	197 908	4 165	2%
Output Vat Required	**13 974**	**-**	**-**	**-**		**13 974**								
Total Vat inclusive	**113 791**	**0**	**98 091**	**-**	**-**	**211 882**								

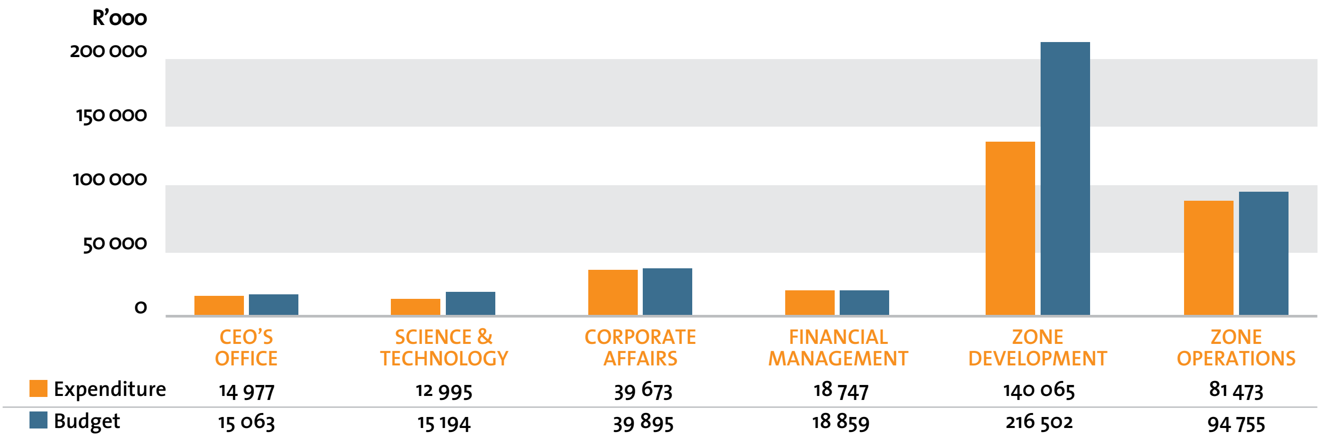
Organisational Operating Budget and Infrastructure Budget versus Expenditure

Voted Funds

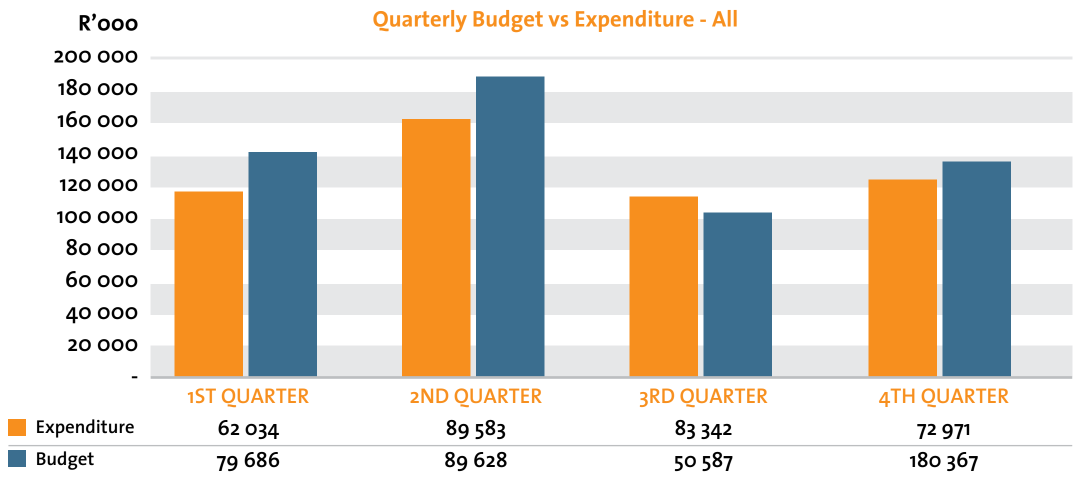
	INCOME							EXPENDITURE					VARIANCE		
	Budget DEDEAT 2014 /2015	Budget Dti 2014 /2015	Trading & Finance Income	Other Funding	Prior Year Income	Short-fall	Adjusted Income 2014 /2015	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL	Income Year-to-Date	Variance	% Variance
DEPARTMENT	**R'000**	**R'000**	**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	15 063	0	0	-	-		15 063	3 516	4 666	4 285	2 510	14 977	15 063	86	1%
Science & Technology	11 394	0	3 800	-	2 120		15 194	2 269	2 107	2 074	6 545	12 995	15 194	2 199	14%
Corporate Affairs	39 895	0	0	-	0		39 895	10 609	9 905	12 689	6 470	39 673	39 895	222	1%
Financial Management	18 859	0	0	-	1 200		18 859	3 667	6 665	5 202	3 213	18 747	18 859	112	1%
Zone Development	4 729	101 417	26 606	28 240	55 510		216 502	28 530	49 010	33 610	28 915	140 066	216 502	76 437	35%
Zone Operations	13 386	8 547	67 685	-	5 137		94 755	13 443	17 230	25 482	25 318	81 473	94 755	13 282	14%
Total Vat exclusive	**103 326**	**109 964**	**98 091**	**28 240**	**60 647**	-	**400 268**	62 034	89 583	83 342	72 971	307 929	400 268	92 338	23%
Output Vat Required	**14 466**	**15 395**	-	-			**29 860**								
Total Vat inclusive	**117 792**	**125 359**	**98 091**	**28 240-**	**60 647**		**430 127**								

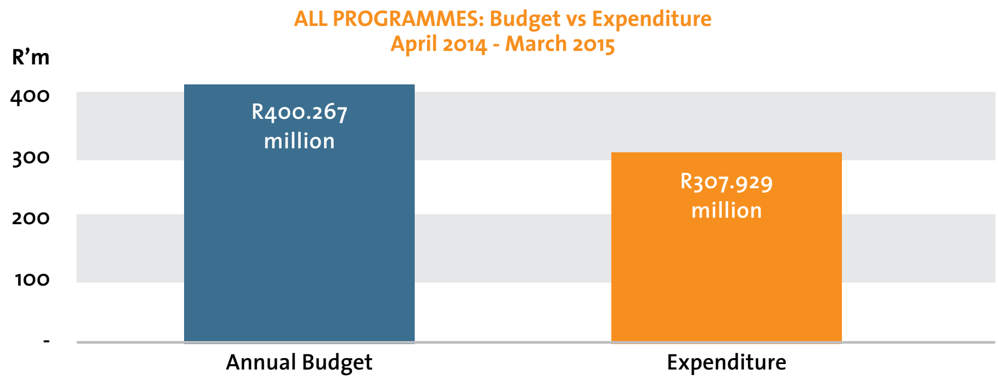
The infrastructure underspending has contributed to the 23% variance, largely because some projects are yet to be completed. The majority of both superstructure and infrastructure projects undertaken by ELIDZ are multi-year projects spanning 2-3 financial years and as such, requisite application for 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



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





The graph above reflects the annual expenditure performance of all programmes as against the budget forecast

ORGANISATIONAL EXPENDITURE FROM DEDEAT FUNDS

The operational budget for the 2014/15 financial year, accumulated for all programs totalled to R229 million. This was funded through grant funding from DEDEAT to the amount of R99 million and ELIDZ revenue to the amount of R98 million. This translated to a shortfall of R30 million on the budgeted operational expenditure for the 2014/15 financial year. This shortfall was eliminated through the adjustment of the budget by R32 million to an amount of R197 million during the mid-year budget adjustment process. This was achieved through the introduction of various austerity measures to curb spending in line with the funding availability.

The Operating budget vs Expenditure variance for the financial year 2014/15 was at 2%. The main contributor to the positive variance was the fund related to the Stem Cell Project which was delayed due to legal issues and will be rolled over to the 2015/16 financial year.

SUMMARY OF ELIDZ REVENUE

The Revenue projections for the ELIDZ for 2014/15 were approved at R90.835 million. The revenue generated during the year was slightly below this target at R90.196 million. This was due to lower than forecasted Sale of Land transactions as a result of changes in the operational environment. Additionally, the period under review also saw the ELIDZ's income from services slightly reduced. It should, however, be noted that the year-on-year growth was 8%. The budgeted and actual revenue figures for the 2014/15 financial year can be seen in the table below:

Revenue Items	Annual Forecast	Actual
Rentals	39 060 623	38 736 088
Zone Levies	687 274	683 842
Sale of Land	5 367 325	1 431 316
Utilities Income	31 333 675	45 768 818
Other Income	14 387 000	3 576 481
	90 835 898	**90 196 544**

PROGRAMME PERFORMANCE
AND TREND REPORT

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
1.1.1 Number of New investment agreements(FDI and Domestic) signed between the ELIDZ and the approved investor per annum	4	5	6	120% of the target was achieved, with a positive variance of 20%. The positive performance is attributed to the realization of a Renewable Energy Project, Wind Farm, other investors include two Aquaculture investors, two, automotive investors and one other renewable energy investor.
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.	R622m	R600m	R 267.5 m	A negative variance of 55% was realised, 45% of the target achieved. The under performance is attributed to the investors pledging a lower value which is not within the control of the organisation.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
6.2.1.a Cumulative Number of reported Manufacturing and Services industries permanent jobs in existence as at financial year end by the IDZ Investors, IDZ Operator and its service providers	2 992 Jobs	3 740 Jobs	2 932 Jobs	A cumulative value of 2932 jobs were recorded for the year under review. The variance of -22% is attributed to investors not settling in time to realise the jobs that were pledged.
6.2.1.b Cumulative number of actual reported Construction job opportunities attributable to annual construction activity	1 571 Jobs	1 760 Jobs	285 Jobs	A cumulative value 285 construction jobs were created against the annual target of 1 760 jobs, creating a variance of -84%. The planned construction projects did not materialize, some of it due to funding challenges.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
6.4.3a Number of Intern / Learnership contract opportunities offered per annum within the operations of IDZ-appointed Service Provider organisations (including construction contractors)	22	5	15	200% positive variance. This is due to the agreement held with each contractor employed at the IDZ to take on interns as part of the contract.

PERFORMANCE INDICATORS – INTERNAL OR OTHER STAKEHOLDERS

PROGRAMME PERFORMANCE FOCUS AREA: Retain investors and investments (1E)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2013/14)	Target (2014/15)	Actual (2014/15)	
1.1.3 Average duration of lease terms (in months) for new annually signed IDZ lease investors' tenancy commitments	117 months	94 months	118 months	The positive variance of 26% is attributed to the sale of land that equates to 240 months. The average duration of leases for the year under review is 118 months.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
5.1.1 Year-on-year percentage growth in total revenue income attributable to core IDZ Operations (property Sale and Lease transactions).	32.00 %	22.00 %	-2.30%	The annual revenue has declined by 2.3% year-on-year due to the restrictions on the Sale of Land Transactions imposed on the entity during 2014/15.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
5.2.1 Average vacancy rate per annum in IDZ-constructed operational Tenant Facilities	1.78%	4%	1.43 %	1.43 % vacancy rate achieved exceeds annual target of 4%. A lower rate is desired, The positive performance is indicative of the constructed facilities being optimally utilized.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
6.2.3 Percentage of annual Infrastructure/Superstructure Budget utilised at year-end (inclusive of transacted expenditures and year-end financial commitments).	100% (83% spent, 17% committed)	85%	56%	The KPI recognizes the committed budget in the target, where 85% of the budget should be spent on projects within the period under review and 15% committed to the next financial period. The performance of the KPI showed a 34% negative variance from the target. This is attributed to projects that have experienced delays in being started.

PROGRAMME PERFORMANCE
AND TREND REPORT

Zone Operations

Programme 2: Zone Operations

PROGRAMME PURPOSE:

To operate a commercially viable, effective, attractive and sustainable, specialized industrial destination through the pursuit of value – adding strategies, sound Safety, Health & Environmental (SHE) Management of operational and other activities, effective planned preventative maintenance, facilities management, as well as planned expansions and alterations to existing infrastructure and factories in the zone. We are looking to develop and implement extensive after care programmes in order to retain existing customers. To further augment EL IDZ sustainability, we strive to increase the range of centralized service offerings to our current and future investors and to decrease the cost of doing business. In addition, Zone Operations ensures the retention of the existing ISO 14001 and ISO OHSAS 18001 SHE Management systems accreditation, through effective monitoring and control of SHE risks, as well as compliance to applicable SHE legal and other requirements in the Zone. Functions to co-ordinated the Zone Operations programme include:

- Customer Relations Management;
- Help Desk;
- Maintenance, Facilities & Operations Management;
- Investor Support Services Management;
- Safety, Health, Environmental & Security Management;
- 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 (2013/14)	Target (2014/15)	Actual (2014/15)	
2.1.1 Surveyed level of Customer Satisfaction with ELIDZ products and services quality levels	74.4%	90.00%	73.2 %	The ELIDZ achieved a Customer Satisfaction rating of 73.2% against a target of 90%. The variance is as a result of various factors including the slow take off of the SEZ Programme resulting in the delay of the implementation of the incentives for investors, challenges experienced with the institutionalization of the Customs Controlled Area benefit for various industries in the zone and low satisfaction with various factors which are beyond the ELIDZ's control. An example of this is the bus transportation service which is offered by a third party that he ELIDZ has no control over

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
3.1.1 Services Average Availability rate of IDZ utilities services	100%	98.00%	99.49%	The ELIDZ achieved 99.49% services average availability rate of utility (electricity) services exceeding target of 98% for the FYE 2014/15. The ELIDZ has been able to achieve this higher availability of electrical services supply to the Zone, due to stakeholder management with Eskom and BCMM. The planned maintenance on all electrical equipment also enabled the positive performance of this KPI.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
5.1.2 Annual Improvement in Gross Income from all Zone Services receipted per annum	R 1 533 878	R 1.6m	R 1 503 629	The negative variance of 6% is explained by the decline in conference hire income over the last quarter.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
5.3.1 Annual Disabling Injury Frequency Rate (DIFR)	0.3	0.45	0.94	The underperformance variance is greater than 100%. The KPI is influenced by the number of man-hours emanating from construction work for tenant facilities for the investments realised, at the ELIDZ. The decline on the performance in number of investors realised and in some cases the late realization of the investments created a decline in related construction work man-hours; thereby resulting in a decline in the performance of the KPI.

PROGRAMME PERFORMANCE
AND TREND REPORT

Office of the Chief Executive Officer

Programme 3: Office of CEO

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 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).

  Currently active special projects supported by the ELIDZ include:

  - Science and Technology Park Project.

PROGRAMME 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 (2013/14)	**Target (2014/15)**	**Actual (2014/15)**	
6.4.1 Cumulative Number of Corporate Social Investment (CSI) projects administered in ELIDZ CSI Programme	10	9	8	The 11% variance for underperformance is attributed to the 1 CSI project being canceled due to the funding constraints endured by the organisation.
6.4.2 Number of active bursaries in ELIDZ Bursary Award Programme	8	10	10	100% performance achieved for this KPI

SUB-PROGRAMME: SPECIAL PROJECTS

STRATEGIC OBJECTIVE

The Office of the CEO is currently driving the development of a pilot Science and Technology Park (STP) within the environs of the East London IDZ

This project has a distinct industrial networking and programme advocacy mandate and is recognised for its 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 project 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.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
6.3.1 Number of prototypes produced in the Science and Technology Park (STP)	2	2	2	100% Performance. The two prototypes are the Heatraider and the Twerly.

Performance INDICATORS – Internal or Other Stakeholders

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
6.3.2 Number of entrepreneurs in the incubation programmes (in targeted sectors)	78	80	89	The positive variance of 11% is indicative of the incubator's efficiencies in the Science and Technology Park.

PROGRAMME PERFORMANCE AND TREND REPORT

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 (2013/14)	**Target (2014/15)**	**Actual (2014/15)**	
6.4.3a Number of Intern / Learnership contract opportunities offered per annum within the operations of IDZ-appointed Service Provider organisations (including construction contractors)	22	5	15	200% positive variance. This is due to the agreement held with each contractor employed at the IDZ to take on interns as part of the contract.
6.4.3b Number of Intern / Learnership contract opportunities offered per annum within the operations of the ELIDZ organisation.	26	28	37	32% positive variance performance. Interns were employed as budgeted and some managed to secure permanent employment and were replaced accordingly. We also managed to secure other sources of funding for the internship programme such as the Itukise internship programme.

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 OF FY 2014/15				
PROGRAMME PERFORMANCE FOCUS AREA: Implement employee development programmes (4C)				
Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2013/14)	Target (2014/15)	Actual (2014/15)	
4.1.1 Percentage of employment-related expenditure within the past quarter spent on targeted training initiatives to develop identified organisational core competency areas.	2.69%	3%	4.52 %	A positive variance of 50.7%, the target was exceeded due to a variety of formal training programmes which took place during this period. These include but not limited to Prince 2 Training, Management development programme and tertiary education training offered through the bursary scheme.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
4.2.1 Rate of staff turnover per annum	13.3%	5.00%	11.24%	The negative variance of 56.7% is attributed to many employees resigning during the period under review. 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 achieve a low staff turnover rate but due to changes that took place in the Finance business unit, the lower rate could not be achieved. The fluctuating budgetary situation also presents an unstable environment.

ACHIEVEMENTS HIGHLIGHTS

Skills Development and Employment Equity

The year under review saw a second successful year of the residing of the Employment Equity & Skills Development Committee that was established as required by the Employment Equity and Skills Development Act. An Employment Equity plan was developed and approved by the Board. The organisation has placed much focus on the Employment Equity plans and activities and we are realising the EE targets incrementally. One (1) African Female was employed in the Senior Management category which was a 2016 target. Also in the Professional qualified and experienced specialists and mid- management category, one (1) Coloured male was employed as against the target of two Coloured males. We are still experiencing some challenges in achieving targets in the Skilled Technical and academically qualified workers, junior management, supervisor, foreman and superintendents. Employment Equity reporting is done annually to the Department of Labour.

The Department of Labour conducted an assessment and provided the ELIDZ with positive results. However, there is continued focus to improve the EE and SD of the organisation. In terms of skills development the organisation has been developing and submitting the Workplace Skills Plan to Services SETA annually. Formal training has been conducted in Project Management Fundamentals, Prince 2 Foundation, Prince 2 Practitioner and Programme for Management Development. There is also the Bursary Committee which is responsible for analysing bursary applications and recommending approvals to the CEO. The committee sits once per year. Three bursaries were awarded in during the year under review.

Integrated Enterprise Resource Programme

The ELIDZ started an ERP implementation process in 2013/14, the project has reached its maturity where it is at a point of doing User Acceptance Training. The benefits of the ERP will include having a Project Management, Strategy Management, Risk Management, and an Integrated Performance Management Module, these are just to name a few.

PROGRAMME PERFORMANCE
AND TREND REPORT

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
5.1.3 Average collection period in days for collection and receipting of monthly debtors' income.	25 Days	30 Days	27 Days	10% positive variance for the adjusted debtor's days. The calculation excludes debtors that have been handed over to the legal department.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
6.1.1 Assessed ELIDZ BBBEE Status (contribution level)	Level 3 status	Level 2 status	Level 3 status	The organization is still awaiting the new BBBEE Certificate that the entity applied for during the 4th quarter of 2014/15. The new certificate will be issued in accordance to the new BBBEE regulations.

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 (2013/14)	Target (2014/15)	Actual (2014/15)	
6.2.4 Percentage of annual Operating Budget utilised at year-end (inclusive of transacted expenditures and year-end financial commitments).	100%	100%	98%	The underspending of 2% is due to delay in the Stem Cell Project and ERP Implementation, caused by project delays. The funds are however committed to be spent during 2015/16.

PART C:

Corporate Governance

Corporate Governance

INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. It defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation, it determines the rules and procedures for making decisions on corporate affairs (including the process through which the organisation's objectives are set) and provides the means of attaining those objectives and monitoring performance. Importantly it defines where accountability lies throughout the organisation.

In addition to legislative requirements based upon the ELIDZ's enabling legislation and the Companies Act of 2008, corporate governance is applied through the precepts of the Public Finance Management Act of 1999 (PFMA) and in accordance with the principles contained in the King III Report on Corporate Governance and the Protocol on Corporate Governance, 2002.

The ELIDZ is committed to upholding the highest standards of corporate governance by complying with legislation applicable to it as well as aligning itself to non-binding rules, codes and standards such as the King report and governance protocol. Parliament, the Executive and the Board of the ELIDZ are responsible for corporate governance.

PORTFOLIO COMMITTEE

Parliament exercises its role through evaluating the performance of the ELIDZ by interrogating its annual finance statements and other relevant documents which have to be tabled as well as any other documents tabled from time to time.

The Standing Committee on Public Accounts (SCOPA) reviews the annual financial statements and the audit reports of the external auditor, which in the case of the ELIDZ, is the Auditor-General of South Africa (AGSA).

The Portfolio Committee exercises oversight over the service delivery performance of the ELIDZ and as such reviews the non-financial information contained in its annual report. The committee is concerned with service delivery and enhancing economic growth.

The ELIDZ met with the Portfolio Committee on 14 July 2014 and 6 November 2014. Some key issues raised at the meetings by the Portfolio Committee were:

- The effect of the SEZ Act on the ELIDZ - The ELIDZ confirmed that the Act was welcomed by the entity and it was hoped that the Act would create tangible incentives that could be used to attract investors into the zone. The ELIDZ has undertaken the preparation of plans so as to align with the institutional arrangements contained in the Act. The ELIDZ has actively participated in reviewing and submitting comments to the draft regulations to the Act that have been published.
- The development and assistance of SMMEs – The ELIDZ has various programs that assist in skills development of SMMEs. It is committed to mobilising small contractors and providing them with the necessary training and development in association with SEDA and some municipalities. R3.9 million was spent on incubating SMMEs in the last financial year.
- The plans underway to create a self-sustainable entity – The ELIDZ has a 20 year plan to create a self-sustainable entity. This plan is reliant upon the generation of rental income from investors in the zone. The entity has already taken steps to generate its own revenue in the form of telephony and ICT services. A challenge to this plan is the current lack of incentives to attract investors to the zone.

EXECUTIVE AUTHORITY

The Executive Authority is authorised in terms of the provisions of the PFMA to exercise oversight over the ELIDZ.

The Executive Authority has the power to appoint and dismiss Board members and is also responsible for ensuring that the Board comprises of the appropriate mix of executive and non-executive directors, as well as ensuring that the members have the necessary experience and skills to perform the functions and fulfil the duties of directors.

THE BOARD OF DIRECTORS

The Board of Directors is the accounting authority of the ELIDZ and constitutes a fundamental base for the application of corporate governance principles. The ELIDZ is directed and controlled by an effective and efficient Board, which comprises of an appropriate mix of non-executive directors who have the necessary skills and experience to strategically guide the company.
The role and function of the Board of the ELIDZ is as follows:

- To act as the focal point for and custodian of corporate governance;
- To inform and approve the strategy of the Company;
- To provide effective leadership based on an ethical foundation;
- To ensure that the Company is and is seen to be a responsible corporate citizen;
- To ensure that the Company's ethics are managed effectively;
- To ensure that the Company has an effective and independent audit committee;
- T be responsible for the governance of risk;
- To be responsible for information technology governance;
- To ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards;
- To ensure that there is an effective risk-based internal audit;
- To appreciate that stakeholders' perceptions affect the Company's reputation;
- To ensure the integrity of the Company's annual report;
- To report on the effectiveness of the Company's system of internal controls;
- To act in the best interests of the Company;
- To appoint the Chief Executive Officer and establish a framework for the delegation of authority. The Board shall ensure that a succession plan is in place for the CEO and other members of executive management.

BOARD CHARTER

The Board of the ELIDZ has a charter setting out its role and responsibilities. The charter was drafted in accordance with the provisions of the Companies Act of 2008, the PFMA, the principles contained in the King Code and the Memorandum of Incorporation of the Company.

The Board charter of the ELIDZ confirms:

- The role and function of the Board
- The appointment and terms of office of Board members
- The process for termination of office of Board members
- The structure and function of Board committees
- The roles and responsibilities of the Chairperson of the Board, the Chief Executive Officer and the Company Secretary
- The process for performance evaluations of the Board and its Directors
- The procedure for meetings of the Board
- The rules regarding remuneration of Directors

The charter furthermore confirms that the Board is responsible for:

- Corporate governance
- Determining the ELIDZ's strategic direction
- Control of the company
- Ensuring that management cultivates a culture of ethical conduct
- Determining the values to which the company will adhere and incorporating these values into a code of conduct
- Ensuring that integrity permeates all aspects of the ELIDZ's operations and that the Company's vision, mission and objectives are ethically sound
- Aligning its conduct and the conduct of management with the values that drive the Company's business
- Considering the legitimate interests and expectations of the Company's stakeholders in its deliberations, decisions and actions

The documents which inform the Board charter form part of the Board induction process and training program. Compliance with the charter is also monitored by way of the work plans of the Board and its committees.

COMPOSITION OF THE BOARD

The Board of the East London IDZ comprises of 8 non-executive directors as of 31 March 2015. The Chief Executive Officer is an ex officio member of the Board. The Executive Authority is responsible for appointing the Board and the Chairman of the Board, and also determines the conditions of their service. The directors are drawn from diverse backgrounds and bring a wide range of experience and professional skills to the Board and its sub-committees.

The evaluation of the Board, its committees and the individual Directors is performed on an annual basis.

The Board met several times during the financial year in order to discharge its responsibilities. The following schedule contains a list of meetings attended by each Director:

Name	Designation / membership	Date appointed	Date retired/ resigned	Area of expertise	No. of meetings attended
Zolile Milton Tini	Chairperson of Board and Executive Committee	29/01/2004	n/a	Business and Leadership Expert	7/7 Board Meetings 5/5 EXCO Meetings. 13 Ad Hoc meetings
Natasha Irene Meinie-Anderson	Chairperson of Audit and Risk Committee and member Executive Committee and ad hoc member of Finance and Tender Committee	29/11/2006	n/a	Finance and Public Sector Governance	7/7 Board Meetings 10/10 ARC meetings 5/5 EXCO meetings 2/5 F&T meetings 2 Ad hoc meetings
Sitembele Eric Mase	Chairperson of Finance and Tender Committee	27/10/2010	29/10/2014	Finance, Leadership and Business Management)	0/4 Board Meetings 0/3 F&T meetings 0/3 EXCO meetings
Cllr Pumla Nazo	Acting Chairperson and Member of Finance and Tender Committee	26/10/2011	n/a	Local Economic Development, Community Relations, Development Communications, Public Relations, Project Management and Local Government Management.	6/7 Board Meetings 2/5 EXCO meetings 5/5 F&T meetings 12 Ad Hoc meetings
Noxolo Stella Mteto	Member of Finance and Tender Committee	16/02/2012	29/10/2014	Legal	4/4 Board Meetings 3/3 F&T meetings 4 Ad Hoc meetings
Cllr Sakhumzi Caga	Chairperson of Investment Services Committee and member of Executive Committee	24/10/2012	n/a	Leadership and Project Management	6/7 Board Meetings 5/5 EXCO meetings 4/5 ISC meetings 7 Ad Hoc meetings
Phumla Mzazi-Geja	Member of Investment Services Committee	24/10/2012	n/a	Environmental Management and Conservation	1/7 Board Meetings 2/5 ISC meetings
Vuyo Sikwebu	Member of Audit and Risk and Investment Services Committee	01/11/2013	n/a	IT Governance and Strategy, Business Management	7/7 Board Meetings 9/10 ARC meetings 5/5 ISC meetings 9 Ad Hoc meetings

Name	Designation / membership	Date appointed	Date retired/ resigned	Area of expertise	No. of meetings attended
Ayanda Kanana	Member of Audit and Risk Committee	24/10/2012	n/a	Finance and Public Sector Governance	5/7 Board Meetings 8/10 ARC meetings 5 Ad Hoc meetings
Eugene Vincent Jooste	Member of Audit and Risk and Finance and Tender Committee	01/11/2013	n/a	Public Financial Management and Governance, Supply Chain Management, Public-Private Partnerships, Project Finance, Business Leadership and Management	7/7 Board Meetings 10/10 ARC meetings. 4/5 F&T meetings 9 Ad Hoc meetings.
Mpumelelo Saziwa	Member of the Investment Services Committee	29/10/2009	30/06/2014	Labour and Skills Development	0/1 Board Meetings 0/1 ISC meetings

CHANGES IN THE BOARD COMPOSITION IN 2014/15

Mr M Saziwa resigned as a Board member on 30 June 2014. Mr S Mase and Ms NS Mteto were retired as Board members at the Annual General Meeting of the ELIDZ held on 29 October 2014.

COMMITTEES

The board has the authority to delegate its power to executive structures and board committees. A delegation of authority framework is in place to facilitate this delegation. The Board has accordingly established the following sub-committees for the purposes as outlined below:

- Executive Committee;
- Audit and Risk Committee;
- Finance and Tender Committee;
- Investment Services Committee.

EXECUTIVE COMMITTEE (EXCO)

This committee consists of four non-executive board members. The Committee is responsible for

- Monitoring execution of the Company's strategic plans
- Performing the functions of a governance committee
- Performing the functions of a nominations and remuneration committee
- Performing the functions of a social and ethics committee in terms of the Companies Act of 2008
- Drawing matters within its mandate to the attention of the Board as the occasion requires
- Reporting, through one of its members, to the Shareholders at the Company's annual general meeting on matters within its mandate
- Reporting on a quarterly basis, through the Chairperson of the Committee, to the Board of Directors, on all matters submitted to the Committee for consideration and the outcome of each deliberation

AUDIT AND RISK COMMITTEE (ARC)

This committee is comprised of four non-executive directors. 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 and to amongst other things:

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

FINANCE AND TENDER COMMITTEE (F&T)

The committee is comprised of three non-executive directors as members. The Committee is responsible for:

- Reviewing policies and strategies relating to financial activities including the application for and utilisation of grants
- Deliberating on issues relating to the financial budget of the Company including the preparation of annual operating and revenue budgets and periodic budget reviews
- Awarding of tenders in accordance with the provisions of the Company's procurement policy and the delegation of authority matrix of the Board
- Reviewing the implementation of procurement procedures
- Determining and monitoring procurement targets

INVESTMENT SERVICES COMMITTEE (ISC)

The committee is comprised of three non-executive directors as members. The Committee is responsible for:

- Deliberating on issues relating to business development and in particular the attraction and placement of investment
- Reviewing and recommending to the Board revisions to business plans and targets as a result of investment trends
- Reviewing and recommending to the Board investor after-care strategies aimed at retaining and expanding investment in the Company and the provision of appropriate resources
- Reviewing and recommending to the Board strategies aimed at developing small medium and micro enterprises (SMMEs) aimed at improving local participation in manufacturing
- Reviewing and recommending to the Board strategies aimed at developing streamlined business services support to investors
- Reviewing and recommending to the Board strategies aimed at facilitating customer satisfaction;
- Reviewing and evaluation all investment proposals
- Considering national and international developments in the fields of trade and investment
- Considering local, provincial and national legislative policy developments in the field of investment promotion and facilities
- Considering potential risks associated with an investment
- Monitoring and evaluating all programmes and policies aimed at meeting the objectives and targets for development and operations of the zone

Committee	No. of meetings held	No. of members	Name of members
Executive Committee	5	4	Mr Z Tini (Chair) Ms N Meinie-Anderson Cllr P Nazo Cllr S Caga
Audit and Risk Committee	10	4	Ms N Meinie-Anderson (Chair) Mr A Kanana Mr E Jooste Ms V Sikwebu
Finance and Tender Committee	5	3	Cllr P Nazo (Chair) Ms N Meinie-Anderson (ad hoc member) Mr E Jooste
Investment Services Committee	5	3	Cllr S Caga (Chair) Ms P Mzazi-Geja Ms V Sikwebu

REMUNERATION OF BOARD MEMBERS

Board members are remunerated in terms of a non-executive director remuneration policy. The rates of remuneration are in accordance with the National Treasury Guidelines issued on 24 May 2013. Board members that are employed by the Executive Authority and/or ECDC are not remunerated for their services as Directors.

Board members are remunerated according to the following rates:

- Chairperson of the Board – R12 500.00 per sitting of the Board
- Member of the Board – R7 500.00 per sitting of the Board
- Statutory Committee chairs (ARC and EXCO) – R9 500.00 per sitting of the committee
- Statutory Committee members (ARC and EXCO) – R6 375.00 per sitting of the committee
- Chairperson of committee (other than ARC and EXCO) – R8 500.00 per sitting of the committee
- Member of committee (other than ARC and EXCO) – R6 375.00 per sitting of the committee
- Attendance of Board workshops, meetings with the Auditor-General, the MEC and the portfolio committee, adhoc meetings with the chairman and special approved requests for board members to work on certain matters – R2 800 per hour for the Chairperson of the Board, R1 667.00 per hour for statutory committee chairs (EXCO and ARC), R1 250.00 per hour for other members of the Board or Committee
- Attendance at external stakeholder workshops and presentations – R705.00 per hour for the Chairperson of the Board, R606.00 per hour for the Board and committee members
- Members of the Board furthermore receive a contribution towards their airtime at the rate of R319.00 for the Chairperson of the Board and R213.00 for the members of the Board
- Members of the Board that travel from out of town receive an out of town travel time allowance in the amount of R1277.00 per round trip
- Members of the Board are reimbursed for petrol used to attend ELIDZ commitments at the AA rate.

Name	Remuneration	Other allowance	Other re-imbursements	Total
Zolile Milton Tini	R 187 622.00	R 1 914.00	R 8 182.86	R 197 719.36
Natasha Irene Meinie-Anderson	R 193 644.50	R 1 427.00	R 2 658.25	R 197 729.75
Sitembele Eric Mase				* Not remunerated
Cllr Pumla Nazo	R 100 343.00	R 1 278.00	R 1 907.06	R 103 528.06
Noxolo Stella Mteto	R 70 375.00	R 7 663.00	R 28 248.33	R 106 286.33
Cllr Sakhumzi Caga	R 111 400.00	R 1 278.00	R 2 780.82	R 115 458.82
Phumla Mzazi-Geja				* Not remunerated
Vuyo Sikwebu	R 168 589.01	R 1 278.00	R3 856.37	R 173 723.38
Ayanda Kanana	R 117 916.00	R 8 940.00	R 46 381.83	R 173 237.83
Eugene Vincent Jooste	R 166 320.30	R 1 278.00	R 2 742.95	R 170 341.25
			Total Board Fees 2014/15	**R 1 238 024.78**

* Board members that are employed by the Executive Authority and/or ECDC are not remunerated for their services as Directors.

AUDIT AND RISK COMMITTEE

The audit and risk committee is tasked by the Board to carry out its statutory duties in terms of Section 77 of the PFMA, Treasury Regulation 27.1 and Section 94(7) of the Companies Act of 2008, as well as all other duties assigned to it by the Board.

The tabled below discloses relevant information on the audit committee members

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Ms N Meinie-Anderson	BComm, B Compt (Hons), CA (SA)	External	N/A	29/11/2006	N/A	10/10
Mr A Kanana	BComm (Hons), CA (SA),	External	N/A	24/10/2012	N/A	8/10
Ms V Sikwebu	Diploma in PC Business Skills, Certificate in Management Practice	External	N/A	24/10/2013	N/A	9/10
Mr E Jooste	BComm (Acc)	External	N/A	24/10/2013	N/A	10/10

COMPLIANCE WITH LAWS AND REGULATIONS

The ELIDZ has a legal register comprising of all laws and regulations that are applicable to it. The legal register comprises of general legislation as well as occupational, health and safety and environmental legislation. Compliance with the latter legislation is independently audited and verified on an annual basis.

COMPANY SECRETARY

The duties of the Company Secretary are as prescribed in the Companies Act and include but are not limited to:

- providing the Directors of the Board, collectively and individually, with guidance as to their duties, responsibilities and powers
- making the Directors aware of any law relevant to or affecting the Company
- reporting to the Board, any failure on the part of the Company or a Director to comply with the Memorandum of Incorporation or rules of the Company or the Companies Act
- ensuring that minutes of all Shareholder meetings, Board meetings and committee meetings are recorded in accordance with the Companies Act
- certifying in the Company's annual financial statements whether the Company has filed the required returns and notices in terms of the Companies Act and whether all such returns and notices appear to be true, correct and up to date
- ensuring that a copy of the Company's annual financial statements is sent to every person entitled to it, in terms of the Companies Act
- carrying out the functions of a person designated in terms of Section 33(3) of the Companies Act in relation to the filing of the annual return of the Company.

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2015.

Report of the Audit & Risk Committee

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
Ms N Meinie-Anderson (Chairperson)	10 of 10
Mr A. Kanana (Member)	8 of 10
Mr E. Jooste (Member)	10 of 10
Ms V. Sikwebu (Member)	9 of 10

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).

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, that it has regulated its affairs in compliance with this Charter and that it 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 the Public Finance Management Act, 1 of 1999 and Treasury Regulation 3.1.13.

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 and 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 functions;
- 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;
- Financial and sustainability information provided;
- The adequacy, reliability and accuracy of financial information provided by management; and
- The effectiveness of the system and process of risk management, including the review of the top strategic risks, and in particular, 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;

EFFECTIVENESS OF INTERNAL CONTROL:

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;
- Of the independence and objectivity of the external auditors; and
- That accounting and auditing concerns are 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 following internal audit work was completed during the year under review:

- Quarterly review of financials;
- Asset management review
- Business continuity review
- Corporate governance review
- Dashboard review report
- ERP review
- Human resources review
- Performance information review
- Policy review
- SCM review
- Stakeholders management review

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 No. 71 of 2008, that it is satisfied with the independence and objectivity of the external auditors.

The performance of internal audit was assessed by the Audit and Risk Committee. The ELIDZ has submitted monthly and quarterly reports to the Executive Authority.

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 2015 and, based on the information provided to it, considers that the statements comply, in all material respects, with the requirements of the Companies Act No. 71 of 2008 and the Public Finance Management Act No. 1 of 1999. 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 26 May 2015, recommended the adoption of the financial statements by the board of directors.

The Audit and Risk Committee concurs with and accepts 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 of South Africa.

AUDITOR-GENERAL:

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

On behalf of the Committee:

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Ms. N. I. Meinie-Anderson
Chairperson: Audit and Risk Committee

Corporate
Social Responsibility

INTRODUCTION

As part of its commitment to good corporate citizenship and sustainable economic development – the ELIDZ continues to work with direct and indirect stakeholders and role players to improve the quality of life of surrounding communities and society at large through the implementation of its Corporate Social Responsibility policy.

To the ELIDZ, Corporate Social Responsibility (CSR) represents the strategic intentions, statements and actions of the organization designed to position itself as a good corporate citizen in relation to responsible corporate, social and environmental management to the benefit of the immediate communities and the greater Eastern Cape Province.

Key to the ELIDZ's CSR priorities is its ability to:

- Conduct its business in a socially-responsible and ethical manner
- Engage, learn from, respect and support the communities and society in which we operate
- Develop mutually beneficial relationship and partnerships with our stakeholders
- Develop our employees and helping them to develop others
- Protect the environment
- Protect human rights
- Continually improving our CSR approach.

The ELIDZ's approach to CSR is that of a syncretic stewardship model which recognizes both direct and indirect relationships between CSR and the organizational core mandate. It combines an approach in which the organization adopts CSR initiatives regarding specific social issues for non-economic reasons, and CSR initiatives that are assessed in an economic manner and pursued due to a clear link to the ELIDZ's core business.

This report therefore outlines the ELIDZ's progress in responding to the key priority areas identified in the ELIDZ's Corporate Social Responsibility agenda and business directive.

SECTION 1: BUSINESS ETHICS AND TRANSPARENCY

The leadership of the ELIDZ is committed to maintaining the highest standards of integrity, corporate governance and good corporate citizenship. In terms of its commitment to CSR, the ELIDZ will continually strive to operate in an ethical and transparent manner in terms of its daily operations with the goal of promoting confidence in its corporate governance systems. To this end the ELIDZ has diverse, fully functional board of directors which plays the significant role of providing strategic guidance, driving compliance and fulfilling shareholder expectations. As such the ELIDZ board are key in earning the organization trust amongst each stakeholders, managing risk, fostering sustainable growth and building a resilient business entity.

As part of its commitment to ensuring that the ELIDZ conducts its business in an open, honest and ethical manner, the board has developed and endorsed various tools to support this initiative. To this end, the following interventions were implemented in the 2014/15 financial year:

- **Development of a code of conduct for the organisation:** Each year, all ELIDZ employees are required to rectify compliance with the Code of Conduct, to refresh their commitment to ethical conduct and to make them aware of any changes in this regard. In 2014/15, all of ELIDZ's employees completed the recertification and all newly hired employees must certify within three weeks of joining the company. Any breach of the code of conduct is treated with utmost exception and leads to the implementation of disciplinary action against employees.

- **Prevention of Fraud and Corruption:** The ELIDZ understands that corruption is a particular concern for many stakeholders as it erodes trust and inhibits economic growth. The ELIDZ continues to implement initiatives to prevent and deal with an attempted crime and corruption committed against the organisation. To this end the ELIDZ is implementing the following measures:

  - Active Fraud Reporting Hotline
  - Declaration of Interest for all ELIDZ employees and board
  - Internal workshops on Risk Management and Fraud Preventions
  - Risk Management Framework
  - Management Risk Committee and Audit and Risk Committee
  - Similarly, the ELIDZ has stringent financial controls to allow the organisation to pick up any suspicious transactions that are being undertaken.

  There were no reports of fraud received during the period under review.

- **Assurance of performance and practices:** The ELIDZ strives to maintain the highest standard of integrity in all its operations. In this regard, the ELIDZ in the period under review, went through the assessment of various independent auditors and assessors to ensure compliance and continued improvement with regards to the following:

  - Legal and regulatory financial management provisions
  - Legal and regulatory governance provisions
  - Legal and regulatory operational provisions.

SECTION 2: STAKEHOLDER RELATIONS

As part of delivering on its mandate, it is critical that the ELIDZ builds a strong and reputable brand amongst its stakeholders. As such, one of the key focuses of the ELIDZ board and management is the monitoring of organisation's engagement with all identified stakeholders and the impact of this on the total organisational brand equity.

Organisationally, stakeholders are defined as publics that are either affected by decisions made by the organisation or those whose decisions affect the operations, continuation or success of that particular organisation. Strategic Stakeholders are defined as those that are critical, crucial, essential, important or vital for an organisation's accomplishment of its mission (Steyn and Puth (2000).

2.1. STAKEHOLDER IDENTIFICATION AND CLASSIFICATION

The ELIDZ's relationships with its stakeholders are evaluated based on a stakeholder classification model by Steyn and Puth (2000) which identifies four key stakeholder groupings. These are:

Enabling stakeholders: Stakeholders that provide authority and control resources
Functional stakeholders: Groups that provide inputs into the organisation and use the organisation's outputs

Normative stakeholders: Stakeholders with professional or industry associations who can assist in solving a shared problem.
Diffused stakeholders: Stakeholders that are not part of any of the above groups but are key recipients to organisational communication.

STAKEHOLDER GROUPING CLASSIFICATION	STAKEHOLDER GROUPS	PURPOSE OF ENGAGEMENT
Enabling Stakeholders	Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) Provincial Treasury Department of Trade and Industry. Buffalo City Metropolitan Municipality.	Providers of funding are core to the ELIDZ's existence and growth. The organization's operational strength is gained from funding received from provincial and national government. Similarly, the ELIDZ's existence is depended on its fulfilment of its mandate as outlined by its funders and its shareholders (Buffalo City Metropolitan Municipality and the Eastern Cape Provincial government). To ensure the satisfaction of shareholder and funder expectations, the ELIDZ continuously engages with this stakeholder group with transparent and complete information to allow the shareholders and funders to evaluate the ELIDZ's strategy, its performance and impact.
Functional Stakeholders	Investor Support Partners • Local, Provincial and national government (permits, services and incentives for investors) • Funding institutions • State Owned enterprises (sector development support) • Education and Training Institutions	Investor support partners are critical in complementing and enhancing the ELIDZ's value offering to its targeted investors. The organisation's zone development strategy relies of the identified investor support partners developing and implementing solutions that will improve the competitiveness of the ELIDZ as a strategic investment location.
	ELIDZ Customers	Our existence and growth depends on the extent to which we understand the needs and key investment decision drivers of our investors. Our interactions with our potential and existing investors helps to share our strategy, our offering and our priorities as an organisation. By understanding our customer's expectations and implementing strategies to satisfy these, we build customer loyalty and positive brand equity.
	ELIDZ Employees	The ELIDZ acknowledges that employees are critical in delivering brand value and influencing an organisation's reputation. It is therefore critical that the ELIDZ continues on developing and implementing internal brand building initiatives and for employees and management to which are characterised communication and engagement to ensure the attainment and maintenance of a desired culture that supports the delivery of the organisation's value offering

Normative Stakeholders	Organised Business Respective Sector Value Chain players Other IDZs and SEZs Provincial Portfolio Committee on Economic Development.	As an organisation it is critical to understand our macro environment and in instances where it is warranted, develop strategies to drive opinion, shape the thinking and advance progress that is supportive of our mandate. Normative stakeholders are important in creating unified industry views and lobbying for desired programme outcomes.
Diffused Stakeholders	Media	The media provides other stakeholders with information on the ELIDZ, its performance and its challenges. Communicating with the media assists in ensuring accurate, factual and contextual reporting on developments on the ELIDZ and the IDZ programme as a whole.
	Surrounding Communities	The ELIDZ has set up structures and tools to engage with the surrounding communities around our zone. This is aimed at creating an understanding and support for the objectives of the ELIDZ amongst the community whilst also growing the organisation's understanding of the social matters that shape the community.

2.2. KEY STAKEHOLDER ISSUES FOR THE YEAR

a. COMPLIANCE TO PFMA AND RELEVANT TREASURY REGULATIONS

Compliance to the PFMA and relevant treasury regulations was one of the key stakeholder issues identified for 2014/15, as the ELIDZ continues on its path to clean administration. The ELIDZ's strategy, its milestones and the impact there of, can be found in the Financial Management Chapter of this report as well as in the report of the Auditor-General.

b. CHANGES IN THE ELIDZ'S INSTITUTIONAL ARRANGEMENTS

The close of the 2014/15 financial year saw the introduction of the SEZ Act and the release of the draft regulations as a means to improve the basis for the development and operationalization of industrial development zones in South Africa. One of the key stakeholder issues in this regard is the ability for the ELIDZ to transcend into this new environment with minimal interruptions to its operations and those of its customers. Details of how the ELIDZ has managed this issue in the 2014/15 financial year can be found in the Chairman's Statement and the CEO's Overview.

c. COMPLIANCE TO SAFETY, HEALTH AND ENVIRONMENT REGULATIONS

The impact of industrial development zones on surrounding communities with respect to safety, health and environmental legislation continues to be a key concern for stakeholders. The ELIDZ has a strong focus on these aspects and drives for Zero Impact through its policies and systems. Details of the ELIDZ's impact in this regard can be found on the Sustainability chapter of this report.

d. INCREASED SOCIO-ECONOMIC IMPACT OF THE ELIDZ

The socio-economic impact of the zone continues to be one of the key pillars that drive stakeholder perceptions and satisfaction. As such, the organisation's ability to attract and retain strategic investments that create jobs while introducing new technology and skills in the region remains a key concern for stakeholders. Details of the ELIDZ's impact in this regard can be found on in the CEO's Overview.

e. ABILITY TO DELIVER CUSTOMER VALUE

The ELIDZ's ability to satisfy the needs of its targeted customers continues to be a concern to its stakeholders. As such, the ELIDZ continues to carefully monitor the satisfaction levels of its customers with its value offering as well as the growth in the organisation's brand equity. Details of the ELIDZ's ability to deliver on customer value can be found in the Zone Operations Chapter of this report.

2.3. STAKEHOLDER ENGAGEMENT PLATFORMS

As part of ensuring continued stakeholder engagement, the ELIDZ implemented the following initiatives in the period under review:

Enabling Stakeholders	• Annual Shareholder compact signed. • Memorandum of Understanding initiated, signed and implemented by Buffalo City Municipality. • Quarterly performance reports issued to funders. • Annual General Meeting.
Functional Stakeholders	• Funding agreements signed and implemented with 1 DFI. • Liaison Forum developed and held quarterly to unblock investor servicing challenges with BCMM. • Funding agreements with investor facility funders. • Training Initiative developed and implemented with Merseta. • Zone Enterprise Forum for continued investor communication. • Quarterly Employee engagement sessions and monthly employment newsletters issued.
Normative Stakeholders	• Quarterly presentations to Portfolio committee on economic development. • Membership on Border Kei Chamber of Business. • Membership and representation on sector bodies. • Representation of ELIDZ position and interest on various stakeholder forums(institutional, legislative, sectoral ect)
Diffused Stakeholders	• Quarterly Media Releases • Responses to all media enquiries • Release of Annual Results • Quarterly Forum with Ward 46 Councillor and committee

SECTION 3: EMPLOYMENT PRACTICE AND EMPLOYEE RELATIONS

One of the East London IDZ's core strategic assets is its human and intellectual capital.

During the year in review, the organisation solidified and strengthened its human resource policies, and significantly enhanced the many programmes already in place that has seen the IDZ recognised as one of South Africa's top Employers of Choice.

The organisation's wellness programmes priorities individual and collective development and growth, while general HR policies – closely aligned with prevalent best practice models – stress the creation of an innovative, creative and efficient workforce. The ELIDZ continues to prioritise national legislation around Employment Equity. As such, the period under review saw the continued functioning of an Employment Equity Committee and the development and implementation of an Employment Equity Plan. Progress can be noted in the attached Employment Equity Statistics. The plan outlines the ELIDZ targets, its shortfall and the strategies to be implemented to deal with the identified shortfalls.

As part of its wellness programmes the ELIDZ implemented various health promotions programmes aimed creating awareness and coping strategies for illnesses such as diabetes, cholesterol, high blood pressure, and HIV and Aids. Industrial relations remain strong – no industrial action took place within the East London IDZ during the period under review, and no injuries on duty were reported.

The East London IDZ also prioritises skills development and mentoring outside of the organisation. It has a robust internship programme, and recruited and placed 32 interns in all of the following fields: Human Resource Management, Finance, Procurement, ICT, Safety, Health and Environment, PR and Communication, Marketing, Research, Civil Engineering, Building Management, Agriculture and Property Development. Ultimately, the IDZ's overarching imperative continues to be building a credence organisation – one that fully and optimally utilises the skills sets and knowledge base of our employees to best serve our customers and our stakeholders.

SECTION 4 : COMMUNITY INVOLVEMENT – CORPORATE SOCIAL INVESTMENT

4.1. Corporate Social Investment

The ELIDZ is committed to being a responsible corporate citizen and we take seriously our growing stature and responsibilities within the Buffalo City and wider Eastern Cape communities. This commitment to our feeder communities extend beyond our core mandate of facilitating growth and job creation, however, the ELIDZ welcomes our burgeoning involvement in fostering opportunity and development and is committed to ensure that we have a demonstrably positive impact on the community in which we operate. This is the premise of our Corporate Social Investment initiatives. Corporate Social Investment is the support by the ELIDZ, either financially or otherwise, in identified developmental areas, to organisations and projects that seek to address the social needs of communities and society-at-large in a positive and sustainable way.

The ELIDZ CSI programme seeks to make a meaningful contribution to the promotion of community/society transformation and development firstly in its immediate community and, secondly, in the greater Eastern Cape. Within the ELIDZ context CSI is achieved through the facilitating and creating platforms for social upliftment; the formulation of broad-based partnerships for development and Innovative and sustainable solutions for local, provincial and national developmental priorities. In the period under review the ELIDZ contributed a total of R651 759 to CSI initiatives in education support, social and community development and sports development. These included the sponsorship of mobile libraries to schools in the Queenstown area, the donation of office space to serve as a Crime Reporting Centre, a partnership with the local community and the South African Police Services, the donation of office space for a Victim Empowerment Centre and the support of sport development in various Eastern Cape local communities. The ELIDZ CSI projects touched the lives of the young and old and no one will ever forget the day when ELIDZ employees donated their time to refurbish Embekweni Educare Centre in Potsdam to perform very necessary renovations. The ELIDZ also continues to invest in the future the province's young and bright minds with the launch of a bursary programme aimed at giving financial assistance to matric learners and those who completed their matric and are between the ages of 18-25 and wished to pursue a career in Maths, Science and Technology related fields were invited to apply 10 students benefitted from the scheme in the period under review.

4.2. Local Enterprise Development

The East London IDZ mandate encompasses stimulating the economic growth of the Eastern Cape Province which includes issues of economic transformation. In this regard, special attention has been given to the development and empowerment of Broad Based Black Economic Empowerment (BBBEE) Enterprises and Small Medium and Micro Enterprises (SMME). In the period under review the ELIDZ recorded R70 million total expenditure towards Small Medium and Micro Enterprises (SMMEs) and R196 million total expenditure towards Broad Based Black Economic Empowered (BBBEE) enterprises, while R15 million went to Women Owned enterprises.

The ELIDZ is jointly with the Amathole District Municipality (ADM) implementing the MASAKHE SONKE Targeted Small, Medium and Micro Enterprise (SMME) programme aimed at facilitating growth of these businesses with a Construction Industry Development Board (CIDB) grading designation of 2 up to 7 at the ELIDZ Conference Centre. The programme is aimed at developing the construction capacity and also facilitating growth for SMMEs in the construction industry. During the period under review the ELIDZ spent a total of R3,8 Million towards the training and mentorship of 34 (thirty four) contractors. Other milestones in the last year include the following:

1. Productivity S.A Business Performance Improvement Training and aftercare, coaching and mentorship of 15 SMMEs focusing in the manufacturing sector and other services at the value of R136 000.00.

The organisation pays special attention to issues of economic transformation and growing SMMEs is key to the sustainability of this process and this programme is geared at creating a conducive operational environment and facilitating growth for targeted participants.

4.3 Job Creation and Skills Development

Increasing the skills profile of the local population as a prerequisite for economic growth is a key element of the philosophy underpinning the ELIDZ11 artisans graduated from Tooling Initiative by ELIDZ and Merseta – an initiative that seeks to deal with the tooling shortage, taking advantage of our proximity to automotive and component manufacturers. Currently 20 renewable energy artisans are being trained as solateurs as part of our initiative to build the necessary technical skills database to support our efforts of attracting investments in this sector.

The ELIDZ has a robust internship programme, and in the period under review recruited and placed 37 interns in all of the following fields: Human Resource Management, Finance, Procurement, ICT, Safety, Health and Environment, PR and Communication, Marketing, Research, Civil Engineering, Building Engineering, Agriculture and Property Development.

Ultimately, the IDZ's overarching imperative continues to be building a credence organisation – one that fully and optimally utilises the skills sets and knowledge base of our employees to best serve our customers and our stakeholders.

In the period under review the ELIDZ also participated in a Department of Environmental Affairs (DEA) funded initiative geared at the generating of job opportunities and skills development of individuals from previously disadvantaged communities. The ELIDZ as the principal implementer is responsible for the project management of this initiative named "Greening IDZ". The initial four project deliverables included Waste Separation at Source, Organoponic Vegetable Gardens and Composting , Mdantsane Composting and the re-establishing East London Buy-Back Centre to purchase and process recyclable waste for resale. As a result of difficulty with fulfilling certain requirements to have the closed landfill site in Mdantsane approved to implement the Mdantsane Composting Deliverable, project stakeholders resolved to implement an alternative. The deliverable in question was subsequently abandoned in favour of incorporating the allocated budget and resources with the waste separation at source deliverable, thereby increasing the scope from 6000 to 11000 households, with the additional 5000 households from the same Mdantsane NU2 area.

The originally planned employment was forecasted at around 150 employees. To date the number of beneficiaries employed on the project was 206 but as a result of resignations and naturally occurring fatalities, there are currently 178 beneficiaries employed in various work categories. The project has exceeded the DEA target for Women (55%) and Persons with a disability (2%) with an achievement of 67% and 5% respectively. The DEA business plan target of 40% for Youth employment was also achieved, however DEA has a revised target of 55% for youth employment and we are currently at 50%. The strategy to meet the revised target is that all replacements recruited will be from the Youth category.

SECTION 5: ENVIRONMENTAL MANAGEMENT AND PROTECTION

The ELIDZ is committed to Environmental Sustainability and recognises that it is critical to achieving Sustainable Industrial Development. To this end the ELIDZ has invested in strategic human and financial resources dedicated to ensuring that Environmental Sustainability Management best practices, like compliance to legal and other requirements, are implemented and maintained.

Environmental Sustainability targets and objectives are achieved though the implementation and maintaining of a myriad key success and control factors. These mitigate and proactively address Environmental Aspects and Impacts. To this end, the ELIDZ currently maintains the following:

1. An Environmental Policy that outlines the scope of the ELIDZ Environmental Management System.
2. An Environmental Management Framework that outlines the scope of ELIDZ Environmental considerations in relation to the ELIDZ mandate to develop and operate an Industrial Estate.
3. Certification for an internationally accredited and adopted Environmental Management System (ISO 14001: 2004). Successful implementation and maintenance of the system ensures continual improvement of implemented Environmental Management best practices.
4. Comprehensive Environmental Aspects and Impacts risk Management.
5. Monitoring Programs to monitor for impacts of ELIDZ operational and other activities:
    a. Trade Effluent discharge;
    b. Storm water run-off;
    c. Ground & surface water;
    d. Air quality;
    e. Sea water quality (intake & Discharge)
6. Vegetation Management programs that include:
    a. Irradiation of Alien Invasive species;
    b. Preservation of indigenous and protected species.
7. Annual Environmental Legal Compliance verification.
8. Quarterly Environmental Legal updates.
9. An Environmental legal compliance monitoring program to maintain compliance to conditions of Environmental Authorizations.
10. An Integrated Waste Management Plan.
11. Environmental Due Diligence Assessments to identify and ensure mitigation of Environmental Impacts when:
    a. Considering new investors looking to settle within the ELIDZ;
    b. Acquiring or disposing of land.
12. Organisational representation in the following forums to learn from and participate in local as well as national Environmental Compliance and Sustainability Endeavours:
    a. Environmental Quality Management Forums:
        i. Provincial Air Quality forum
        ii. Solid Waste forum
        iii. Environmental Impact Management forum
    b. District (ADM) Solid Waste forum
    c. Provincial Climate Change forum
    d. LED technical steering committee
    e. DEA / EPWP / EPIP
13. Provision to outsource specialised Environmental related support on an ad-hoc basis.
14. Emergency preparedness protocol to ensure limited Environment Impact of an incident.
15. Annual top management - Environmental Management System review to ensure continuing sustainability, adequacy and effectiveness.
16. Recourses dedicated to development of a Renewable Energy Sector where:
    a. Investors who manufacture components or products for the Renewable Energy market are solicited to locate in the ELIDZ;
    b. Technology to generate Renewable Energy to augment operating energy demands, as well as for potential resale, is investigated for implementation at the ELIDZ.

Going forward, the ELIDZ will be embarking on:

1. A comprehensive analysis of its Carbon Footprint. Results from the analysis will enable focussed approach on strategies to reduce the Carbon Footprint.
2. Investigating the potential for:
    a. Rain water harvesting to augment operational water demands;
    b. Implementing Green Building design methodologies;
    c. Implementing Zero Waste principles.

A continuous improvement approach to Environmental Sustainability should be a standard philosophy to everything, by everyone. The approach assists with addressing global Environmental Degradation challenges, symptomatic of juggernaut like industrialisation, deforestation, population growth and naturally occurring climate change phenomenon. Furthermore, by embracing an Environmental Sustainability culture, development goals can be met, while sustaining the ability of natural systems to continue to provide the natural resources and ecosystem services upon which the economy and society depend.

PART D:

Human Resource Management

Human Resource Management

HUMAN RESOURCE OVERSIGHT STATISTICS

EXPENDITURE

EXPENDITURE: Personnel Costs By Programme: 2014/15			
Programme	**Expenditure (R'000) Total**	**Number of posts filled**	**Personnel cost per employee (R'000) Average**
Office of the CEO	13 837 533	15	922 502
Corporate Affairs (Admin, Legal, Research, Records, Communications, ICT & HR)	13 212 124	23	574 440
Finance	7 378 534	12	614 878
Zone Development	11 942 122	16	746 383
Zone Operations	9 724 984	24	405 208
TOTAL	**56 095 297**	**90**	**623 281**

EXPENDITURE: Personnel Costs By Salary Bands: 2014/15		
Programme	**Expenditure (R'000) Total**	**Personnel cost per employee (R'000) Average**
Top management	2 810 844	2 810 844
Senior management	7 722 981	1 544 596
Professionally qualified and experienced specialists and mid-management	24 679 763	949 222
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	15 543 771	501 412
Semi-skilled and discretionary decision making	3 782 799	222 518
Unskilled and defined decision making	1 555 139	155 514
TOTAL	**56 095 297**	**623 281**

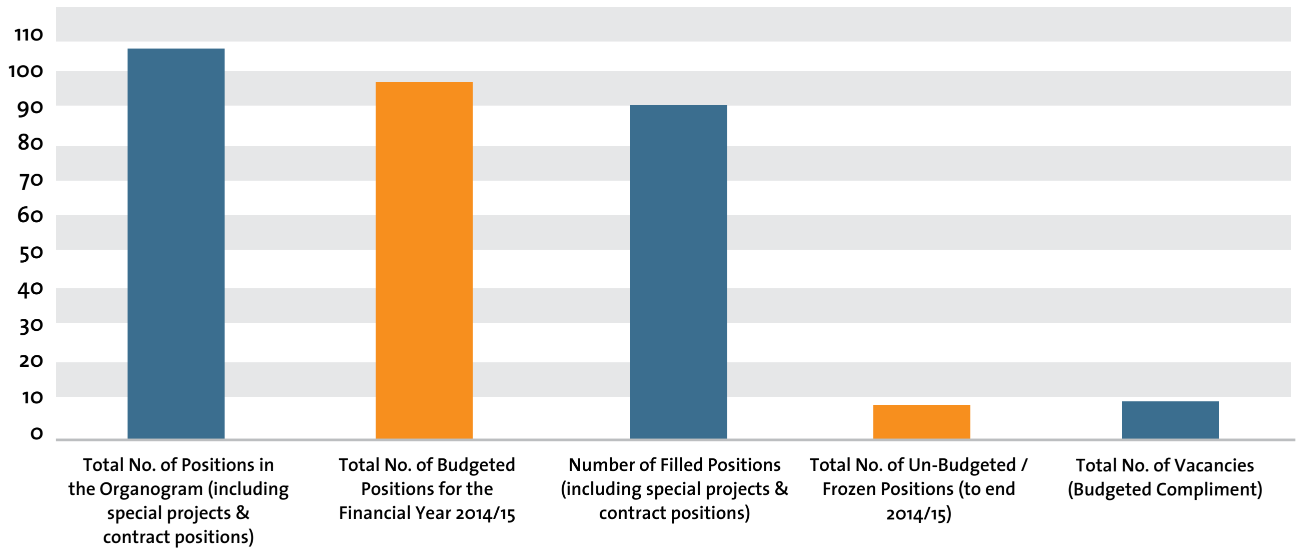
Salaries, overtime, home-owners allowance and medical assistance by programme
The ELIDZ does not pay a homeowners allowance
R 2 925.33 in overtime was paid during the Financial Year ended 31 March 2015

Number of employees whose salary positions were upgraded due to their posts being upgraded
None during the year under review
Employees whose salary level exceed the grade determined by job evaluation
None during the year under review

EMPLOYMENT AND VACANCIES

ELIDZ ORGANISATIONAL ESTABLISHMENT (AS AT 31 MARCH 2015)						
CRITICAL OCCUPATIONS	Total No. of Positions in the Organogram (Including Special Projects & Contract Positions)	Total No. of Budgeted Positions for the Financial Year 2014/15	Number of Filled Positions (Including Special Projects & Contract Positions)	Total No. of Un-Budgeted / Frozen Positions (to end 2014/15)	Total No. of Vacancies (Budgeted Compliment)	Vacancy Rate for the Period Under Review %
Top management	1	1	1	-	-	0.00%
Senior management	6	6	5	-	1	16.67%
Professionally qualified and experienced specialists and mid-management	32	29	26	3	3	10.34%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	36	36	31	-	5	13.89%
Semi-skilled and discretionary decision making	22	17	17	5	-	0.00%
Unskilled and defined decision making	9	9	9	-	-	0.00%
TOTAL PERMANENT	106	98	89	8	9	9.18%
Temporary employees	-	-	1	-	-	-
GRAND TOTAL	106	98	90	8	9	9.18%

GRAPHICAL REPRESENTATION OF EMPLOYMENT AND VACANCIES



JOB EVALUATION

JOB EVALUATION: 01 APRIL 2014 TO 31 MARCH 2015							
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	5	-	-	-	-	-	-
Professionally qualified and experienced specialists and mid-management	26	-	-	-	-	-	-
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	31	-	-	-	-	-	-
Semi-skilled and discretionary decision making	17	-	-	-	-	-	-
Unskilled and defined decision making	9	-	-	-	-	-	-
Total Permanent	89	-	-	-	-	-	-
Temporary employees	1	-	-	-	-	-	-
GRAND TOTAL	90	-	-	-	-	-	-

EMPLOYMENT CHANGES

EMPLOYMENT CHANGES: ANNUAL TURNOVER RATES BY SALARY BAND & CRITICAL OCCUPATION FOR THE PERIOD 01 APRIL 2014 TO 31 MARCH 2015			
Salary band	Number of employees per band as on 31 March 2015	Appointments	Terminations
Top management	1	-	-
Senior management	5	1	1
Professionally qualified and experienced specialists and mid-management	26	3	3
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	31	5	3
Semi-skilled and discretionary decision making	17	6	3
Unskilled and defined decision making	9	-	-
Total Permanent	89	15	10
Temporary employees	1	-	-
GRAND TOTAL	90	15	10

EMPLOYMENT CHANGES: REASONS WHY STAFF ARE LEAVING		
Termination Type	**Number**	**% of total**
Death	-	-
Resignation	9	10.11%
Expiry of contract	-	-
Dismissal – operational changes	-	-
Dismissal – misconduct	1	1.12%
Dismissal – inefficiency	-	-
Discharged due to ill-health	-	-
Retirement	-	-
Transfers to other public service departments	-	-
Other	-	-
Total	**10**	**11.24%**
Total number of employees who left as a % of the total employment	10	11.24%

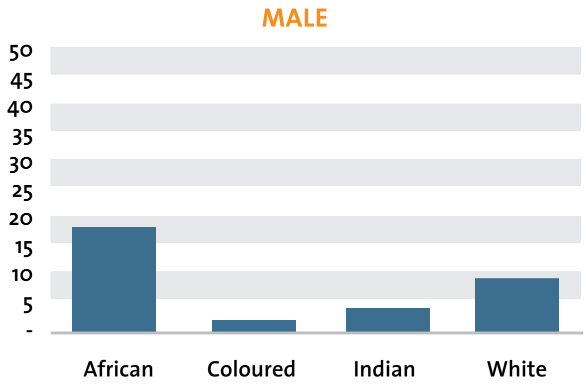
Promotions by Critical Occupation
The ELIDZ has adopted a practice of advertising all vacant positions and if there are employees internally that qualify, they are appointed to those senior positions
Promotions by Salary Band
The ELIDZ has adopted a practice of advertising all vacant positions and if there are employees internally that qualify, they are appointed to those senior positions

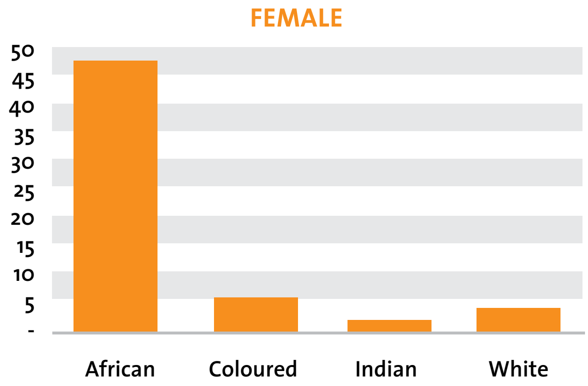
EMPLOYMENT EQUITY

EMPLOYMENT EQUITY ANALYSIS (as at 31 March 2015)											
	MALE					FEMALE					
OCCUPATIONAL BANDS	African	Coloured	Indian	White	Sub Total	African	Coloured	Indian	White	Sub Total	Grand Total
Top management	1	-	-	-	1	-	-	-	-	0	1
Senior management	1	-	-	2	3	2	-	-	-	2	5
Professionally qualified and experienced specialists and mid-management	11	1	2	3	17	6	1	-	2	9	26
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	3	-	1	4	8	20	1	1	1	23	31
Semi-skilled and discretionary decision making	1	1	-	-	2	12	3	-	-	15	17
Unskilled and defined decision making	1	-	-	-	1	8	-	-	-	8	9
Total permanent	18	2	3	9	32	48	5	1	3	57	89
Temporary employees	-	-	-	-	-	1	-	-	-	1	1
Grand total	**18**	**2**	**3**	**9**	**32**	**49**	**5**	**1**	**3**	**58**	**90**

NOTE: We have one (1) white disabled male under the Skilled Technical & Academically Qualified Workers, Junior Management, Supervisors, Foremen & Superintendents category

GRAPHIC REPRESENTATION OF EMPLOYMENT EQUITY





PERFORMANCE REWARDS

PERFORMANCE REWARDS: JULY 2014
During the year under review, the organization paid a total of R 7 147 225 to employees for performance bonuses

FOREIGN WORKERS

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

LEAVE UTILISATION

LEAVE UTILISATION: 01 APRIL 2014 TO 31 MARCH 2015
SICK LEAVE

Salary Band	Total days	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee
Top management	0	1	0%	0
Senior management	22	6	27.27%	0.27
Professionally qualified and experienced specialists and mid-management	190	28	14.74%	0.15
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	179	31	17.32%	0.17
Semi-skilled and discretionary decision making	90	18	20%	0.20
Unskilled and defined decision making	30	9	30%	0.30
GRAND TOTAL	511	93	18.20%	0.18

DISABILITY LEAVE (TEMPORARY AND PERMANENT) APRIL 2014 TO MARCH 2015
No employee was involved in a disabling accident and as such, no Disability Leave was applied for or granted

CAPPED LEAVE APRIL 2014 TO MARCH 2015
Capped leave does not apply to the ELIDZ

LEAVE UTILISATION: 01 APRIL 2014 TO 31 MARCH 2015 ANNUAL LEAVE				
Salary Band	**Total days**	**Number of Employees using annual leave**	**% of total employees using annual leave**	**Average days per employee**
Top management	40	1	2.50%	0.03
Senior management	157	6	3.82%	0.04
Professionally qualified and experienced specialists and mid-management	718	28	3.90%	0.04
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	759	31	4.08%	0.04
Semi-skilled and discretionary decision making	318	18	5.66%	0.06
Unskilled and defined decision making	147	9	6.12%	0.06
GRAND TOTAL	**2139**	**93**	**4.35%**	**0.04**

LEAVE PAY-OUTS FOR THE PERIOD: APRIL 2014 TO MARCH 2015			
REASON	**Total Amount (R'000)**	**Number of Employees**	**Average payment per employee (R'000)**
Leave pay-out for 2014/2015 due to non-utilization of leave for the previous cycle	-	-	-
Capped leave pay-outs on termination of service for 2014/2015	-	-	-
Current leave pay-outs on termination of service for 2014/2015	412 539	9	45 838
Total	**412 539**	**9**	**45 838**

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

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 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 o employees also change as a result

LABOUR RELATIONS

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

LABOUR DISPUTES:
Four (4) Labour disputes for the year under review.

DISCIPLINARY CASES:
Three (3) Disciplinary Cases. The outcome for all cases was dismissal.

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

SKILLS DEVELOPMENT

OCCUPATIONAL BAND & STUDIES ENROLLED	AFRICAN	COLOURED	INDIAN	WHITE	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
HUMAN RESOURCE DEVELOPMENT AS AT 31 MARCH 2015									
CATEGORY: PIVOTAL / FORMAL TRAINING									
SENIOR MANAGEMENT									
Masters In Project Management	1	-	-	-	-	-	-	-	1
PROFESSIONALLY QUALIFIED AND EXPERIENCED SPECIALISTS AND MID-MANAGEMENT									
Masters In Leading Innovation Change	-	-	-	-	1	-	-	-	1
Mphil In Development Finance	1	-	-	-	-	-	-	-	1
MBA	1	-	-	-	-	-	-	-	1
MBL	-	-	-	-	1	-	-	-	1
Prince2 Foundation	7	1	2	2	3	1	-	1	17
Prince2 Practitioner	4	1	2	1	3	1	-	-	12
Programme For Management Development	2	-	-	1	-	1	-	1	5
Advanced Ms Excel	-	1	-	-	1	-	-	-	2
SKILLED TECHNICAL AND ACADEMICALLY QUALIFIED WORKERS, JUNIOR MANAGEMENT, SUPERVISORS, FOREMEN, AND SUPERINTENDENTS									
MBA	-	-	1	-	-	-	1	-	2
National Diploma In Payroll Administration	-	-	-	-	-	1	-	-	1
National Diploma In Management	-	-	-	-	1	-	-	-	1
Diploma In Law : Paralegal Studies	-	-	-	-	1	-	-	-	1
Introduction To Samtrac	-	-	-	-	1	-	-	-	1
Prince2 Foundation	3	-	-	-	8	-	-	-	11
Prince2 Practitioner	2	-	-	-	5	-	-	-	7
Microsoft Mcsa Windows Server 2012	-	-	-	-	1	-	-	-	1
Nebosh International General Certificate (IGC)	-	-	-	-	1	-	-	-	1
Advanced Ms Excel	-	-	-	-	5	-	-	-	5
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
Higher Certificate In Economics And Management Science	1	-	-	-	-	-	-	-	1
Prince2 Foundation	-	-	-	-	1	1	-	-	2
Prince2 Practitioner	-	-	-	-	1	1	-	-	2
Advanced Ms Excel	-	-	-	-	4	1	-	-	5
UNSKILLED AND DEFINED DECISION MAKING									
Matric	1	-	-	-	-	-	-	-	1
JUNIOR PROFESSIONALS & INTERNS									
Advanced Ms Excel	3	-	-	-	3	-	-	-	6

INTERNSHIP (WORKPLACE EXPERIENCE)

Category: Internships (Workplace Experience) as at 31 March 2015									
Area of exposure	**AM**	**CM**	**IM**	**WM**	**AF**	**CF**	**IF**	**WF**	**Total**
Human Resources	1	-	-		3	-	-	-	4
Records Management	1	-	-	-	3	-	-	-	4
Corporate Communication	1	-	-	-	-	-	-	-	1
Finance	3	-	-	-	4	-	-	-	7
Agro – Processing	-	-	-	-	1	-	-	-	1
Project Management	5	-	-	-	1	-	-	-	6
Supply Chain Management	1	-	-	-	2	-	-	-	3
Quality Management	-	-	-	-	1	-	-	-	1
Investment Analysis	-	-	-	-	1	-	-	-	1
Safety, Health & Environment	-	-	-	-	2	-	-	-	2
Automotive Sector	1	-	-	-	-	-	-	-	1
ICT		-	-	-	1	1	-	-	2
Property Portfolio Management	2	-	-	-	1	-	-	-	3
Science & Technology Park	1	-	-	-	-	-	-	-	1
						Total no.			37

A M: African Male;
A F: African Female;
C M: Coloured Male;
C F: Coloured Female;
I M: Indian Male;
I M: Indian Female
W M: White Male
W M: White Female

INJURY ON DUTY

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

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%


msc

PART E:

Annual Financial Statements

FOR THE YEAR ENDED 31st MARCH 2015

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. Anderson M.Saziwa** S.Mase* P. Nazo S Mteto* S. Caga A. Kanana P. Mzazi-Geja E. Jooste V. Sikwebu S.Kondlo
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	Jo-Anne Palmer

* Retired during the year.
** Resigned during the year.

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

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

PREPARER

Gift Matengambiri
Acting Chief Financial Officer CA(SA)

Director's Responsibilities & 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 annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Generally Accepted Accounting Practice (SA GAAP). Statements of SA GAAP were withdrawn by the Accounting Practice Board from 1 December 2012. However, Treasury instructed East London Industrial Development Zone to continue using SA GAAP until a more appropriate accounting framework was identified.

The annual 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 annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Company's cash flow forecast for the year to 31 March 2016 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Company's annual financial statements. The annual financial statements have been examined by the company's external auditors.

The annual financial statements set out on page 99 to 143, which have been prepared on the going concern basis, have been approved by the board on 31 July 2015, however, the board still has the power to amend the financial statements after issue. The financial statements were signed on behalf of the board by:

……………………………..

Mr. Z. Tini
Board chairman

Director's Report

The Directors have pleasure in submitting their report on the annual financial statements of East London Industrial Development Zone SOC Ltd (ELIDZ) for the year ended 31 March 2015.

1. NATURE OF BUSINESS

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

2. REVIEW OF ACTIVITIES

The annual financial statements have been prepared in accordance with South African Generally Accepted Accounting Practice standards (SA GAAP) and the requirements of the Companies Act, 71 of 2008.

The accounting policies have been applied consistently between current and prior year.

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 year under review.

4. DIVIDENDS

The company did not declare dividends for 2014/2015 financial year.

5. DIRECTORATE

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

Directors	Nationality	Designation
Z. Tini	South African	Non-executive
N. 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
V. Sikwebu	South African	Non-executive
S.Kondlo	South African	Ex-officio

*S. Mteto and S. Mase retired at the last annual general meeting held on the 29 October 2014 whilst M.Saziwa resigned on the 30 June 2014.

6. EVENTS AFTER THE REPORTING PERIOD

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

ELIDZ commented on the regulation that supports the Special Economic Zone (SEZ) Act and the entity is still awaiting the approval of the regulations.

7. GOING CONCERN

The directors believe that the company has adequate financial resources to continue in operation for the next 12 months and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position in the current year. However, the Special Economic Zone (SEZ) bill was promulgated into law on 19 May 2014 and the regulations that come with the act are still to be finalised.

The Act will significantly change the institutional structure of the company and also the funding modeling of the entity.

ELIDZ is engaging the provincial departments and national departments in an effort to obtain better understanding and assess the impact of the changes to the future modeling and structure of ELIDZ.

8. CHANGE IN SHAREHOLDING

ELIDZ's shareholders changed from 01 April 2014 in the current financial year. Eastern Cape Development Coporation (ECDC) previously owned a shareholding of 74% at ELIDZ but during the financial year the shareholding was transferred to Department of Economic Development, Environmental Affairs and Tourism (DEDEAT). Buffalo City Metropolitan Municipality (BCMM) still holds 26% shareholding.

9. AUDITORS

The Auditor-General of South Africa are the auditors of the organisation.

10. SECRETARY

The company secretary is Ms Jo-Anne Palmer.

11. DATE OF AUTHORISATION FOR ISSUE OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been authorised for issue by the directors on 31 July 2015 however, the directors still have the power to amend the annual financial statements after the date of issue.

Statement of Financial Position

as at 31 March 2015

	Note(s)	2015 R	2014 Restated R	2013 Restated R
ASSETS				
NON-CURRENT ASSETS				
Investment property	3	1 329 176 600	1 280 060 308	1 012 357 671
Property, plant and equipment	4	470 226 514	475 670 847	446 656 542
Intangible assets	5	7 330 076	2 981 118	2 251 680
Investments in subsidiaries		-	-	100
Other financial assets	6	29 898 585	-	488 818
		1 836 631 775	**1 758 712 273**	**1 461 754 811**
CURRENT ASSETS				
Other financial assets	6	1 596 596	658 586	581 198
Trade and other receivables	7	34 717 045	26 839 047	24 163 311
Cash and cash equivalents	8	149 539 523	119 945 994	148 998 745
		185 853 164	**147 443 627**	**173 743 254**
Total Assets		**2 022 484 939**	**1 906 155 900**	**1 635 498 065**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	9	1 000	1 000	1 000
Reserves	10	8 306 368	8 306 368	8 306 368
Retained income		230 970 100	152 228 518	(34 506 468)
		239 277 468	**160 535 886**	**(26 199 100)**
LIABILITIES				
NON-CURRENT LIABILITIES				
Deferred income	12	1 545 701 473	1 546 098 539	1 457 877 454
CURRENT LIABILITIES				
Provisions	11	485 019	628 855	1 602 045
Deferred income	12	176 295 866	140 585 366	176 841 513
Trade and other payables	13	60 725 113	58 307 254	25 109 609
Current tax payable	27	-	-	266 544
		237 505 998	**199 521 475**	**203 819 711**
Total Liabilities		**1 783 207 471**	**1 745 620 014**	**1 661 697 165**
Total Equity and Liabilities		**2 022 484 939**	**1 906 155 900**	**1 635 498 065**

Statement of Profit and Loss

	Notes	2015 R	2014 R
Revenue	14	91 675 856	63 102 800
Cost of sales	15	(46 372 074)	(33 211 829)
Gross profit		**45 303 782**	**29 890 971**
Other income	16	221 035 595	170 504 602
Operating expenses	17	(165 108 603)	(167 989 610)
Operating profit		**101 230 774**	**32 405 963**
Finance income	20	101 500	862 928
Fair value adjustments	21	(14 781 170)	156 172 947
Finance costs	22	(7 809 522)	(2 706 852)
Profit for the year		**78 741 582**	**186 734 986**
Other comprehensive income		-	-
Total comprehensive income for the year		**78 741 582**	**186 734 986**
Profit attributable to:			
Owners of the parent		58 268 771	138 183 890
Non-controlling interest		20 472 811	48 551 096
		78 741 582	**186 734 986**

Statement of Changes in Equity

	Share capital R	Other NDR R	Retained income R	Total equity R
Balance at 01 April 2013	**1 000**	**8 306 368**	**(34 506 468)**	**(26 199 100)**
Profit for the year	-	-	186 734 986	186 734 986
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**186 734 986**	**186 734 986**
Balance at 01 April 2014	**1 000**	**8 306 368**	**152 228 518**	**160 535 886**
Profit for the year	-	-	78 741 582	78 741 582
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**78 741 582**	**78 741 582**
Balance at 31 March 2015	**1 000**	**8 306 368**	**230 970 100**	**239 277 468**
Notes	9	10		

Statement of Cash Flows

	Note(s)	2015 R	2014 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	25	131 670 860	137 526 736
Finance income	20	101 500	862 928
Finance costs	22	(7 809 522)	(2 706 852)
Tax received/(paid)	27	-	(266 544)
Net cash flows from operating activities		**123 962 838**	**135 416 268**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(25 110 716)	(51 039 052)
Sale of property, plant and equipment and intangible assets		4 143	15 600
Completion of investment property	3	(66 037 587)	(122 984 689)
Sale of investment property		1 255 540	12 239 205
Purchase of intangible asset	5	(4 480 688)	(2 845 373)
Proceeds from deregistration of subsidiary		-	145 290
Net cash flows from investing activities		**(94 369 308)**	**(164 469 019)**
Total cash movement for the year		**29 593 530**	**(29 052 751)**
Cash at the beginning of the year		119 945 994	148 998 745
Total cash at end of the year	8	**149 539 524**	**119 945 994**

Accounting Policies

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual 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 annual 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.

Basis for preparation

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These accounting policies are consistent with the previous period.

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual 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 annual 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 (Note 11), depreciation and impairments (included in Note 4) were raised and management determined an estimate based on the information available.

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

Accounting Policies [continued]

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY [continued]

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

The Company's investment properties are measured at fair value for financial reporting purposes. The board of directors of the Company has delegated to the Properties division the responsibility to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the entity uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages a qualified valuer to perform the valuation.

The Properties division establishes the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the Properties division's findings to the board of directors of the Company annually to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of the investment properties are disclosed in note 3.

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, 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.

1.2 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.

1.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others or for administrative purposes and are expected to be used for more than one year.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the organisation; and
- the cost of the item can be measured reliably.

Initial recognition

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the 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.

Accounting Policies [continued]

1.3 PROPERTY, PLANT AND EQUIPMENT [continued]

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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent measurement - cost model

Subsequent to initial measurement Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is not depreciated as it is deemed to have an indefinite useful life.

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria is met.

Depreciation and Impairment

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an assets' residual value, where applicable.

Item	Depreciation method	Average useful life
Infrastructure: owner occupied	Straight line	25 years
IT equipment	Straight line	3 years
Plant and machinery	Straight line	5 years - 25 years
Land	Indefinite	Indefinite
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Furniture and Fixtures	Straight line	10 years
Laboratory equipment and other	Straight line	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.

Impairment

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of
whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Derecognition

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.

Accounting Policies [continued]

1.4 INTANGIBLE ASSETS [continued]

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.

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, other	3 years

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.

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.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the company's right to receive payment is established.

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

Accounting Policies [continued]

1.6 FINANCIAL INSTRUMENTS [continued]

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.

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.

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.

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.

Accounting Policies [continued]

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.

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

Accounting Policies [continued]

1.12 PROVISIONS AND CONTINGENCIES [continued]

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 30.

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 property, plant and equipment 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.

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.

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 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

a) PFMA, or
b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Accounting Policies [continued]

1.17 IRREGULAR EXPENDITURE [continued]

Irregular expenditure that was incurred and identified during the current financial period and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Act or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 VALUE ADDED TAX (VAT) POLICY

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

1.19 RELATED PARTIES

A related party is a person or entity that is related to the entity that is preparing its financial statements. The entity preparing its financial statements is referred to as the "reporting entity" in terms of SA GAAP.

When deciding whether entities should be required to disclose a relationship as a related party relationship, the starting point of IAS 24 is the ability or perceived ability to influence transactions and/or actions of the entity, or the ability or perceived ability to compel an entity to complete a transaction it otherwise would not have completed.

Key management is defined as the individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from Executive management up to Board members are regarded as key management.

Close family members of key management are considered to be those family members who may be expected to influence, or be influenced by key management individuals or other parties related to the entity.

1.20 EVENTS AFTER REPORTING PERIOD

Events after the reporting period are those events, both favourable and unfavourable, that occur between the reporting date and the date on which the financial statements are authorised for issue. Two types of events can be identified;

a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date) and
b) Those that are indicative of conditions that arose after reporting date (non adjusting events after reporting date)

The entity will adjust the amounts recognised in the Annual Financial Statements to reflect adjusting events after the reporting date once the event has occurred. The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non adjusting events , where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

Notes to the Annual Financial Statements

	2015	2014

2. NEW STANDARDS, INTERPRETATIONS AND LEGISLATION

STANDARDS AND INTERPRETATIONS

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

NEW LEGISLATION

The Special Economic Zone (SEZ) Act was promulgated into law on the 19 May 2014. Until such time as the regulations that accompany this Act has been Gazetted, the Act is not yet in operation. Without the regulations, the Act remains unclear in its intent and is open to interpretation

To understand the uncertainties the Act brings to the ELIDZ would require an overview of the Act as it stands today without the bureaucratic requirements also listed in the Act

In Section 23(1) of the Act it indicates that National government, a provincial government, a municipality, a public entity, a municipal entity or a public-private partnership, acting alone or jointly, may apply to the Minister in the form and manner prescribed for a specified area to be designated as a Special Economic Zone.

Upon approval of the application the applicant is granted a license to govern and manage the SEZ. The licensee must establish an entity to manage the Zone and establish a board. The SEZ Board will develop and implement a strategic plan within the framework of the SEZ strategy to achieve its mandate.

Section 31(1) of the Act states that the SEZ Board must follow a fair, equitable, transparent, competitive and cost-effective procurement process, when appointing an operator to develop, operate and manage that Special Economic Zone on behalf of the Special.

Economic Zone Board. Section 31 (2) states that notwithstanding subsection (1), only a Special Economic Zone entity established by a public-private partnership licensee may also develop, operate and manage the Special Economic Zone concerned.

The operator will develop, operate and manage the SEZ on behalf of the Board once it has successfully applied for an operators permit. It is up to the operator to implement the SEZ's strategy.

Already established industrial development zones (IDZ) formed under IDZ regulations will automatically become a SEZ.

However the ELIDZ will have 3 years from commencement of the Act to comply with the new requirements.

Notes to the Annual Financial Statements [continued]

3. INVESTMENT PROPERTY

	2015			2014		
	Cost / Valuation R	Accumulated depreciation R	Carrying value R	Cost / Valuation R	Accumulated depreciation R	Carrying value R
Investment property	1 329 176 600	-	1 329 176 600	1 280 060 308	-	1 280 060 308

Reconciliation of investment property - 2015

	Opening balance R	Additions R	Disposals R	Fair value adjustments R	Total R
Investment property	1 280 060 308	66 037 587	(2 140 125)	(14 781 170)	1 329 176 600

Reconciliation of investment property - 2014

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

The investment property values include market values as per 31 March 2015 valuation and initial costs of additions as reflected by the above reconciliation. All the above additions are arising from new constructions in the current year.

Pledged as security

The entity does not have any investment property that has been pledged as security.

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

3. INVESTMENT PROPERTY (continued)

Details of property

Due to the number of the properties, it is not practical to disclose details of each property in the financial statements.
A register containing the information as required by Regulation 25(3) of the Companies Regulations and by section 28 and 29 of the Companies Act is available for inspection at the registered office of the Company.

Details of valuation

The effective date for the property valuations was 31 March 2015. Revaluations were performed by an in-house registered valuer, Letlaka Ndamase, Reg. No. 5435/7. Mr Letlaka Ndamase is an employee of ELIDZ 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 direct comparable sales method - for all vacant industrial land and agriculturally zoned farms
- The cost method - investment property which is under construction

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

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

For the direct comparable sales method the prices of similar properties which have been recently sold in the same area as the investment property were used after adjusting for unusual prices and the presence or absence of characteristics which are likely to influence prices.

There has been no change to the valuation techniques during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There have been no transfers between Levels 1, 2 or 3 during the year with regards to the fair value hierachy as detailed in note 39.

Residual land was not taken into account in some properties because of the areas that the properties are situated in.

Amounts recognised in profit and loss for the year

	2015	2014
Costs and income associated with the investment properties		
Rental income from Investment property	45 089 300	32 620 009
Direct operating expenses from rental generating property	(10 306 134)	(9 601 623)
Direct operating expenses from non-rental generating property	(4 896 854)	(3 069 966)
	(15 202 988)	(12 671 589)

Notes to the Annual Financial Statements [continued]

4. PROPERTY, PLANT AND EQUIPMENT

	2015			2014			2013		
	Cost or revaluation	Accumulated depreciation & impairment	Carrying value	Cost or revaluation	Accumulated depreciation & impairment	Carrying value	Cost or revaluation	Accumulated depreciation & impairment	Carrying value
Land	3 821 361	-	3 821 361	3 821 361	-	3 821 361	3 821 402	-	3 821 402
Buildings	464 102 509	(116 153 773)	347 948 736	464 102 509	(97 589 673)	366 512 836	463 815 591	(79 026 738)	384 788 853
Infrastructure: work in progress	47 507 640	-	47 507 640	83 017 038	-	83 017 038	49 535 095	-	49 535 095
Plant and machinery	56 758 230	(2 247 420)	54 510 810	386 358	(354 386)	31 972	356 358	(272 464)	83 894
Furniture and fixtures	4 840 094	(2 182 412)	2 657 682	4 592 428	(1 740 615)	2 851 813	4 362 580	(1 351 011)	3 011 569
Motor vehicles	1 513 146	(912 218)	600 928	1 513 146	(843 866)	669 280	1 513 146	(665 793)	847 353
Office equipment	640 064	(479 397)	160 667	601 839	(412 023)	189 816	682 443	(381 562)	300 881
IT equipment	23 682 288	(12 286 675)	11 395 613	22 972 406	(6 563 359)	16 409 047	9 594 114	(6 176 403)	3 417 711
Laboratory equipment and other	3 593 452	(1 970 375)	1 623 077	3 593 452	(1 425 768)	2 167 684	1 659 641	(809 857)	849 784
Total	**606 458 784**	**(136 232 270)**	**470 226 514**	**584 600 537**	**(108 929 690)**	**475 670 847**	**535 340 370**	**(88 683 828)**	**446 656 542**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	3 821 361	-	-	-	-	-	3 821 361
Infrastructure: owner occupied	366 512 837	-	-	-	(18 564 101)	-	347 948 736
Infrastructure: work in progress	83 017 038	23 795 046	-	(56 371 872)	-	(2 932 572)	47 507 640
Plant and machinery	31 972	-	-	56 371 872	(1 891 823)	(1 210)	54 510 810
Furniture and fixtures	2 851 814	247 666	-	-	(441 798)	-	2 657 682
Motor vehicles	669 280	-	-	-	(68 352)	-	600 928
Office equipment	189 816	61 614	-	-	(90 763)	-	160 667
IT equipment	16 409 047	1 006 390	(43 066)	-	(5 976 758)	-	11 395 613
Laboratory equipment and other	2 167 685	-	-	-	(544 608)	-	1 623 077
	475 670 850	25 110 716	(43 066)	-	(27 578 203)	(2 933 782)	470 226 514

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2014

	Opening Balance	Additions	Disposals	Depreciation	Impairment Loss	Total
Land	3 821 402	-	(41)	-	-	3 821 361
Infrastructure - owner occupied	384 788 853	286 919	-	(18 562 935)	-	366 512 837
Infrastructure - work in progress	49 535 095	33 481 943	-	-	-	83 017 038
Plant and machinery	83 894	30 000	-	(81 922)	-	31 972
Furniture and fixtures	3 011 570	360 414	(53 049)	(467 121)	-	2 851 814
Motor vehicles	847 353	-	-	(178 073)	-	669 280
Office equipment	300 880	11 954	(1 966)	(121 052)	-	189 816
IT equipment	3 417 710	14 930 786	(58 726)	(1 879 655)	(1 068)	16 409 047
Laboratory equipment and other	849 784	1 937 037	(107)	(619 029)	-	2 167 685
	446 656 541	**51 039 053**	**(113 889)**	**(21 909 787)**	**(1 068)**	**475 670 847**

Reconciliation of property, plant and equipment - 2013

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment Loss	Total
Land	3 821 402	-	-	-	-	-	3 821 402
Infrastructure - owner occupied	372 806 551	27 677 833	-	790 000	(16 485 531)	-	384 788 853
Infrastructure - work in progress	32 662 669	16 872 426	-	-	-	-	49 535 095
Plant and machinery	133 794	-	-	-	(49 900)	-	83 894
Furniture and fixtures	3 279 333	109 050	-	-	(346 078)	(30 735)	3 011 570
Motor vehicles	590 026	427 201	(8 000)	-	(161 874)	-	847 353
Office equipment	315 646	52 584	-	-	(67 350)	-	300 880
IT equipment	3 150 658	1 581 575	(31 540)	-	(1 282 983)	-	3 417 710
Laboratory equipment and other	905 415	-	-	-	(55 631)	-	849 784
	417 665 494	**46 720 669**	**(39 540)**	**790 000**	**(18 449 347)**	**(30 735)**	**446 656 541**

Property, plant and equipment encumbered as security

There are no assets that are encumbered or held as security for a debt that are included in property, plant and equipment.

Detail of Property, plant and equipment

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.

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

5. INTANGIBLE ASSETS

	2015			2014		
	Cost / Valuation R	Accumulated depreciation R	Carrying value R	Cost / Valuation R	Accumulated depreciation R	Carrying value R
Computer software, other	16 143 250	(8 813 174)	7 330 076	11 662 562	(8 681 444)	2 981 118

Reconciliation of intangible assets - 2015

	Opening balance R	Additions R	Amortisation R	Total R
Computer software, other	2 981 118	4 480 688	(131 730)	7 330 076

Reconciliation of intangible assets - 2014

	Opening balance R	Additions R	Disposals R	Amortisation R	Impairment loss R	Total R
Computer software, other	2 251 680	2 845 373	(12 814)	(1 783 791)	(319 331)	2 981 118

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.

None of the above intangible assets were internally generated or encumbered.

6. OTHER FINANCIAL ASSETS

	2015 R	2014 R
Non-current assets		
Long term financial assets	40 211 106	-
Impairment on other financial assets	(4 907 884)	-
Time value of money	(5 404 637)	-
	29 898 585	**-**
Current assets		
Short term financial assets	2 360 596	658 586
Impairment on other financial assets	(764 000)	-
	1 596 596	**658 586**

The first category of financial asset is made up of an interest free loan that was given to one of our tenants. The tenant was in financial distress due to their main customer shutting down some operations in preparation for a new model. In addition one of it's major assets had burnt down. The total debt which was converted to a loan was R296 455 and is payable over 2 years. The loan was given as part of the entity's business rescue program. The loan was negotiated on 22 July 2014.

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

6. OTHER FINANCIAL ASSETS (continued)

The second category of financial asset is a debt restructuring that was done to another tenant that was in financial distress. The company was restructured and is showing signs of recovery and has started paying its current debt in full plus a portion of the debt. The debt conversion is interest free and is payable over 6.5 years. The arrangement was part of the business rescue program. The original debt was R16 748 405 and was negotiated on 25 March 2015.

The third category of financial asset is a leasehold improvement which was done on premises that are occupied by one of our tenants. The improvements were done according to the instructions of the tenant. The tenant has agreed to reimburse the amount that was spent on the tenants request over a period of 20 years and the amount owing will be escalating at a rate of 5.5% per year. The original amount to be reimbursed by the tenant was R25 743 249.

7. TRADE AND OTHER RECEIVABLES

	2015 R	2014 R
Trade receivables	19 328 798	27 325 863
Receivable - Time value of money	(45 452)	(60 009)
Prepayments	4 421 677	4 428 211
Sundry Debtors	-	20 808
Provision for doubtful debts	(13 475 504)	(22 480 074)
Rental Smoothing	20 195 884	13 842 672
Other receivables	4 151 058	2 553 372
BCMM Recovery	140 584	1 208 204
	34 717 045	**26 839 047**

Movement on the provision for bad debts and other financial assets are as follows:

	2015 R	2014 R
At the beginning of year	22 480 074	13 660 964
Current year provision movement	(9 004 570)	8 967 875
Bad debts written off	-	(148 765)
	13 475 504	**22 480 074**

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2015 R	2014 R
Cash on hand	977	1 357
Bank balances	50 639 679	17 091 491
Short-term deposits	98 898 867	102 853 146
	149 539 523	**119 945 994**

Short term deposits yielded an average interest of 4.5% (2014: 4.5%).

The amount held as short term deposits of R90 039 185 (2014: R60 647 197) is for infrastructure projects funded by the Department of Trade and Industry (DTI). The funds are only going to be used for the capital projects that they are earmarked for.

The carrying amount of cash and cash equivalents approximate their fairvalue.

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

9. SHARE CAPITAL

	2015 R	2014 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 2015	100 000	100 000
Issued		
100 000 Ordinary shares of R0.01 each or par value of 1 cent	1 000	1 000

10. RESERVES

	2015 R	2014 R
Balance at the beginning of the year	8 306 368	8 306 368

One of the main provisions of awarding an operator's permit to East London Industrial Development Zone Corporation was that the company be a private company. Therefore to ensure sustainability of the company, an entity entitled the East London Industrial Development Zone (Proprietary) Limited was formed. On 01 April 2004 all the assets and liabilities of the company were sold to Industrial Development Zone (Proprietary) Limited as a going concern. From that date the company no longer operated as the East London Industrial Development Zone Corporation and ceased operations. The net assets and liabilities taken over were treated as non-distributable reserves.

11. PROVISIONS

Reconciliation of provisions - 2015

	Opening balance	Utilised during the year	Time value of money adjustment	Reversal of prior year time value of money adjustment	Total
Retentions	628 855	(153 665)	(28 139)	37 968	485 019

Reconciliation of provisions - 2014

	Opening balance	Additions	Utilised during the year	Time value of money adjustment	Reversal of prior year time value of money adjustment	Total
Retentions	1 602 045	272 531	(1 367 391)	(37 968)	159 638	628 855

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 after the completion of the project.

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

12. DEFERRED INCOME

	2015	2014	2013
Balance at the beginning of the year	1 686 683 905	1 634 718 968	1 642 250 677
Grants received and to be received			
Department of Economic Development Environmental Affairs and Tourism (DEDEAT)	117 792 000	-	-
Eastern Cape Development Corporation (ECDC)	-	114 907 000	46 051 000
Development Bank of South Africa (DBSA)*	38 830 175	-	-
Department of Trade and Industry (DTI)	125 359 508	130 374 719	150 000 000
Interest on grant funding	2 789 414	5 529 070	12 224 149
South African Revenue Services - output VAT on grants	(29 860 711)	(30 122 316)	(24 076 437)
	1 941 594 291	**1 855 407 441**	**1 826 449 389**
Released to income	(161 050 597)	(112 799 512)	(140 725 786)
Investment property - grants amortisation	(58 546 551)	(55 924 024)	(51 004 636)
	(219 597 148)	**(168 723 536)**	**(191 730 422)**
Balance at the end of year	1 721 997 339	1 686 683 905	1 634 718 967
Non-current liabilities	1 545 701 473	1 546 098 539	1 457 877 454
Current liabilities	176 295 866	140 585 366	176 841 513
	1 721 997 339	**1 686 683 905**	**1 634 718 967**

The entity receives grants from the Department of Trade and Industry (DTI) for infrastructure development i.e. investment property. If the projects do not commence, the funds are returned to DTI. In addition, the entity receives grants from Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) for operating expenses and acquisition of property, plant and equipment. In the prior years, the grant used to come through ECDC.

*In addition the company received a jobs fund from Development Bank of South Africa (DBSA) of which R3 883 017 (2014:0) of the jobs fund is still to be received.

13. TRADE AND OTHER PAYABLES

	2015	2014
Trade payables	22 514 878	34 351 656
Payables - Time value of money	(270 651)	(392 283)
VAT	3 217 667	5 172 601
Bonus accrual	78 002	104 187
Leave pay accrual	3 724 050	5 042 310
Deposits received	1 915 493	2 005 803
Other grants (Note 28)	27 550 253	10 029 640
Other accrued expenses	-	503 296
Other payables	1 995 421	1 490 044
	60 725 113	**58 307 254**

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

14. REVENUE

	2015 R	2014 R
Rendering of services (providing utilities)	47 272 447	31 099 614
Revenue - Time value of money	(685 891)	(616 823)
Rental income	45 089 300	32 620 009
	91 675 856	**63 102 800**

15. COST OF SALES

	2015 R	2014 R
Rendering of services		
Services and operating	44 670 339	31 371 179
Telephone services	454 645	640 098
Conference facility	818 768	1 200 552
Analytical lab	428 322	-
	46 372 074	**33 211 829**

16. OTHER INCOME

	2015 R	2014 R
Profit from deregistration of Monti IDZ	-	136 943
Gain on disposal of assets	-	681 347
Government grants - released to income	161 050 597	112 799 511
Grants released - Investment property	58 546 550	55 924 024
Sundry income	1 438 446	962 777
	221 035 595	**170 504 602**

17. OPERATING PROFIT

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

	2015 R	2014 R
- Operating leases	(1 165 908)	(1 229 154)
Profit/(loss) on sale of property, plant and equipment	(38 923)	681 347
Profit/(loss) on sale of investment property	(884 585)	-
Profit on deregistration of a subsidiary	-	136 943
Auditors remuneration	(2 482 428)	(2 698 383)
Impairments	(2 933 782)	(320 400)
Amortisation on intangible assets	(131 730)	(1 783 791)
Depreciation on property, plant and equipment	(27 578 203)	(21 909 787)
Employee costs	(69 147 927)	(70 829 549)

Notes to the Annual Financial Statements [continued]

18. EMPLOYEE COSTS

The following items are included within employee costs expense:

	2015 R	2014 R
Salaries and wages	47 963 339	50 182 402
13th cheque	3 900 912	3 920 687
Bonus	7 147 225	5 133 477
Medical aid - company contributions	1 738 120	1 794 197
UIF	435 905	284 600
SDL	636 962	426 270
Leave pay provision charge	(875 295)	1 271 136
Long service awards	75 000	210 000
Temporary staff	608 609	650 308
Internships	1 559 216	879 610
Defined contribution plan	5 957 934	6 076 862
	69 147 927	**70 829 549**
Direct employee costs	63 189 993	64 752 687
Indirect employee costs	5 957 934	6 076 862
	69 147 927	**70 829 549**

Average number of persons employed during the year was:

	2015	2014
Permanent Staff	69	68
Contract staff	20	16
Interns	21	18
Temps	1	7
	111	**109**

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

19. DEPRECIATION, AMORTISATION AND IMPAIRMENTS

The following items are included within depreciation, amortisation and impairments:

	2015 R	2014 R
Depreciation		
Property, plant and equipment	27 578 203	21 909 787
Amortisation		
Intangible assets	131 730	1 783 791
Impairments		
Property, plant and equipment	2 933 782	320 400
Total depreciation, amortisation and impairments		
Depreciation	27 578 203	21 909 787
Amortisation	131 730	1 783 791
Impairments	2 933 782	320 400
	30 643 715	**24 013 978**

20. FINANCE INCOME

	2015 R	2014 R
Interest received	101 500	862 928

21. FAIR VALUE ADJUSTMENTS

	2015 R	2014 R
Investment property (Fair value model)	(14 781 170)	156 172 947

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

22. FINANCE COSTS

	2015 R	2014 R
Interest paid/time value of money	7 809 522	2 706 852

23. AUDITORS' REMUNERATION

	2015 R	2014 R
Fees	2 482 428	2 698 383

24. BAD DEBTS WRITTEN OFF

	2015 R	2014 R
Bad debts written off during the year under the Company's debtors policy	42 948	148 765

Notes to the Annual Financial Statements [continued]

25. CASH GENERATED FROM OPERATIONS

	2015 R	2014 R
Profit before taxation	78 741 582	186 734 986
Adjustments for:		
Depreciation of property, plant and equipment	27 578 203	21 909 787
Profit on deregistration of subsidiary	-	(136 943)
Interest received	(101 500)	(862 928)
Finance costs	7 809 522	2 706 852
Fair value adjustments	14 781 170	(156 172 947)
Impairment loss	2 933 782	320 400
Movement in provisions	(143 836)	(973 190)
Loss on sale of investment property	884 585	-
Amortisation of intangible Assets	131 730	1 783 791
Loss on sale of property, plant and equipment	38 923	-
Profit on sale of non-current assets Impairments - financial assets	-	(681 347)
	5 671 883	-
Changes in working capital:		
Trade and other receivables	(7 877 997)	(2 675 737)
Trade and other payables	2 417 859	33 197 645
Deferred income	35 313 433	51 964 937
Other financial assets	(36 508 479)	411 430
	131 670 860	**137 526 736**

26. TAXATION

Reconciliation of the tax expense

	2015 R	2014 R
Taxable Income for the year		
Profit before tax	78 741 582	186 734 986
Permanent differences	(77 813 425)	(132 135 604)
Temporary differences	3 386 756	(102 513 161)
Capital gain	835 944	8 153 130
Unused tax losses from previous year utilised / not recognised	(5 150 857)	39 760 649
Taxable Income for the year	**-**	**-**
Assessed loss		
Assessed loss brought forward	(75 820 951)	(36 060 302)
Taxable (Income)/Loss for the year	5 150 857	(39 760 649)
Assessed loss carried forward	**(70 670 094)**	**(75 820 951)**

Reconciliation between applicable tax rate and average effective tax rate.

	2015	2014
Applicable tax rate	28,00 %	28,00 %
Permanent differences	(27,67)%	(19,81)%
Capital gains tax	0,30 %	1,22 %
Temporary differences	1,20 %	(15,37)%
Assessed loss	(1,83)%	5,96 %
	- %	**- %**

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

26. TAXATION (continued)

No provision for tax have been made in 2015 financial year as the company has no taxable income. There was no deferred tax asset recognised in the current year since ELIDZ is not expected to generate taxable profit and taxable temporary differences in the future that are enough to be utilised against the deferred tax asset.

27. CURRENT TAX PAYABLE

	2015 R	2014 R
Balance at beginning of the year	-	(266 544)
Tax paid/(received)	-	266 544
	-	**-**

28. OTHER GRANTS

	2015 R	2014 R
Department of Environmental Affairs (DEA)		
Opening balance	4 284 807	26 948
Additional grant received	4 965 000	8 363 248
Expenditure for the year	(8 416 574)	(4 105 389)
	833 233	**4 284 807**
MERSETA		
Opening balance	61 088	-
Additional grant received	1 365 862	1 026 000
Expenditure for the year	(716 545)	(964 912)
	710 405	**61 088**
Stem Cell		
Opening balance	1 078 482	-
Additional grant received	-	2 192 982
Expenditure for the year	-	(786 086)
Release to other income	-	(328 414)
	1 078 482	**1 078 482**
Renewable Energy		
Opening Balance	-	-
Grant received	10 153 798	-
Interest Capitalised	86 350	-
Expenditure for the year	(117 127)	-
	10 123 021	**-**
Wildcoast SEZ		
Opening balance	4 605 263	-
Additional grant received	11 080 988	4 605 263
Expenditure for the year	(881 139)	-
	14 805 112	**4 605 263**
Total other grants	27 550 253	10 029 640

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

28. OTHER GRANTS (continued)

Department of Environmental Affairs.
DEA partnered with ELIDZ in doing an environmental greening project where ELIDZ acts as project manager and also a conduit of funds for the project. The project will be handed over to Buffalo City Metropolitan Municipality upon completion.

MERSETA
ELIDZ was given a grant by MERSETA to train artisans in renewable energy retooling project.

Renewable Energy
ELIDZ was granted funds by the DBSA to implement a retooling project whereby ELIDZ will train artisans in renewable energy.

Wild Coast SEZ
DTI is considering having another SEZ in the Eastern Cape and ELIDZ is assisting in setting it up and is doing the administration of funds.

Stem Cell
The entity has received additional funding from DEDEAT for a pilot project of Stem Cell in partnership with the Eastern Cape Health Department. The project started in prior years and is still ongoing.

29. COMMITMENTS

Authorised capital expenditure

	2015 R	2014 R
Contract work in progress		
Property, plant and equipment	42 952 393	28 338 167
Investment property	7 608 766	50 345 926
	50 561 159	**78 684 093**

This committed expenditure relates to investment property and property, plant and equipment contracts. The commitments 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.

Operating leases – as lessee (expense)

	2015 R	2014 R
Minimum lease payments due		
- within one year	84 955	1 019 460
- in second to fifth year inclusive	-	84 955
	84 955	**1 104 415**

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.

Operating leases – as lessor (income)

	2015 R	2014 R
Minimum lease payments due		
- within one year	39 245 275	29 566 493
- in second to fifth year inclusive	131 752 882	86 938 972
- later than five years	45 713 893	46 135 048
	216 712 050	**162 640 513**

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

29. COMMITMENTS (continued)

Leasing Arrangements

Operating leases relate to the investment property owned by the Company with lease terms of between 1 to 10 years, with an option to extend for a further 10 years in some instances. All operating lease contracts contain 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.

The entity owns a metal surface treatment plant that it leases to a lessee for seven years with an option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period.

Contingent rentals are based on the number of units produced for PPE that is leased out and percentage of revenue of investment property that is leased out.

30. CONTINGENCIES

Performance bonus liability
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 R0 (2014: R7 766 313).

31. RELATED PARTIES

Relationships	
Holding company (Controlling interest)	Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) In the prior year (2014) the holding company was the Eastern Cape Development Corporation (ECDC)
Shareholder (Significant Influence)	Buffalo City Metropolitan Municipality (BCMM)
Members of key management - Executive Management	Mr S Kondlo Mr T Zweni Mr J Burger Mr T Gwintsa Mr G Matengambiri Mrs B Magongwa Ms A Magwentshu
Non-executive directors	Z. Tini N. Anderson P. Nazo S. Mteto* S. Caga A. Kanana P. Mzazi-Geja E. Jooste V. Sikwebu S. Mase* M.Saziwa*

*S. Mteto and S. Mase retired at the last annual general meeting held on the 29 October 2014 whilst M.Saziwa resigned on the 30 June 2014.

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R
31. RELATED PARTIES (continued)		
Related party balances		
Amounts included in trade receivable		
Buffalo City Metropolitan Municipality	182 695	2 303 263
Amounts included in trade payable		
Buffalo City Metropolitan Municipality	(12 026 403)	(8 572 009)
Related party transactions		
Buffalo City Metropolitan Municipality		
Rates and taxes - expense	10 306 134	9 601 623
Electricity - expense	34 555 306	20 572 604
Water - expense	1 613 148	2 131 775
Sewerage - expense	1 436 107	651 673
Rentals and utilities	(120 909)	-
Grass cutting expense recovery	(140 584)	(418 765)

The above related party transactions were conducted under the following terms;

Rates
All vacant land was valued and rated as agricultural land.

New developments and developments that did not benefit in the past qualify for a phased in rebates on rates applicable as follows:
Year 1 - 50%
Year 2 - 40%
Year 3 - 30%
Year 4 - 20%
Year 5 - 10%

R50 million minimum value benchmark for properties to qualify for rebate will not apply to properties within the zone.

Water
Agree on a 15% discount on bulk water bought from BCMM

Electricity
ELIDZ obtains its electricity at Eskom rate plus a 2.5% wheeling charge.

Sewerage
Sewerage charges are at normal arms length rates and all other services are also at arms length.

	2015 R	2014 R
Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)		
Total grants received for the year	117 792 000	-
Eastern Cape Development Corporation (ECDC)		
Total grants received for the year	-	114 907 000
Compensation to directors and other key management		
Key management remuneration - executive	13 829 582	15 997 466
Remuneration - non executive	1 238 025	1 057 340
Transaction with subsidiary		
Monti IDZ Investment (Pty) Ltd - (assets from subsidiary/loan payback)	-	136 943

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

32. DIRECTORS AND EXECUTIVE MANAGEMENTS' EMOLUMENTS

Executive

2015	Basic salary	Allowances	Employer contribution to funds	Bonus	Total
S Kondlo	1 719 306	902 183	345 968	456 239	3 423 696
B Magongwa (5 months)	392 372	221 794	76 203	-	690 369
T Zweni	1 213 957	637 007	246 424	317 922	2 415 310
J Burger	1 044 673	548 178	188 340	243 834	2 025 025
T Gwintsa	1 124 990	583 923	233 622	312 862	2 255 397
A Magwentshu	1 020 065	535 266	218 424	257 223	2 030 978
G. Matengambiri (7 months)	363 254	378 315	94 467	152 771	988 807
	6 878 617	**3 806 666**	**1 403 448**	**1 740 851**	**13 829 582**

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

Non-executive

2015

	Directors' fees	Allowances	Total
Z. Tini	187 623	10 097	197 720
S. Mteto	70 375	35 911	106 286
N Anderson	193 645	4 085	197 730
P. Nazo	100 343	3 185	103 528
V Sikwebu	168 589	5 134	173 723
S. Caga	111 400	4 059	115 459
A. Kanana	117 916	55 322	173 238
E. Jooste	166 320	4 021	170 341
	1 116 211	**121 814**	**1 238 025**

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

32. DIRECTORS AND EXECUTIVE MANAGEMENTS' EMOLUMENTS (continued)

2014

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

33. FRUITLESS AND WASTEFUL EXPENDITURE

	2015 R	2014 R
Current year fruitless and wasteful expenditure	474 753	623 994
Fruitless and wasteful expenditure written-off	(474 753)	(623 994)
	-	-

Interest on late payments - The entity incurred interest from a service provider for late payment. The late payment was due to a dispute that the entity had with the service provider who was appointed on a month to month basis contract in previous years. The interest charged amounted to R14 554.

SARS interest and penalties on VAT and PAYE - The entity incurred interest and penalties from SARS due to resubmission of VAT returns to SARS. The resubmission of VAT returns was due to reconciliations that were being done in the ELIDZ VAT account during last year's clean up of the previous qualified audit opinion. The interest charged amounted to R353 527. The entity also incurred a penalty amounting to R106 672.23 when it was doing the same exercise. The entity appealed the decision by SARS and only got back a portion of the interest and penalty.

34. IRREGULAR EXPENDITURE

	2015 R	2014 R
Opening balance	-	4 172 990
Current year irregular expenditure	3 263 198	5 785 452
Irregular expenditure condoned	(3 263 198)	(9 958 442)
	-	-

ELIDZ incurred irregular expenditure totaling to R3 263 198 (2014: R5 785 452) due to non-compliance with SCM policies, the PFMA and Treasury Regulations as well as non-adherence to ELIDZ policies. Most of the irregularities emanate from previous years. The services being rendered by the said service providers are critical for the company and could not be terminated before a proper bidding process was initiated.

This expenditure has been paid and recorded in the relevant expenditure accounts. The above expenditure is not fruitless and wasteful expenditure as it was incurred to further the interest of the entity.

For all contracts that have been identified as irregular , investigations have been done and the expenditure has been condoned by the board of directors. Where cancellation of contracts could happen, the entity cancelled the contracts and a new bidding process or quotation request was done.

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

35. DEREGISTRATION OF SUBSIDIARY

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

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

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

	2015	2014
Recognised amounts of identifiable assets transferred and liabilities assumed		
Cash and cash equivalents	-	145 290
Trade and other payables	-	(8 247)
Fair value of assets transferred and liabilities assumed	-	137 043
Investment in Monti IDZ (Pty) Ltd	-	(100)
Profit on deregistration of subsidiary	**-**	**136 943**

36. PRIOR PERIOD ERRORS

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 2015 is as follows:

STATEMENT OF FINANCIAL POSITION

Property, Plant and Equipment: The entity omitted to capitalise an amount on a payment certificate that was issued by a service provider who was manufacturing transformers for the entity in 2011. The expenditure met the capitalisation criteria. The error has been corrected retrospectively and comparative figures have been appropriately restated.

Deferred Income: In 2011 deferred income was understated by an over release to the statement of profit and loss of R 1 236 328. The error was corrected retrospectively from 2013 and comparative figures have been appropriately restated. The effect of the above error is shown below:

NON CURRENT ASSETS **Property, Plant and equipment**	**2014**	**2013**
Balance before restatement	474 434 520	445 420 214
Adjustment	-	1 236 327
Effect of prior year adjustment	1 236 327	-
	475 670 847	**446 656 541**
EQUITY		
Retained Earnings		
Balance before restatement	152 228 518	(34 506 468)
Adjustment	-	-
Effect of prior year adjustment	-	-
	152 228 518	**(34 506 468)**

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R
	2014	**2013**
NON CURRENT LIABILITIES		
Deferred Income - Non current		
Balance before restatement	1 544 862 211	1 456 641 126
Adjustment	-	1 236 328
Effect of prior year adjustment	1 236 328	-
	1 546 098 539	**1 457 877 454**

FINANCIAL STATEMENT DISCLOSURES

Cashflow

The entity disclosed short term debt that was converted into long term debt for tenants that were under financial distress on the face of the cashflow statement instead of disclosing that in note 25 as it is non-cash movement.

The error has been corrected retrospectively and the effect of the error is a decrease in investing activities on the face of the cashflow by R411 431 and increase in the cashflow from working capital movement on note 25 by R411 431.

Commitments

The entity understated one of the projects under commitments in the prior year due to oversight by management..

The error has been corrected retrospectively and comparative disclosure has been restated. The effect of the error is shown below:

Contract work in progress		
Balance before adjustment - Property, plant and equipment	25 960 539	-
Adjustment	2 377 628	-
	28 338 167	**-**

The entity disclosed a commitment for a project in the prior year, whereas the project was completed during the last financial year and no commitment existed for the said project at the financial year end.

The error has been corrected retrospectively and comparative disclosure has been restated. The effect of the error is shown below:

Contract Work in progress		
Balance before adjustment - Investment property	50 919 330	-
Adjustment	(573 404)	-
	50 345 926	**-**

Taxation

The assesed loss that was disclosed in the prior year annual financial statement and brought forward in the current year was incorrect as it was different from what SARS assessed.

The error has been corrected retrospectively and prior year dislosure was appropriately restated as follows:

	31 March 2014	**Adjustment**	**31 March 2014 Restated**
Assessed loss brought forward	20 429 638	15 630 664	36 060 302
Current year assessed loss	39 760 649	-	39 760 649
	60 190 287	**15 630 664**	**75 820 951**

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

36. PRIOR PERIOD ERRORS (continued)

RECLASSIFICATION ADJUSTMENTS

In the prior year Skills Development Levy (SDL) of R 426 270 was incorrectly included and disclosed as part of training expenses instead of employee costs. In the current year this has been corrected, and the effect on prior year balances is as follows;

	31 March 2014	Adjustment	31 March 2014 Restated
Training expenses	1 336 535	(426 270)	910 265
Employee costs	70 403 279	426 270	70 829 549
	71 739 814	**-**	**71 739 814**

37. RISK MANAGEMENT

The Board has overall responsibility for the establishment and oversight of the company risk management framework.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Company Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

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 Company 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.

The Company's exposure to liquidity risk is reduced as it is partly funded by the Department of Economic Development and Tourism and the Department of Trade and Industry. The annual budgets are approved at the beginning of each fiscal year and funding agreements concluded between the parties. Cash flows are monitored monthly against budgets and adjustments are made where necessary. Risk management assessments are conducted to assist with identifying any possible cash flow, liquidity or other risks. In addition, the entity is exploring opportunities for raising income to ensure the sustainability of the organisation in case the grant is reduced or cut back.

A maturity analysis of ELIDZ's financial instruments as at 31 March 2015 and 31 March 2014 is as follows:

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

37. RISK MANAGEMENT (continued)

At 31 March 2015

Assets	**On demand and less than one month**	**1 to 12 months**	**More than 12 months**	**Total**
Other financial assets- short term	161 803	1 434 794	-	1 596 597
Other financial assets - long term	-	-	29 923 018	29 923 018
Trade and other receivables	5 808 841	28 908 203	-	34 717 044
Cash and cash equivalents	149 539 523	-	-	149 539 523
Total assets	**155 510 167**	**30 342 997**	**29 923 018**	**215 776 182**
Liabilities				
Trade and other payables	27 457 315	33 267 798	-	60 725 113
Liquidity gap	128 052 852	(2 924 801)	29 923 018	155 051 069

At 31 March 2014

Assets	**On demand and less than one month**	**1 to 12 months**	**More than 12 months**	**Total**
Other short term financial assets	-	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

Please note that the cash and cash equivalents above includes a ringfenced amount of R90 039 185 (2014: R 60 647 197).

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 the South African prime rate.

Interest rate sensitivity analysis

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

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R

37. RISK MANAGEMENT (continued)

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.

	2015	2014
Estimated increase in rates		
Estimated increase in basis points	100	100
Effect on accumulated profit/ (loss)	1 495 395	1 199 460

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.

There has been no significant change during the financial year, or since the end of the financial year, to the company's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing the risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk.

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.

ELIDZ tenants pay deposit at the beginning of their lease terms. At 31 March 2015 ELIDZ holds deposits from tenants amounting to R1 915 493 as security for tenants' lease obligations.

The amounts below are before impairment.

	2015	2014
The entity's exposure to credit risk by class of financial asset is as follows:		
Trade and other receivables (excluding prepayments)	43 770 872	44 950 920
Cash and cash equivalents	149 539 523	119 945 994
Other financial assets	42 571 702	658 586
	235 882 097	**165 555 500**

Notes to the Annual Financial Statements [continued]

	2015 R	2014 R
37. RISK MANAGEMENT (continued)		
Analysis by credit quality of financial assets is as follows:		
Neither past due nor impaired		
- Cash and cash equivalent	149 539 523	119 945 994
- Trade and other receivables	27 686 382	15 457 496
- Other financial assets	25 741 595	-
Past due and not impaired		
- Trade and other receivables	2 491 068	4 138 517
- Other financial assets	81 803	692 348
Past due and impaired		
- Trade and other receivables	13 593 422	25 042 867
-Other financial assets	16 748 405	-

38. FAIR VALUE INFORMATION

At 31 March 2015 the carrying amount of bank balances and cash deposits approximated their fair values due to the short term maturity.

Basis for determining fair values

Trade and other receivables and Trade and other payables
The fair value of trade and other receivables and trade and other payables is calculated based on the present value of future cashflows, discounted at the prime rate +2 at the reporting date.

Investment property
The fair value of investment properties is determined by in-house property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being values. The valuer provides the fair value of the company's investment property annually.

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value, by valuation method. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable data (unobservable inputs).

Notes to the Annual Financial Statements [continued]

		2015 R	2014 R

38. FAIR VALUE INFORMATION (continued)

Levels of fair value measurements

Level 2

Recurring fair value measurements

	Note(s)	2015 R	2014 R
Assets			
Financial assets at fair value through profit or loss	6		
Other financial assets		31 495 181	658 586
Total		**31 495 181**	**658 586**

Level 3

Recurring fair value measurements

	Note(s)	2015 R	2014 R
Assets			
Investment property	3		
Investment property		1 329 176 600	1 280 060 308
Total		**1 329 176 600**	**1 280 060 308**

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

	Valuation Technique	Significant unobservable inputs	Sensitivity
Investment property	Income capitalisation method	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value and vice versa.
		Monthly market rent, taking into account the differences in location and individual factors such as frontage and size between the comparable and the property.	A slight increase in the market rent used would result in a significant increase in fair value and vice versa.

Notes to the Annual Financial Statements [continued]

39. CATEGORIES OF FINANCIAL INSTRUMENTS

Category of financial instruments - 31 March 2015

Assets	Financial assets at amortised cost	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Non-current assets				
Investment property	-	-	1 329 176 600	1 329 176 600
Property, plant and equipment	-	-	470 226 514	470 226 514
Intangible assets	-	-	7 330 076	7 330 076
Other financial assets	29 898 585	-	-	29 898 585
	29 898 585	**-**	**1 806 733 190**	**1 836 631 775**
Current assets				
Other financial assets	1 596 596	-	-	1 596 596
Intangible assets	30 295 368	-	4 421 677	34 717 045
Other financial assets	149 539 523	-	-	149 539 523
	181 431 487	**-**	**4 421 677**	**185 853 164**
Total assets	211 330 072	-	1 811 154 867	2 022 484 939
Equity and liabilities				
Equity				
Share capital	-	-	1 000	1 000
Reserves	-	-	8 306 368	8 306 368
Retained income	-	-	230 970 100	230 970 100
	-	**-**	**239 277 468**	**239 277 468**
Liability				
Non-current liability				
Deferred income	-	-	1 545 701 473	1 545 701 473
Current liabilities				
Trade and other payables	-	60 725 113	-	60 725 113
Deferred income	-	-	176 295 866	176 295 866
Provisions	-	-	485 019	485 019
	-	**60 725 113**	**176 780 885**	**237 505 998**
Total liabilities	-	60 725 113	1 722 482 358	1 783 207 471
Total equity and liabilities	-	60 725 113	1 961 759 826	2 022 484 939

Notes to the Annual Financial Statements [continued]

39. CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

Category of financial instruments - 31 March 2014

Assets	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Equity and non financial assets and liabilities**	**Total**
Non-current assets				
Investment property	-	-	1 280 060 308	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**
Current assets				
Other financial assets	658 586	-	-	658 586
Trade and other receivables	26 839 048	-	-	26 839 048
Cash and cash equivalents	119 945 994	-	-	119 945 994
	147 443 628	**-**	**-**	**147 443 628**
Total assets	147 443 628	-	1 757 475 945	1 904 919 573
Equity and liabilities				
Equity				
Share capital	-	-	1 000	1 000
Reserves	-	-	8 306 368	8 306 368
Retained earnings	-	-	152 228 519	152 228 519
	-	**-**	**160 535 887**	**160 535 887**
Liabilities				
Non-current liabilities				
Deferred income	-	-	1 544 862 211	1 544 862 211
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	1 846 612 319	1 904 919 573

Statement of Profit or Loss & other Comprehensive Income

	Note(s)	2015 R	2014 R
Revenue			
Rendering of services		47 272 447	31 099 614
Rental income		45 089 300	32 620 009
Revenue- Time value of money		(685 892)	(616 824)
	14	**91 675 855**	**63 102 799**
Cost of sales			
Cost of rendering of services		(46 372 074)	(33 211 829)
Gross profit		**45 303 781**	**29 890 970**
Other income			
Government grants		161 050 597	112 799 511
Profit from deregistration of subsidiary		-	136 943
Grants released - investment property		58 546 551	55 924 024
Sundry Income		1 438 446	962 777
Gains on disposal of assets		-	681 347
Interest received	20	101 500	862 928
Fair value adjustments	21	-	156 172 947
		221 137 094	**327 540 477**
Operating expenses (Refer to page 145)		**(165 108 600)**	**(167 989 608)**
Operating profit	17	**101 332 275**	**189 441 839**
Finance costs	22	(7 809 522)	(2 706 852)
Fair value adjustments	21	(14 781 170)	-
		(22 590 692)	**(2 706 852)**
Profit for the year		**78 741 583**	**186 734 987**

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

Statement of Profit or Loss & other Comprehensive Income

	Note(s)	2015 R	2014 R
Operating expenses			
Advertising		(1 619 535)	(4 939 920)
Auditors remuneration	23	(2 482 428)	(2 698 383)
Bad debts and provision for bad debts		8 961 622	(9 079 975)
Bank charges		(90 263)	(62 045)
Cleaning		(279 417)	(861 916)
Consulting and professional fees		(5 502 459)	(9 656 050)
Computer expenses		(88 349)	(286 539)
Development planning and related costs		-	(285 930)
Depreciation and Amortisation		(27 709 933)	(23 693 745)
Donations		(291 730)	(144 399)
Employee costs		(69 147 927)	(70 829 549)
Entertainment		(206 141)	(345 566)
Placement fees		(249 225)	(572 200)
Non capitalised equipment		(185 509)	(935 606)
Project expense		(16 247 316)	(5 898 979)
Board fees		(1 238 025)	(1 254 779)
Cell phones		(944 641)	(1 043 071)
Petrol, oil and repairs - motor vehicles		(140 759)	(67 828)
Marketing brand management		(1 025 903)	(2 410 853)
Marketing and communications		(98 933)	(322 362)
Internal Audit		(586 958)	(932 161)
Fines and penalties		(263 076)	-
Impairment of fixed and intangible assets		(2 932 572)	(320 400)
Loss on disposal of assets		(923 508)	-
Lease rental		(1 165 908)	(1 229 154)
IT expenses		(188 222)	(672 325)
Insurance		(2 043 579)	(1 665 890)
Legal expenses		(115 499)	(578 045)
Utilities operating costs		(3 339 874)	(1 507 484)
Impairment on other financial asset		(5 671 883)	-
Penalties		-	(396 585)
Postage		(24 424)	(16 110)
Printing and stationery		(160 711)	(155 522)
Miscellaneous expenses		(170 618)	(70 159)
Repairs and maintenance		(18 072 004)	(15 587 674)
Security		(6 046 713)	(5 847 675)
Software expenses		(1 182 280)	-
Subscriptions		(625 452)	(463 547)
Telephone and fax		(401 601)	(264 629)
Training		(1 490 932)	(910 265)
Travel - local		(1 012 115)	(1 119 015)
Utilities operating costs		(103 800)	(863 273)
		(165 108 600)	**(167 989 608)**

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


information

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