

ANNUAL REVIEW 2014 | 15

ABOUT THIS REPORT

The East London Industrial Development Zone’s Annual Review covers the financial year period from 1 April 2014 to 31 March 2015 and is our primary report to our shareholders and stakeholders. This report provides an overview of the ELIDZ business model, our strategy to fulfil our vision and the mandate of our funders, as well as an integrated view of the past year’s performance with regard to our financial, economic and social factors that impact on our business.

This Review also addresses our expectations for growth and performance in the year ahead. The ELIDZ’s Annual Review for 2015 will be confined to material issues, which, from the board’s perspective impact on our business and our stakeholders. Materiality has been defined by our board based on the organisation’s objectives, its strategy, the expectations of our stakeholders and investment promotion trends globally.

In addition to this report, the ELIDZ also uses the following tools to report to our stakeholders

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Legislative Annual Report:

As a State-Owned Company (SOC), the ELIDZ has an obligation to submit an annual report to the Eastern Cape provincial government. The report entails the ELIDZ performance overview as guided by the indicators in the National Treasury Annual Reporting Framework. These include reporting on the organisation’s achievement of its performance indicators as well as the organisation’s compliance to the Public Finance Management Act 1 of 1999 and other relevant legislation and regulations.

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Annual Performance Financial Results Presentation:

As part of its obligations as an SOC, the ELIDZ has the responsibility to present its annual performance and financial results to the provincial Portfolio Committee for Economic Development.

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Annual General Meeting:

The ELIDZ presents its summarised performance overview, its financials and going-concern status to key stakeholders through an Annual General Meeting. This meeting also provides for the election of directors and appointment of the auditors and an audit committee for the ensuing financial year.

ABOUT THE ELIDZ

Set up in 2002 as a response to the need for a robust catalyst for economic development and industrial diversification in the Eastern Cape.

The East London Industrial Development Zone (ELIDZ) is a State-Owned Company set up by government through the South African Industrial Development Zones Programme (now the South African Special Economic Zones Programme) to develop, operate and maintain modern infrastructure and to complementarily attract strategic investments for the region. In just 13 years of existence, the ELIDZ, has changed the economic landscape of the Buffalo City region and the Eastern Cape province as a whole and has done well to deliver on its mandate to:

Promote the export competitiveness of South African manufactured products and services;

Strengthen, expand and diversify the regional economy;

Enable exploitation and beneficiation of regional natural resources;

Secure advanced foreign production and technology methods; and

Encourage skills transfer and local intellectual capital development.

This Annual Review outlines the ELIDZ’s history and maps out its strategy, its performance and future focus.



ABBREVIATIONS AND **ACRONYMS**

AGSA	Auditor-General of South Africa
BBBEE	Broad Based Black Economic Empowerment
BCM	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

OUR HISTORY

OUR FOUNDATION

1997 - 2001

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2002 - 2005

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- Initial investigation on formation of an IDZ for East London
- Formation of the East London Development Zone Corporation – a section 21 entity.
- Application to DTI for a designation of an IDZ for East London
- Application to DTI for an IDZ operator’s licence.



The success of the ELIDZ has been shaped by the following:

- COMPELLING VISION:** The East London Industrial Development Zone’s journey dates back to 1997 when the Border Metropolitan Development Company (Bomedco) – a section 21 company championed by organised business set out to investigate the development of the Border area. In its investigations, the company came up with a vision to develop an industrial development zone for the Border region with the main aim of increasing and diversifying the industrial footprint of the East London/ Border Area.
- MEANINGFUL COLLABORATION:** The journey of the ELIDZ illustrates the power of industry, government and community collaboration. It’s a story of how these stakeholders came together to map the vision, to identify the location and to combine available resources that led to the designation of East London’s first industrial Development Zone.

- DTI designates an IDZ for East London
- Granting of provisional licence.
- Acquisition of land (green fields).
- Resettlement of Leaches Bay Informal Settlement.
- Bulk Internal Infrastructure Development



- VISIONARY LEADERSHIP:** As one of the first four IDZs to be designated in South Africa – the ELIDZ’s journey has become a blue print of the roadmap required to ensure the development of a successful industrial zone. It has become a leading front-runner IDZ in South Africa which has helped shaped the country’s policies on industrial development.
- LASTING IMPACT:** In 13 years the ELIDZ has transformed what used to be the Leaches Bay Informal Settlement, an area littered with tiny wood and iron informal residential structures, to a thriving, world-class industrial complex that is home to renowned multi-nationals who employ thousands of East London’s workforce. In the period the ELIDZ has also changed the economic landscape of the Buffalo city region and the Eastern Cape Province through the development of sector investment solutions that have attracted billions worth of private sector and foreign direct investment into the region.

> 2005 - 2009 > 2009 - 2015

- Intensified Investment Promotion.
- Development of first industrial cluster.
- Settlement of first investors
- Conceptualisation of other sector value propositions

- Promotion and Development of new industrial clusters.
- Settlement of new investment
- Management of zone (infrastructure and services)



2931
**MANUFACTURING
 AND SERVICES
 JOBS** CURRENTLY ACTIVE
 IN THE ELIDZ

35
INVESTORS
 ATTRACTED
 WITH AN INVESTMENT VALUE OF
R4.3 BILLION
 SINCE INCEPTION

28
**OPERATIONAL
 INVESTORS**
 IN THE ZONE

5 ACTIVE
 INDUSTRIAL SECTORS

R40
MILLION PER ANNUM INTO
 LOCAL AUTHORITY
 DIRECTLY FROM
 RATES AND SALE
 OF UTILITIES

21 262 **DIRECT CONSTRUCTION JOB**
 OPPORTUNITIES CREATED SINCE INCEPTION



THE ELIDZ'S **CORE IDEOLOGY**

The ELIDZ is a prime industrial park in South Africa, perfectly positioned for light industry manufacturers that are investing from R10 million (+- \$1.2 million) upwards.

The zone is specially developed for growth oriented manufacturers in search of ultimate global competitiveness. Our core focus is on streamlining our customer's business operations and engineering operational efficiencies for located industries. The ELIDZ is driven by its ambition to contribute toward the industrial diversification, economic growth and transformation of the provincial and national economies. This ambition is underpinned by the following core ideology:

OUR VISION

Our vision is 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.

OUR MISSION

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

OUR CULTURE AND OUR VALUES

The ELIDZ continues to position itself as the solution for companies to be globally competitive through engineered efficiency. As such, the key driving force behind the East London IDZ's existence is the successful creation of specialised solutions for growth oriented businesses who locate in this prime industrial park.

The organisation exists to develop innovative solutions to meet customer demand. To support this organisational culture, the organisation has a set of values which have been developed to guide the organisation's moral core that distinguishes right from wrong.

These set of values are:



CUSTOMER-FOCUSED: The needs of our customers shape and drive our plans and actions.



SOLUTIONS-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.

STRATEGY VALUE CHAIN **AND STRUCTURE**

ELIDZ VALUE CHAIN

OUR 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.

OUR MANDATE: To contribute toward the industrial diversification, economic growth and transformation of the provincial and national economies.

OUR MISSION: Our mission is 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.

**DESIGN INDUSTRIAL
INVESTMENT
CONCEPTS**

**MARKET SOLUTIONS AND
ACQUIRE CLIENTS**

**CREATE, CONDUCTIVE
AND COMPETITIVE
LOCATION**

**SERVICE AND
DEVELOP CLIENTS**

OUR TARGETED SECTORS

AUTOMOTIVE



- OEMs
- 1st Tier Suppliers
- 2nd Tier Suppliers
- Related Industries

AGRO PROCESSING



- Bio-fuels
- Forestry & Wood
- Dairy Products
- Food Processing

PHARMA- CEUTICALS



- Genetics
- Cosmetics
- Natural Remedies

ICT & BPO



- Call Centres
- Software Engineering
- Programming
- Computer & Cell phone

RENEWABLE ENERGY



- Bio-fuels
- Bio-gas
- Solar Panels
- Solar Water Heaters

LOGISTICS



- Logistic Services
- Providers
- Warehousing
- Distribution

AQUA- CULTURE



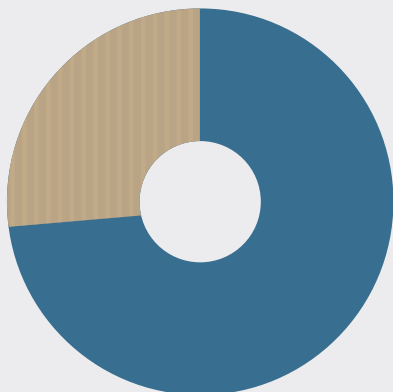
- Fish Farming
- Fish Processing

GENERAL MANUFACTURING



- Light Industries
- Plastic Conversion
- Assembly
- Electronics
- Appliances

OWNERSHIP OF ELIDZ



- 74%** ● Eastern Cape Department of Economic Development, Environmental Affairs & Tourism
- 26%** ● Buffalo City Metropolitan Municipality



OUR GOVERNANCE STRUCTURES



OUR FUNCTIONAL STRUCTURES



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 the 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 dependant on the fulfilment of its mandate as outlined by its funders and 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 <ul style="list-style-type: none"> 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	<p>The ELIDZ acknowledges that employees are critical in delivering brand value and influencing an organisation's reputation.</p> <p>It is therefore critical that the ELIDZ continues developing and implementing internal brand building initiatives for employees and management which are characterised by communication and engagement to ensure the attainment and maintenance of a desired culture that supports the delivery of the organisation's value offering</p>
Normative Stakeholders	<p>Organised Business</p> <p>Respective Sector Value Chain players</p> <p>Other IDZs and SEZs</p> <p>Provincial Portfolio Committee on Economic Development.</p>	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 in 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 2013/14, as the ELIDZ continues on its path towards clean administration. The ELIDZ's strategy, its milestones and the impact thereof, 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 of 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 ENVIRONMENTAL 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 strives for zero impact through its policies and systems. Details of the ELIDZ's impact in this regard can be found in 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 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Quarterly Media Releases• Responses to all media enquiries• Release of Annual Results• Quarterly Forum with Ward 46 Councillor and committee

WHAT **OUR STAKEHOLDERS** SAY



The ELIDZ is showing very commendable progress. The figures tell us a story of substantial progress since 2009. Whatever incentive that we may provide as government it is important that this is complemented by a strong management and a strong presentation of a credible quality product. The reputation of the particular IDZ is very important. This is what we are beginning to see at the ELIDZ, the reputation is turning in a very positive direction. The other side of it is that the delivery of concentrated industrial infrastructure. These are the elements that come together in the establishment of IDZ and there are some success stories in this regard that we see at the ELIDZ.

Minister Davies, Minister of Trade and Industry

The reason JCI chose the ELIDZ for its location for investment is because of the infrastructure, the support we have received from the ELIDZ as we have come into the region they have been accommodative and provided conducive environment. Their professionalism in running the facilities, building the facilities – we have been very encouraged by the support we have received from the ELIDZ.

Jeff Best, Johnsons Controls Automotive



The partnership with the ELIDZ is incredibly valuable. We have a fierce competitive situation in terms of global economy. We see the emergence of emerging markets in terms of how they are competing as production locations much more than what we have seen before. In the light of the competitive business that we are in, it is absolutely essential that we create an environment and a destination for companies and suppliers that is welcoming and easy to deal with, in which they understand the constraints and opportunities. An initiative such as ELIDZ provides a location in which there is a trusted partner that they can consult in which provides them with the right guidance in how they can get their businesses up and running and established. We see the benefits of that, we have seen that over the last years. We are proud to be associated with the ELIDZ in that regard and to see the growth that is taking place alongside our growth.

Arno van der Merwe, Mercedes Benz South Africa

AERIAL MAP OF THE EAST LONDON INDUSTRIAL DEVELOPMENT ZONE





OUR INTERNATIONAL FOOTPRINT AND CUSTOMERS



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

TI Automotive Fuel Systems SA

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



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



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



UTI
Logistics and supply chain management services.



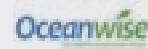
Reinforcing Steel Contractors
RSC provides reinforcing solutions to the building, civil, mining and engineering markets, including the supply, cut, bend, delivery and fixing of reinforcing steel.



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



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.



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



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



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



Pure Ocean Aquaculture
Finfish farm and hatchery



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



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



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.



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



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



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



ILB Helios
Spanish company producing solar panels units



Matla Diamond Works
Diamond cutting and polishing



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



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



Linde + Wiemann RSA Pty Ltd
Manufactures 13 different assemblies for MBSA, these include Dash carrier, Front End, A and C pillars and Rocker assembly. In addition the metal surface treatment plant will be washing 23 parts for MBSA and E-Coat 3 parts for Bentler and Brose.



voestalpine Stamptec
Develops & manufactures structural parts, welding parts and assemblies for the automotive industry



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



CORPORATE | **GOVERNANCE**

CHAIRMAN'S STATEMENT

LEGISLATIVE DEVELOPMENTS

Key to these changes was the signing into law of the new Special Economic Zones (SEZ) Act by South African President, 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 vehicles and, in doing so, creates competition for the limited government resources and strategic investors that 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 - 2020/21), 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 Private Public 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 interest 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 take these variations into context as it implements this strategy.



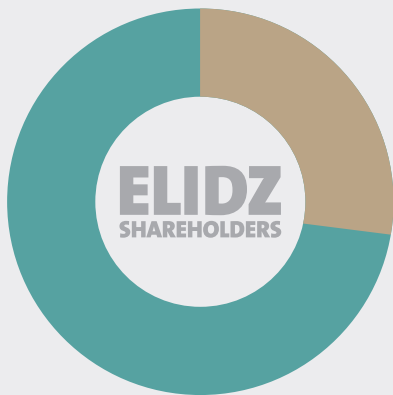
Mr. Zolile Tini
Board Chairman

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.

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.

NEW 5 YEAR STRATEGY 2015/16 - 2020/21

REVISED BUSINESS
MODEL
DIVERSIFIED SERVICE
OFFERING
ALTERNATIVE SOURCES OF
REVENUE



74% Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)

26% Buffalo City Metropolitan Municipality

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.

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 24% 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 Review 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.

A handwritten signature in black ink, appearing to be 'Zolile Tini', written in a stylized, cursive script.

Mr. Zolile Tini
Board Chairman

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.



Jo-Anne Palmer
Company Secretary



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 prescripts 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. R33 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;
- To 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 Non-Executive Directors
- The procedure for meetings of the Board
- The rules regarding remuneration of Board Members

The charter furthermore confirms that the Board is responsible for:

- Ensuring good corporate governance
- Determining the ELIDZ's strategic direction
- Exercising good 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 has 11 positions. There were two retirements and one resignation in the period under review. As such, as at 31 March 2015 there were 8 Non-Executive Directors. 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
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

Name	Designation / membership	Date appointed	Date retired/ resigned	Area of expertise	No. of meetings attended
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.



ELIDZ BOARD OF DIRECTORS

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



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

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

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

Mr. S. Kondlo
Executive Director
Ex Officio

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

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



Mr. Z. Tini

Chairman of the ELIDZ Board and Chairman of the Executive Committee of the Board
(*non-executive director*)

Mr. E. Jooste

Member of the Audit and Risk Committee, Member of the Finance and Tender Committee, Member of Board
(*non-executive director*)

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 director*)

Ms. P. Mzazi-Geja

Member of Investment Committee, Member of Board
(*non-executive director*)

Ms. N. S. Mteto

Member Finance and Tender, Member of the Board
(*non-executive director*)

Mr. S. Caga

Chairman of the Investment Services Committee, Member of Executive Committee of the Board, Member of the Board
(*non-executive director*)

BOARD MEMBERS **PROFILES**



Mr. Z. Tini

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



Ms. P. Nazo

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.



Ms. V. Sikwebu

Current Employment: Pinnacle Africa

Skills: IT Governance and Strategy, Business management

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



Mr. S. Caga

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



Mr. S. Kondlo

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



Mr. A. Kanana

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)



Ms. N. I. Meinie-Anderson

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)



Ms. P. Mzazi-Geja

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

E. Jooste

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

Mr. S. Mase

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 Ilimaletu (Section 21), Director OR Tambo Ntinga Development Agency

Mr. M. Saziwa

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

Ms. N. S. Mteto

Current Employment: Attorney Private Practice

Skills: Legal

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



BOARD 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 directors. 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)

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.

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 responsibilities 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 Sikweb
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.

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.



REPORT OF THE **AUDIT AND 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; | • Dashboard review report | • Policy review |
| • Asset management review | • ERP review | • SCM review |
| • Business continuity review | • Human resources review | • Stakeholders management review |
| • Corporate governance review | • Performance information 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:



Ms. N. I. Meinie-Anderson

Chairperson: Audit and Risk Committee

REPORT OF THE **AUDITOR-GENERAL**

Report of the auditor-general to the Eastern Cape Provincial Legislature on the East London Industrial Development Zone SOC Ltd

Report on the financial statements

Introduction

1. I have audited the financial statements of the East London Industrial Development Zone SOC Ltd set out on pages 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



ORGANISATIONAL **PERFORMANCE** |

EXECUTIVE **MANAGEMENT**



Mr Simphiwe Nicholas Kondlo is a seasoned engineer. He holds a MSc Engineering Management and has more than 10 years' experience spanning over various fields including civil and agricultural engineering. Kondlo, is a former Chief Executive Officer of Amatola Water and one of his career highlights was developing and executing a turn-around strategy for the organisation, a water utility, with 14 water treatment plants and extensive bulk water pipe lines accross a number of municipalities, leading to the sustainable and profitable operation of the entity. In 2004, Mr Kondlo joined the ELIDZ as Chief Executive Officer. With him at the forefront, the ELIDZ managed an intensive infrastructure development programme which transformed a greenfield site into a fully-fledged industrial development hub.

The zone has secured more than R1 billion worth of investment since Mr Kondlo took over the reins and it continues to flourish. In his role at the ELIDZ, Mr Kondlo has also played a significant role in shaping the policy framework of the South African IDZ programme. He has sat in several boards including the Eastern Cape Development Corporation (ECDC) Trans-Caledon Tunnel Authority (TCTA), Aspire, Mvula Trust and Buffalo City FET College, Walter Sisulu University Council and the Buffalo City Development Agency (BCDA).

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).



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.

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.





Mr. Simphiwe Kondlo
CEO - East London IDZ

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.

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.

22 NEW INVESTORS
WITH A COMBINED
INVESTMENT VALUE OF
R1.92 BILLION

2931
DIRECT & ACTIVE
MANUFACTURING & SERVICE JOBS
AT THE END OF 2014/15

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.

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 R2 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.



Mr. S. N. Kondlo

Chief Executive Officer

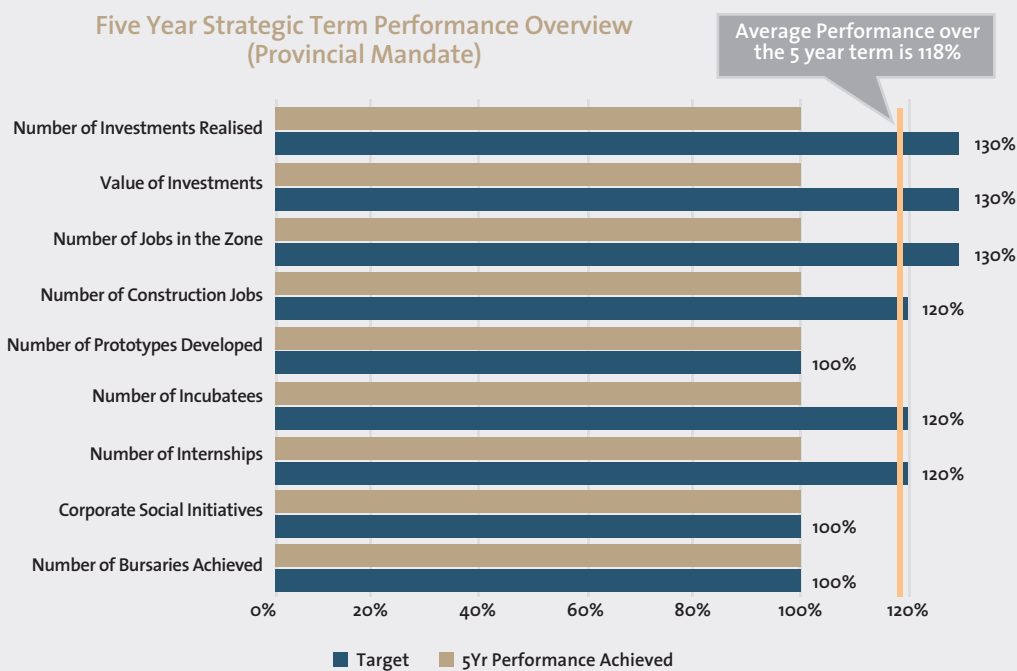
ORGANISATIONAL PERFORMANCE HIGHLIGHTS

With 2014/15 marking the end of the zone’s 5 year strategy cycle - the performance review for the organisation focuses both on the achievements of the zone in the 2014/15 financial year as well as the zone’s performance trends in the 5 year strategic cycle.

Key performance indicators, for the state entity which has been touted as one of the province’s key strategic catalysts for sustainable economic development include the following:

- The zone’s ability to attract new investment into the region
- The zone’s success in creating sustainable industry jobs
- The role of the zone in incubating and supporting new technologies
- The zone’s ability to extend its developmental footprint through its social responsibility programme
- The zone’s ability to grow its revenue from its operations.

In the last five years, the ELIDZ has presented encouraging performance in the areas highlighted above, with an average performance of 118% against targets that have been set by the organisation’s shareholders and funders.



In 2014/15, the organisation received an average organisational performance of 102% against set targets. 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

While the performance targets were exceeded it must be noted that there were various factors that challenged the ELIDZ’s ability to deliver and exceed performance targets. Key to this was the changes in the zone’s 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.

PERFORMANCE IN **NUMBERS**

8140

CONSTRUCTION JOB
OPPORTUNITIES CREATED
BETWEEN 2010/11 TO 2014/15

83 **ENTREPRENEURS**
INCUBATED
AT THE ELIDZ
SCIENCE & TECHNOLOGY PARK
IN 2014/15

22 **NEW**
INVESTORS
WITH A COMBINED
INVESTMENT VALUE OF
R1.92 BILLION

OF THE TOTAL **R2.7 BILLION**
WORTH OF GOVERNMENT (PROVINCIAL &
NATIONAL) FUNDING SINCE INCEPTION

R2 BILLION
WORTH OF ASSETS
GENERATED BY ELIDZ

R2.5 BILLION

VALUE OF ELIDZ'S
RENEWABLE ENERGY
INVESTMENT
PIPELINE AT ADVANCED STAGES

2931

DIRECT & ACTIVE
MANUFACTURING & SERVICE JOBS
AT THE END OF 2014/15

46% **GROWTH** IN ELIDZ'S OWN
GENERATED
REVENUE IN THE 5 YEAR CYCLE

6 **NEW INVESTMENT**
AGREEMENTS
(FDI & DOMESTIC) SIGNED
BETWEEN THE **ELIDZ**
& **APPROVED INVESTOR** IN 2014/15



REVIEW OF **OPERATIONS** |

SECTOR DEVELOPMENT & INDUSTRIAL INNOVATION

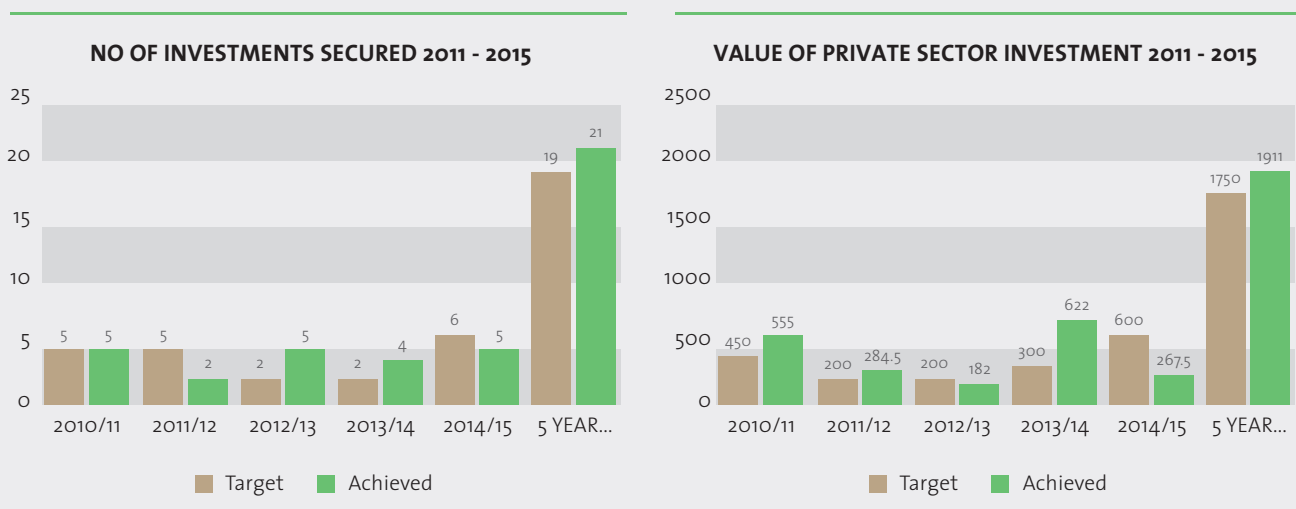
SECTOR DEVELOPMENT

The mandate of the ELIDZ continues to be centred around the development of new sector opportunities that attract strategic investors in the region. This, in turn, becomes a needed catalyst for economic development of the Eastern Cape Province.

INCREASED INVESTMENT

The period under review has seen a continued delivery of the ELIDZ with respect to this aspect of its mandate. The end of the 2014/15 financial year saw the consolidation of the organisation's investor targeting efforts for the last five years. These efforts have yielded R1.9 billion worth of new investment from 21 new investors from 2010/11 to 2014/15. This is an average investment value of R380 million of private sector investment per year. These new investments take the total value of private sector investment to R4.3 billion since inception.

in place to eliminate any non-conformances. The ELIDZ continues to priorities compliance with GAAP, the Public Finance Management Act and other related Treasury regulations.



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.

NEW SECTOR DEVELOPMENT

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. 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.

The organisation is currently implementing a windfarm project in partnership with a local company. The project will be located in Zone 1 of the ELIDZ. Construction will start in June 2015 and the project will be completed in 2016. Six wind turbines will be erected and this partnership will ensure that the ELIDZ sources its wind turbines locally. This investment will effectively position the ELIDZ as the first "Green" IDZ in South Africa and one of only a handful globally.

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.

Strategic Investment Projects

As part of implementing its mandate of being the catalyst for economic development, new sector development and job creation, the ELIDZ has identified various medium to long term strategic projects to pursue. These projects are not typical investment projects but are more inclined towards the provision of infrastructure and services that would act as a catalyst for both new sector development and strategic investment attraction and settlement. These long-term strategic projects have a longer lead time before the desired returns can be realised but, however, have the biggest impact in terms of building a diverse and resilient regional economy.

These projects include the Multi Model OEM facility, the Agro-Industrial Park and a Renewable Energy Cluster. The Multi Model OEM facility is a common passenger vehicle assembly facility that will be operated by an internationally renowned contract assembler. This shared facility allows Original Equipment Manufacturers (EOMs) to participate in a shared and common infrastructure facility. It is an innovative way of cutting costs and increasing competitiveness while offering an alternative to importation of fully built units. The ELIDZ is currently implementing a fundraising strategy for the programme whilst also marketing the facility to relevant OEMs. An operator for the facility has already been secured.

The ELIDZ has also finalized the feasibility study for its Agro Industrial Park. The park will see the clustering of different agro-production, -processing chains, logistics and non-agro but complimentary activities in one facility. Stakeholder engagement on the project has commenced to solicit support, funding and ensure alignment.



ZONE DEVELOPMENT

The availability of serviced land, world class bulk internal infrastructure and the option of quality tenant facilities is a key component of the ELIDZ's value proposition. As such, the development and management of zone infrastructure and buildings remain one of the ELIDZ's highest priorities.

The ELIDZ completed the construction of various investor facilities in the period under review. These include the construction of the ILB Helios and the ELIDZ's wind farm facility. As such in the period under review the ELIDZ completed 4 infrastructure projects worth R217 million and delivered these according to the specification and requirements of our investors.

The bulk of the infrastructure in the ELIDZ was completed in 2004/05 financial year and as such, the age of most bulk internal infrastructure and estate buildings in the ELIDZ is close to the 10 year mark. While the infrastructure was built to last, it is critical that as the years pass and as the traffic and users in the zone increase, the ELIDZ undertakes continuous infrastructure and superstructure maintenance to maintain the standards of utilities and related services for investors the zone. More than 40 main infrastructure units have now been completed in the ELIDZ and are being managed by Zone Operations in addition to the more than 130 000 square metres of industrial factories under roof. In addition, there are eight main estate buildings including the new Corporate Head Office that was designed in keeping with the principles of energy efficiency. The ELIDZ has developed a Zone Operations functions which is responsible for the maintenance of the electrical network, substations and standby generators as well as the sewage pump station and sea water abstraction system capable of handling up to 185 litres a second of sea water for mariculture investors.

With load shedding challenges being a major concern for businesses in 2014/15, the ELIDZ maintained an electricity supply rate of 99.8% - shielding its tenants for the operational disruptions caused by load shedding. The ELIDZ is one of the few industrial areas that have, during the height of the scheduled load shedding in South Africa, been unaffected by load shedding, as a result of its dual-electricity access (being fed from two sub-stations).

The ELIDZ boasts a 132/11Kv sub-station built for sustainable and adequate supply of electricity to the East London IDZ's industries. Sustainability is one of the key cornerstones of the ELIDZ's corporate ethos, as such the organization is currently in the process of constructing a Wind Energy facility which will generate renewable energy for the zone, and the facility will be operational in 2016.

INVESTOR SERVICING

In the period under review the ELIDZ continued to deliver a range of value-adding Zone-based support services. These are located within the IDZ to deliver on-site capabilities that make industrial operations from the zone easier and more productive. The services that were active in the period under review included:

- Grass cutting and Landscaping for common areas
- Service desk for quick response to service requests and maintenance queries.
- Fully serviced on-site canteen facility offering nutritional means
- Primary health care clinic facility opposite the identified site for MBSA
- Industrial Environmental monitoring
- Conferencing
- ICT and Telephony services

The ELIDZ realises that doing business, for any enterprise, is all about the bottom line. As such, other than the zone's competitively priced industrial solutions, the ELIDZ has also allowed for an incentive facilitation desk, which assists investors to apply for all relevant government incentives.

INDUSTRIAL INNOVATION

The ELIDZ Science and Technology Park (ELIDZ STP) is part of the ELIDZ's strategy to increase the pace of economic development in the Eastern Cape. The park is designed as an attractive, functional and interactive space to encourage the exchange of ideas and facilitate the development of creative technical solutions to problems. Its services include a variety of laboratory facilities, training platforms, an open innovation platform, networking solutions, as well as incubator services. As such, the main objective behind the park is to increase competitiveness, efficiency and effectiveness of local industries through innovation.

The period under review saw the official launch of the ELSTP and an increased momentum in the securing of strategic tenants within the park. One of these tenants is Chemin, Technology business incubator. Chemin specialises in supporting the start-up and growth of small and medium (SMMEs) enterprises in the downstream chemical industry.

The ELSTP is also home to the Eastern Cape Information Technology Initiative (ECITI) a business incubator specialising in information communications technology (ICT) and film sectors. ECITI's incubation programme is designed to assist early stage development of ICT and film entrepreneurs through the use of various support services, such as infrastructure, mentorship and training, linkages to industry and academic networks and information resources within the ICT and film industry.

Dimension Data, an specialist ICT multi-national has set up The Cortex Hub, a two year technology incubation and personal development programme within the ELIDZ STP. The programme is an ICT innovation hub with 40 of the brightest brains developing ICT solutions for commercialization. The programme aims to give young entrepreneurs the skills necessary to develop software products and services in order to establish their own businesses.

The ELIDZ Science & Technology Park (STP) has also established a renewable energy training centre where the first batch of artisans have already completed their training. The ELIDZ STP has also been involved in the testing and prototyping of 4 different renewable technologies and two new inventions. It is intended to take these technologies to commercial stage and start mass production where further investment and jobs will be created in the ELIDZ.

The successful development of these prototypes will illustrate the ability of the ELIDZ innovation ecology to generate new technologies, which works and contributes towards increasing the outputs of the industry.







ORGANISATIONAL | **SUSTAINABILITY** |

ORGANISATIONAL SUSTAINABILITY

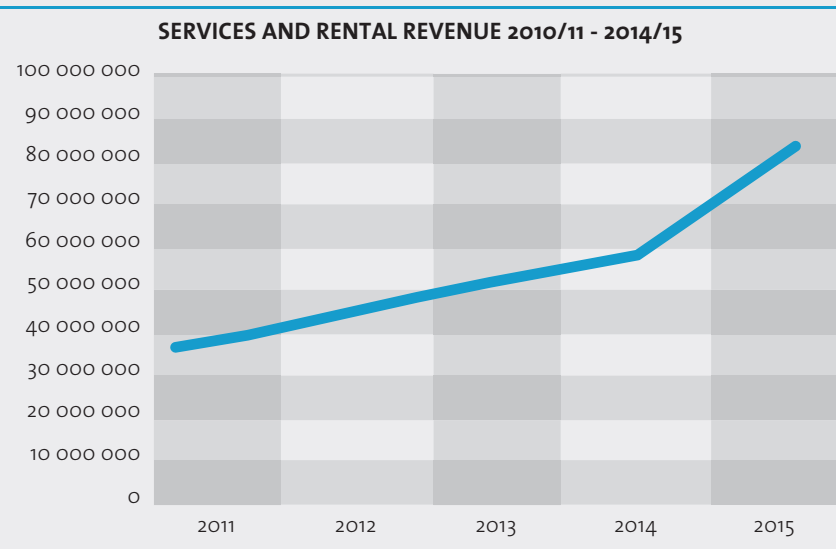
FINANCIAL SUSTAINABILITY

Continued financial sustainability and sound financial management continue to be key priorities to the ELIDZ. In the 2014/15 financial year, the ELIDZ continued to prioritise the expansion of its funding sources and improvement of its annual revenue generation capabilities.

Revenue Generation

The last year has seen an increase of 43% in revenue generated from services and rentals. This is mainly attributable to the growth in the ELIDZ's investor population in the period under review. The growth in the population is as a result of the start-of-manufacturing for the Mercedes Benz W205 in 2014. This resulted in investors such as Booysen South Africa (BSA), Voestalpine, RG Brose, Linde and Wieman and other new automotive investors.

Compared to the first year of the 5 year cycle, the ELIDZ has grown its services and rental income by just under R50 million in five years. This translates to a growth of 125% since 2010/11 financial year. Notably, the highest growth area has been in the rendering of services (235% since 2011/12). This is mainly attributable to the expansion of the ELIDZ's services basket and growth in uptake of the service offerings from investors.



The year-on-year growth on total revenue generation from the zone's operation was slightly higher than inflation at 8%. The period under review has also seen an improvement in the zone's debt collection trends with a notable reduction in average debtor collection days. This has seen a notable improvement in the zone's bad debt provision.

Financial Controls

The last two financial years have seen an increased focus on the improvement of organisational financial controls. The organisation, in the period under review, benchmarked its controls against generally accepted controls in the industry. This informed the organisation's financial controls review process particularly in relation to expenditure and payments management as well as the integration of financial management functions such as supply chain, internal audit controls and payments. As at the end of 2014/15, the ELIDZ had implemented all of the control improvements identified leading to a substantial reduction in financial controls-related finding by the internal and external auditors. The process to improve financial controls has led to the ELIDZ achieving another unqualified audit opinion from the Auditor General of South Africa. This is an indication of the effectiveness of the improved control processes and systems. It must be noted, however, that the ELIDZ will, in the 2015/16 financial year continue on its path to clean administration. As such a plan has been put in place to eliminate any non-conformances. The ELIDZ continues to priorities compliance with GAAP, the Public Finance Management Act and other related Treasury regulations.

BUSINESS ETHICS AND TRANSPARENCY

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.
- **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.

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.

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.



COMMUNITY INVOLVEMENT – CORPORATE SOCIAL INVESTMENT

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 EL IDZ 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.



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 R 70 million total expenditure towards Small Medium and Micro Enterprises (SMMEs) and R 196 million total expenditure towards Broad Based Black Economic Empowered (BBBEE) enterprises, while R 15 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.



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.

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 through 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.







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