ANNUAL REPORT
2016/17

east london idz
business streamlined

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APPROVAL OF ANNUAL REPORT 2016 / 17

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DESIGNATION: Chief Executive Officer

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DESIGNATION: Chairperson:
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APPROVED
NAME: Professor M.W Makalima
DESIGNATION: Chairperson ELIDZ
Board of Directors

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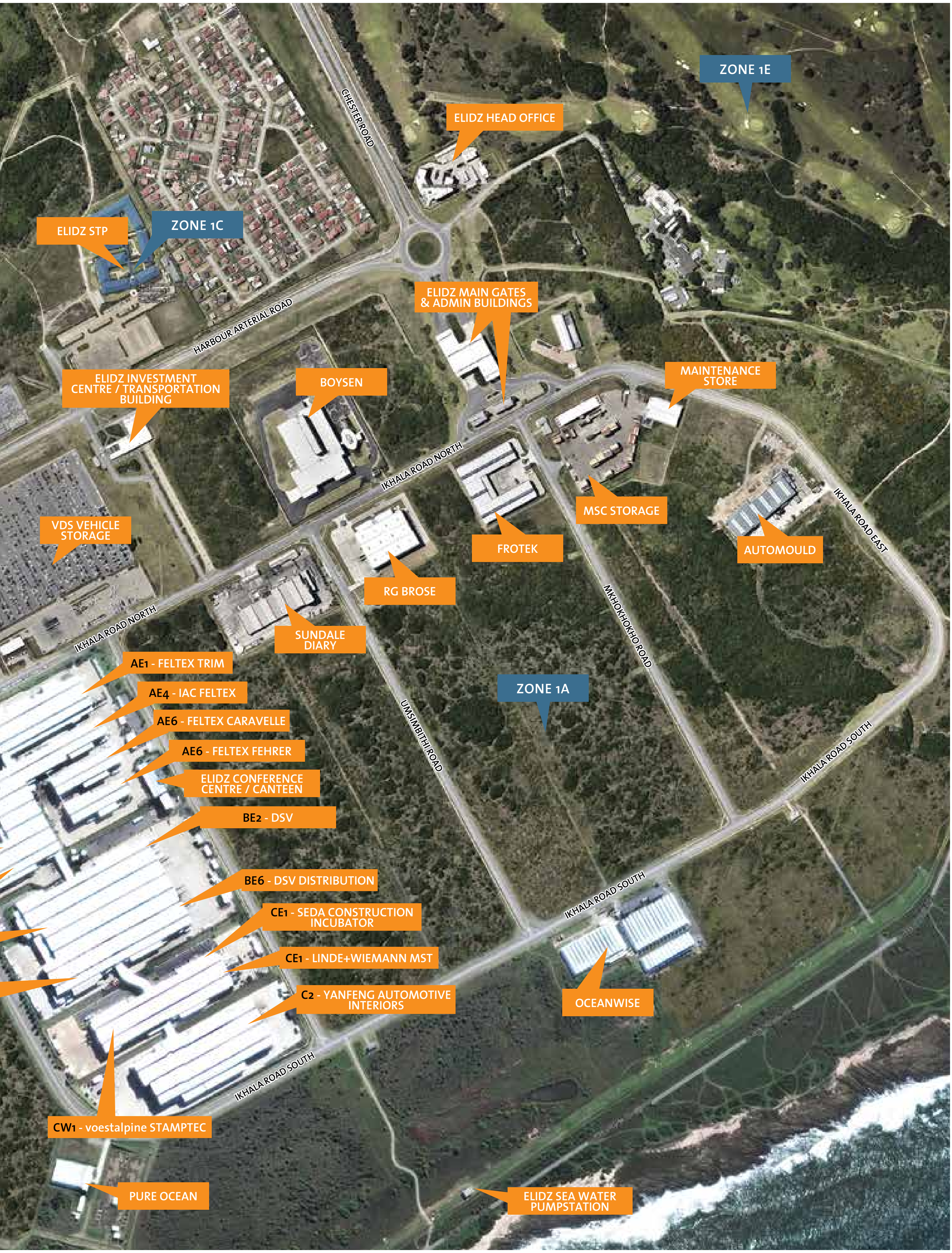
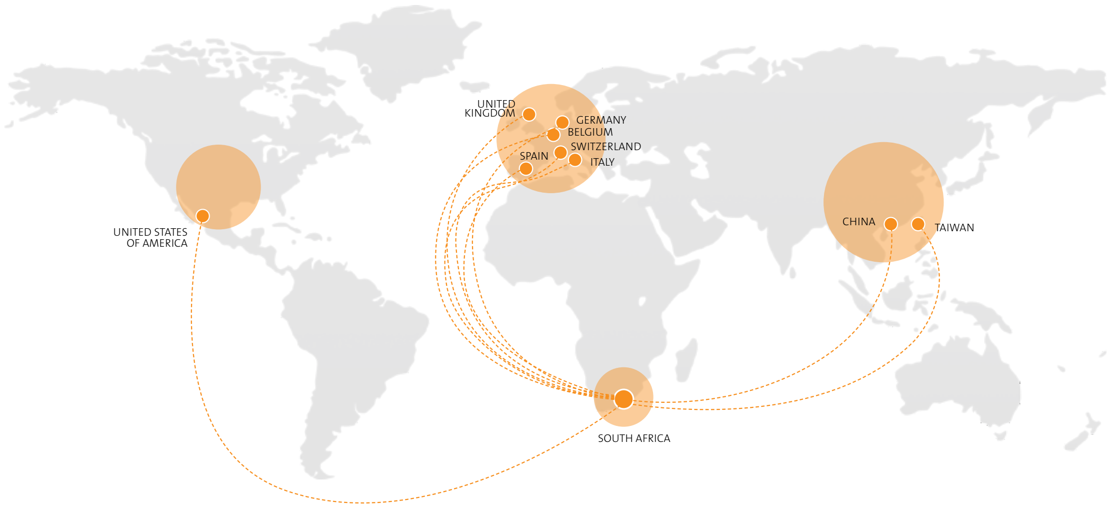
AERIAL MAP OF THE EAST LONDON INDUSTRIAL DEVELOPMENT ZONE


ZONE 1E
ELIDZ HEAD OFFICE
CHESTER ROAD
ELIDZ STP
ZONE 1C
HARBOUR ARTERIAL ROAD
ELIDZ MAIN GATES & ADMIN BUILDINGS
ELIDZ INVESTMENT CENTRE / TRANSPORTATION BUILDING
BOYSEN
MAINTENANCE STORE
IKHALA ROAD NORTH
MSC STORAGE
IKHALA ROAD EAST
VDS VEHICLE STORAGE
FROTEK
AUTOMOULD
RG BROSE
MKHOKHOKHO ROAD
IKHALA ROAD NORTH
SUNDALE DIARY
AE1 - FELTEX TRIM
ZONE 1A
AE4 - IAC FELTEX
UMSIMBITHI ROAD
AE6 - FELTEX CARAVELLE
AE6 - FELTEX FEHRER
IKHALA ROAD SOUTH
ELIDZ CONFERENCE CENTRE / CANTEEN
BE2 - DSV
BE6 - DSV DISTRIBUTION
IKHALA ROAD SOUTH
CE1 - SEDA CONSTRUCTION INCUBATOR
CE1 - LINDE+WIEMANN MST
C2 - YANFENG AUTOMOTIVE INTERIORS
OCEANWISE
IKHALA ROAD SOUTH
CW1 - voestalpine STAMPTEC
PURE OCEAN
ELIDZ SEA WATER PUMPSTATION

INTERNATIONAL FOOTPRINT AND CUSTOMERS



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

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

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

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

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

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

ILB Helios
Spanish company producing solar panels units

Yanfeng Automotive Interiors
Produces Cockpits, Overhead Systems and Door panels for the Automotive Industry.

Linde+Wiemann
Manufacture and supply seat frames, seat slides, height adjusters, recliner mechanisms, as well as metal surface treatment in the automotive sector.

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

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

voestalpine
Manufacture cold-formed structural parts and assemblies for the automotive industry

DSV
Logistics and supply chain management services.

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

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

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

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

Frotek
Manufacturing of plastic products for the automotive and ICT sectors

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

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

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

Pure Ocean Aquaculture
Finfish farm and hatchery

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

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

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

Automould (Pty) Ltd
AUTOMOULD specialises in high quality technical plastic injection moulding and ancillary operations for the Motor Industry and other OEM's

PART A:

GENERAL INFORMATION

GENERAL INFORMATION

REGISTERED NAME:	East London Industrial Development Zone SOC Ltd
REGISTRATION NUMBER:	2003/012647/30
PHYSICAL ADDRESS:	Lower Chester Road, Sunnyridge, East London, 5201
POSTAL ADDRESS:	P.O. Box 5458, Greenfields, East London, 5208,
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FAX NUMBER:	+27 43 702 8251
EMAIL ADDRESS:	info@elidz.co.za
WEBSITE ADDRESS:	www.elidz.co.za
EXTERNAL AUDITORS:	Auditor-General South Africa
BANKERS:	Standard Bank
COMPANY SECRETARY:	Jo-Anne Palmer

LIST OF ACRONYMS / ABBREVIATIONS

BBBEE	Broad-Based Black Economic Empowerment
BCMM	Buffalo City Metropolitan Municipality
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSI	Corporate Social Investment
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
DTI	Department of Trade and Industry
ECDC	Eastern Cape Development Corporation
ELIDZ	East London Industrial Development Zone
GAAP	Generally Accepted Accounting Practice
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

FOREWORD BY CHAIRPERSON

The ELIDZ's product and services value offering is designed to attract the interest of strategically targeted industrial investors, facilitate their positive decision-making to locate and invest into the SEZ and support their establishment and operation as SEZ enterprises. These outcomes are targeted through the provision of sector-customised industrial complex infrastructure, facilities and services that promote industrial productivity and that seek to lift the competitiveness and rates of growth of SEZ industries as suppliers of value-added products into domestic and global markets.

Professor M.W. Makalima
ELIDZ Board Chairperson

ANNUALISED INCREASE IN EMPLOYMENT

35,8%

By the close of the financial year under review, the ELIDZ had been successful in maturing and locating 28 operational investors across a range of its strategically targeted industrial sectors.

Beyond the effects of its direct services delivery, the ELIDZ entity's overall performance as an economic development tool is reflected in the enhanced level of economic activity that the ELIDZ investor community has generated into the local and national economy.

In the year under review, this was reported in an independent survey undertaken by Statistics South Africa (StatsSA). The survey – the second of its kind following a 2013 survey – was undertaken in 2016 and analysed the published 2015 company financial results of ELIDZ's operational industries.

The survey highlighted the following summary of performance achievements:

- Manufacturing and, to a lesser extent, non-manufacturing activities undertaken by ELIDZ-located industries served to inject in excess of R8bn of expenditure into the economy in 2015.
- Surveyed changes between the 2013 and the 2015 Statistics South Africa Surveys of the ELIDZ's economic impact show impressive annualised rates of growth in relation to principal measured performance statistics – and notably in relation to 35,8% annualised increase in employment, 200,3% annualised expenditure growth on new assets and 91,5% annualised growth in salaries and wages by zone tenants.

Service Delivery Constraints and Corrective Measures

While performance outcomes reflected in the StatsSA survey have been gratifying (and in some respects exceed initially projected delivery expectations), there are extensive restrictive factors at work that undermine the achievement of potential performance outcomes and that the ELIDZ recognises are having an impact and need collective government resolution.

In moving to replace the former Industrial Development Zone (IDZ) initiative with the new and expanded Special Economic Zones (SEZ) programming, the Department of Trade and Industry (dti) noted that for SEZs to be more successful they require government's development and application of a comprehensive and integrated package of special economic systems and appropriate policies and support measures. These, its SEZ policy states, must still be developed and extended to address issues such as infrastructure, skills development, technology, market support and logistics.

As an example, the SEZ Act specifies that the Minister of the Department of Trade and Industry (the dti) must assist to formulate a national programme strategy for SEZs implementation. This national strategy for SEZ delivery is vital -- and yet remains opaque.

The ability to drive provincial SEZ implementation within a complex inter-governmental landscape that is highly reliant on the uninhibited and unreserved support of many different government institutional actors is, most unfortunately, hindered by this programming void and fracture.

The strategy would assist in mapping a concrete vision of the purpose and direction for the roll-out of SA economic zones that both embraces and actively facilitates the assertion of provincial industrial comparative and competitive advantages to unlock the long-term developmental potentials of host provinces.

An existence of this strategy would also lay the foundation for a rock solid commitment by government's treasuries -- acting intentionally and fully in concert with one another -- to resource what the national strategy indicates needs to be done in the short, medium and longer-term.

More importantly, it would provide for a realistic shaping of stakeholder expectations of what SEZ project delivery can be expected to perform to achieve under different provincial implementation contexts, matched with a commensurate level of long-term State undertaking to capacitate and support legislated SEZ institutions to the extent that is needed for sustainable zone implementation.

2016/17 Performance Highlights

Despite some of the challenges noted above, the ELIDZ continued to deliver maximum shareholder value in the period under review.

One of the key milestones related to a smooth transition from the IDZ to the SEZ programme. The ELIDZ was the first SEZ in South Africa to receive a notice of Gazetting by DTI Minister on 16 September 2016 – this was the first part of the two-stage SEZ Gazetting Process. The ELIDZ now awaits the final gazetting by the Treasury. The finalisation of this process will allow all qualifying SEZ enterprises to start benefitting from SEZ incentives.

Additionally, significant developments in the ELIDZ's legislative and operational environment have necessitated the review and re-issue of a revised five-year strategic plan for the entity for the 2015/16 – 2019/20 period. These changes have been occasioned by the passing of the Special Economic Zones (SEZ) Act 16 of 2014, and the issuing of the associated Regulations in February 2016 and by implication, the need for the ELIDZ to fully align to this new SEZ mandate.

The re-issue saw the firming up of strategic goals to address key objectives of the SEZ programme including investment attraction, innovation and technology incubation and export facilitation.

In relation to the ELIDZ's core business, the period under review saw the ELIDZ signing in 4 new investors with an investment value of R1.06bn. Combined, these new investors have a job creation potential of 1422 direct manufacturing and services jobs. In line with the ELIDZ's strategy of ensuring sector diversification and the reduction of the region's dependence on the automotive sector , all the new investors attracted by the ELIDZ were in the pharmaceutical, Advanced Manufacturing and ICT industries.

By the end of the financial year, construction tenders had been awarded and construction activity had commenced on two investor facilities in the zone. The construction projects awarded were for the extension of the YanFeng facility which had secured BMW business, as well as for a new investment in the ICT sector, namely Yekani Investment.

Three other investors, Clariter, Nulatex and Innovative Aquaculture were preparing for the commencement of construction activity.

Outlook

It is hoped that as the SEZ Programming matures there will be opportunity for the national programme to craft and offer mechanisms to diagnose some of the specific constraints and learning points of active host provinces and of sites such as the ELIDZ. This could lead to the collaborative development of customised, site-specific support measures.

The constraints outlined above indicate that the ELIDZ site will need to be more selective in niching its activities in investment promotion and attraction. This would be required to avoid a pursuit of pipeline opportunities with, for example, a heavy reliance on

ANNUALISED GROWTH IN SALARIES AND WAGES BY ZONE TENANTS

91,5%

4 NEW INVESTORS VALUING

R1.06 BILLION

JOB CREATION POTENTIAL

1422

DIRECT MANUFACTURING AND SERVICE JOBS

port infrastructure or other complex physical logistics capabilities. Fortunately, the Eastern Cape has the advantage of the Ngqura deep-water port and its associated Industrial Development Zone to ensure that such pipeline opportunities need not be lost to competitive locations outside the province (or the country itself).

The ELIDZ's niching of business development efforts may well influence both the rate and scale of investment impact that can be generated at the ELIDZ's designated Phase 1 development site, since business development will more likely tend to bypass logistics-intensive high-impact investment projects, even when they fall into the strategically targeted industrial sectors that the ELIDZ is pursuing (like automotive).

Some mitigative scope is seen in taking steps to leverage the SEZ presence in East London by linking to industrial development potentials at satellite locations. The Berlin industrial area which is located near East London offers a different land configuration and natural resources as well as connectivity potentials. The ELIDZ is pursuing interests to exploit land it has acquired in this node in support of emergent sectors of importance to the provincial economy, including renewable energy generation and manufacturing.

Its success and pace in moving towards this and will, however, be dictated by the granting of national government authorisations to extend its SEZ designated land extent and by national/provincial/local government's collective ability to fund desirable industrial activity development in the industrial node.

The new organisational strategy provides an excellent framework for the ELIDZ Board and Management to deliver shareholder value and enhanced socio-economic impact. It is, however, critical to note that this is also highly dependent on the provision of a conducive industrial development environment and related support mechanisms as outlined in the SEZ Act. Without the provision of these supporting mechanisms, the capacity of the Board and Management to achieve these strategic goals will be severely constrained. Success will require genuine and intensive stakeholder engagement. Such engagement must be taken to a point of consultative finality.

ELIDZ Board Chairperson
Prof Makalima

The Berlin industrial area which is located near East London offers different land configuration and natural resource and connectivity potentials. ELIDZ is pursuing interests to exploit land it has acquired in this node in support of emergent sectors of importance to the provincial economy, including renewable energy generation and manufacturing.


AW6
Molan Pino S.A.
AW4
AW6

CHIEF EXECUTIVE OFFICER'S OVERVIEW

1.4.1. Financial Overview of the ELIDZ

The East London Industrial Development Zone is a Schedule 3D entity. As a 3D entity, the ELIDZ is funded through part government funding (infrastructure and a portion of operations) and part own revenue funding (operations).

Simphiwe Kondlo
ELIDZ Chief Executive Officer

Funding Trends

At the beginning of the 2016/17 financial year, Grant income of R88.5 million was allocated by the Department of Economic Development, Environment Affairs and Tourism (DEDEAT). This, combined with projected income to be generated from Operations for the 2016/17 financial year of R118 million led to the total approved operating budget of R206.5 million for the ELIDZ.

Expenditure Trends

By the end of the period under review, the ELIDZ had a 0% under-expenditure variance when comparing the company's budget and expenditure trends. These expenditure trends act as an illustration of the ELIDZ ability optimise all financial resources at the organisation's disposal.

Alternative Revenue Sources

It is also clear from the above-articulated sources of revenue that there is a notable improvement in the ELIDZ's ability to cover a significant portion of its operating costs from its own generated revenue. For the period under review – the ELIDZ was able to fund 57% of its annual operations from own generated revenue (non-grant funding) and there has been a steady improvement in the ELIDZ's own generated revenue since the beginning of the current five year cycle.

It must be noted, however, that while the ELIDZ continues to grow the cover of its operational costs by own generated revenue – this is also dependent on the growth of its investment property portfolio, which in turn is influenced by a number of factors including the competitiveness of the ELIDZ locational value offering and the availability of funding for superstructure development.

The Special Economic Zones Fund, which has been set up by the DTI as the main infrastructure and superstructure funding mechanism of the SEZ Programme, continues to be the key source of funding for a majority of the ELIDZ's Capital Expenditure Initiatives. In just the period under review the DTI approved an application for funding to the value of R305 million for the construction of a new facility for an investor in the ICT sector. It also topped up the funding for the expansion of the Yanfeng facility. The extension is necessitated by the growth of its customer base in the automotive sector.

FUNDING OF ANNUAL OPERATIONS FROM OWN GENERATED REVENUE

57%

1.4.2. Capacity Constraints and Challenges facing the institution

Imminent Funding Constraints

The ELIDZ's business model makes a number of assumptions on both Operating and Capital Funding available to the ELIDZ for future years and these give an estimated break-even point for the organisation. It further makes a significant link between the zone's financial sustainability and its increased competitiveness through the existence of SEZ incentives, enabling regional infrastructure and attractiveness to potential investors in its targeted sector.

It is, however, important to note that while both the issue of funding and incentives seem to be addressed in the SEZ Act and related guidelines, there are a number of mixed signals being received by the zone operators. As an example – funding allocated for the SEZ Fund is set to be halved in 2017/18 compared to 2016/17 – this will impact on the ELIDZ's ability to bed down investors that require fully built facilities to lease.

1.4.3. Policy related constraints

The change-over from IDZ programme to SEZ programme was supposed to herald key improvements, such as a more predictable planning and resourcing environment for zone implementation. It was also targeted to provide strengthened governance and management arrangements, with better defined roles and responsibilities that various government institutions would step into and assume (without reservation or dispute).

Unfortunately, to date the good intents voiced in the SEZ Policy -- and in the SEZ Act -- are clearly not yet a reality (and may not be realisable under the current legislative provisions, depending on how stringently or loosely they are interpreted and applied).

Additionally the transition process from IDZs to SEZs has been marred by delays that undermine the credibility of the programme as a tool for increased industrial development. A case in point is the delays in the finalisation of gazetting process that would finally allow the much-publicised SEZ programme value proposition to truly become operative and accessible to SEZ investors.

Both existing and prospective ELIDZ industrialists are anxious to see that their investment into an SEZ complex will yield bottom-line benefits, including participation in the new SEZ tax and other incentives.

This lack of readiness across governing departments – to give practical effect to the SEZ policy and legislation is becoming a significant area of disappointment. It is also proving to present a fundamental impediment in host province deployment of the economic zones programme to pursue and attain the intended industrial development and transformation outcomes, as envisaged in the national SEZ policy statement and in associated planning instruments, such as the Industrial Policy Action Plan (IPAP), the National Industrial Policy Framework (NIPF) and the National Development Plan (NDP).

1.4.4. Changes in the ELIDZ Mandate (Discontinuing Activities)

The Eastern Cape Provincial Government will be obligated to make significant institutional changes to the mandates and roles/activities of its Industrial Development Zone (IDZ) and other provincial economic development entities to demonstrate compliance with new governance requirements for the economic zones sector that came into effect with commencement of the Special Economic Zones (SEZ) Act in February 2016.

The SEZ Act now compels SEZ-participating provinces to commit to IDZ transitional planning that will work towards the adoption of a "two-institution" approach to IDZ/SEZ zone implementation by February 2019. The SEZ legislation requires that the management and operations of an IDZ/SEZ must be separated institutionally and that these be exercised under the respective control of an SEZ Management Entity and an SEZ Operator.

Under the IDZ Programme and legislation, comprehensive authorisation (via an IDZ Permit) was awarded to a single institution (the IDZ Operator). The Operator was resourced and tasked with the full value chain activity of developing, operating and managing the Zone under an integrated institutional and business model.

The post-transition institutional separation sought by the SEZ Act is problematic for existing Zone projects and is expected to be operationally disruptive as well as burdensome for Provinces to implement. The change is also foreseen to carry substantial risks of adverse implications that could undermine and destabilise the EC zones and reduce their performance outlook and ultimate socio-economic contribution and impact. The ELIDZ continues to engage DTI and provincial government on the matter.

31 TENDER CONTRACTS VALUED AT R511 MILLION

R305 MILLION
DTI APPROVED FUNDING FOR NEW FACILITY CONSTRUCTION

R135 MILLION
WORTH OF ELIDZ'S EXPENDITURE GOING TO BBBEE COMPANIES

1.4.5. Financial Management and Compliance

Requests for roll over of funds

As at 31 March 2016, some contracts and projects to the value of about R109 million were still in progress. A request for rollover of funds was submitted to the EC Provincial Treasury for approval. The ELIDZ received approval for the rollover of this amount which was then included in the ELIDZ budget for the 2016/17 financial year. As at 31 March 2017, some contracts and projects to the value of R76 million were still in progress. A request for the rollover of funds was submitted to the EC Provincial Treasury for approval at the end of the FY.

Supply chain management

As at the end of the period 2016/2017, ELIDZ awarded thirty one (31) tender contracts to the value of R511 million.

The East London IDZ mandate encompasses stimulating the economic growth of the Eastern Cape Province, which includes issues of economic transformation.

In the period under review, April 2016 to March 2017, the ELIDZ fully supported the enhanced participation of black owned EME's and QSE's in the mainstream economy as an effective way to redress the economic imbalances of the past. The period also saw just over R135 million worth of the ELIDZ's expenditure going to BBBEE companies.

Unsolicited bid proposals for 2016/17

The ELIDZ's supply chain management policy makes provision for the unsolicited bids but in the current year, there were no unsolicited bids that were received.

Whether SCM processes and systems are in place

The entity has a fully functional supply chain management unit that has sound systems and polices. The internal audit and the external auditors audited the systems and there were not any major break down in the process and systems.

Challenges experienced and how they will be resolved

There were no challenges that were experienced during the current year.

Audit report matters in the previous year and how they would be addressed

There were no major issues that were noted by the auditors last year.

Outlook/ Plans for the future to address financial challenges

The ELIDZ continues to attract investors and plans to build infrastructure for the investors. The increased asset base of the organisation will increase own generated revenue through increased rentals that are charged. There are five (5) projects that are planned for the 2017/18 financial year and to the value of four hundred and thirty two (R432) million rand.

Economic Viability

While ELIDZ continues to grow in covering its operational costs with own generated revenue – this is also dependent on the growth of its investment property portfolio, which in turn is influenced by the availability of funding for superstructure development. It must however be noted that confirmation of various detail around the funding support of SEZs by DTI is, however, still outstanding. This would allow for a more stable business model for the zone.

The organisation will continue growing its own generated revenue from year to year and implementing the cost containment measures without compromising on the service delivery.

Simphiwe Kondlo
Chief Executive Officer

1.5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

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

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

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

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

The Annual Financial Statements (AFS) have been prepared in accordance with SA GAAP, and the Companies Act, No 71 of 2008 and the PFMA. SA GAAP was withdrawn by the Accounting Practice Board as from 1 December 2012. However, Treasury instructed ELIDZ to continue using SA GAAP until a more appropriate accounting framework was identified.

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

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

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

In our opinion, the annual report fairly reflects, in all material respects, the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2017.

Yours faithfully

Simphiwe Kondlo
Chief Executive Officer

Professor M.W. Makalima
Chairperson of the Board

1.6. STRATEGIC OVERVIEW

The East London Industrial Development Zone (ELIDZ) is a project implementation authorised under South Africa's special economic zones (SEZ) programme, an initiative of the national Department of Trade and Industry (the dti). The programme is enabled by national legislation (a Special Economic Zones Act and regulations) and benefits from a planned suite of industrial policy instruments and support measures that are under collaborative development and deployment by national, provincial and municipal government authorities.

The principal intents of the SEZ programme are to stimulate industrial and economic growth through the promotion of strategically targeted economic activities within specially designated areas.

South African policies for economic growth and development recognise that challenging global and domestic economic conditions demands a focus on new sources of industrial competitiveness. The economic zones programme seeks to build such competitiveness through innovation and productivity, the optimisation of industrial skills and infrastructure delivery and through efficient, responsive state action.

SEZ programming aims to identify develop and apply special arrangements and support systems – which include incentives, business support services, streamlined government approval processes and the construction of enabling infrastructure – to drive for a range of desirable developmental outcomes. These include:

- enhanced domestic and regional industrial demand;
- increased foreign direct investment;
- strategically strengthened export promotion to rapidly growing economies;
- a generally strengthened South African industrial base; and
- the intentional promotion of a labour-absorbing industrialisation path.

The Special Economic Zones Act (Act No 16 of 2014) has set out a statement of purpose for the establishment and operation of an SEZ, which the legislation regards as "an economic development tool." Section 4 of the Act elaborates on this by recognising that an SEZ implementation site may configure and apply the SEZ development tool in a variety of ways (and towards the attainment of various legitimate intended outcomes).

The Act's statement of purpose of SEZs cites nine developmental intents that may be pursued under the scope of the SEZ legislation and programming. These are defined as:

- facilitate the creation of an industrial complex, having strategic national economic advantage for targeted investments and industries in the manufacturing sector and tradable services;
- develop infrastructure required to support the development of targeted industrial activities;
- attract foreign and domestic direct investment;
- provide the location for the establishment of targeted investments;
- enable the beneficiation of mineral and natural resources;
- take advantage of existing industrial and technological capacity, promoting integration with local industry and increasing value-added production;
- promote regional development;
- create decent work and other economic and social benefits in the region in which it is located, including the broadening of economic participation by promoting small, micro and medium enterprises and co-operatives, and promoting skills and technology transfer; and
- generate new and innovative economic activities.

The ELIDZ has developed its institutional strategic vision and mission and built its organisational capabilities to respond to this government mandate and operates with the following as the entity's guiding statements of core strategic direction:

Vision

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

Mission

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

The ELIDZ pursues its mission to create and deliver:

- a suitable location for the establishment of strategic investments;
- promotion and development of productive links between domestic and zone-based industries, to optimise use of existing infrastructure, generation of employment and creation of technology transfers; and
- the enabling of the beneficiation of local resources by resource-seeking industries.

Corporate Values

ELIDZ has identified, aspires to and practices five key areas of corporate value which are cardinal to the successful execution of its Mission:

CUSTOMER-FOCUSED:	The needs of our customers shape and drive our plans and actions.
SOLUTION-ORIENTED:	In every situation we seek out possibilities that will win success for our customers and ourselves.
KNOWLEDGEABLE:	We build individual and collective expertise through continuous learning and active knowledge sharing.
SYNERGY:	It is our unique skill in being able to combine diverse contributions into synergistic solutions.
EFFICIENCY:	We respond with speed, and are accurate, capable and responsible in the utilisation of resources.

1.7. LEGISLATIVE MANDATE

In terms of the scheduling requirements of the Public Finance Management Act (PFMA) legislation, the ELIDZ is listed as a Schedule 3D provincial public entity. This authorises the entity to operate as a provincial government business enterprise (PGBE) and renders it accountable to the provincial legislature for the performance of its programmes of activity and oversight of its utilisation of public funds.

ELIDZ's participation in the national Department of Trade and Industry's Special Economic Zones (SEZ) programme and its utilisation of various resources (including the national programme incentive benefits) proceeds on the basis of two key enabling authorisation instruments. These are: –

- the conferring of a SEZ Designation approval to the geographic area under ELIDZ's operation as an industrial development zone (IDZ), as required by the SEZ Act; and

- award of an SEZ Operator Permit by the dti, authorising the ELIDZ to undertake the functions and activities of an SEZ operator, as also set out in the legislation.

In view of its dual linkages to policymaker principals in the national and provincial government spheres and its responsiveness to both national and provincial strategic economic development objectives, the ELIDZ enters into formal institutional oversight agreements with both provincial government (through the Department of Economic Development and Environmental Affairs, DEDEAT) and with national government (through the Department of Trade and Industry).

Legislatively, the ELIDZ's public institutional arrangements are governed by the Special Economic Zones Act (Act No. 16 of 2014) and the regulations and guidelines to the Act, as issued by the dti.

The Act caters for the operation of a number of different types of economic zone implementations, including that of Industrial Development Zones (IDZs), and prescribes governance, management, strategic and financial planning and entity reporting obligations that SEZ projects must observe in relation to the national SEZ programme. IDZ programming had originally been established in terms of programme regulations to the Manufacturing and Development Act (MDA), Act 187 of 1993 which provided the foundational direction for zones initiatives, as an economic intervention of Government. Following an extended phase of policy and legislative development, South Africa introduced the Special Economic Zones (SEZ) Act 16 of 2014 as the new legislative framework for Special Economic Zones, which now includes the Industrial Development Zones projects.

The President of South Africa issued a proclamation (No. R 6 of 2016, dated 9 February 2016), which proclaimed the commencement of the SEZ Act with effect from 9 February 2016. Regulations to the SEZ Act have also been made and published, with commencement also on the same date.

The two legislative developments signalled the formal start of the SEZ programming and the commencement of a three-year institutional transition period in which the existing IDZ projects are required to adapt their institutions and operations to be fully responsive to the intents and prescriptions of the SEZ legislative framework.

Policy Frameworks
A range of national, provincial and municipal policy frameworks govern the policy and functional mandating of the public entity's activities, including:

National industrial policy goals, priorities and action plans, as formulated and supported by the DTI, specifically through the:
- Special Economic Zones Policy Statement
- SEZ Operator Conditions of Permitting;
- (Future) SEZ Programme Strategy (as provisioned in the SEZ Act, but not yet issued)
- National Industrial Policy Framework (NIPF) and related strategies; and
- Industrial Policy Action Plan (IPAP), and ultimately via responsiveness to the:
- National Development Plan (NDP).

Provincial economic growth and development planning (as directed and administered by the DEDEAT). Specifically, reference is made to policy intents and direction given within:
- Provincial Development Plan (PDP Vision: 2030);
- DEDEAT Policy Speech;
- The Eastern Cape Provincial Industrial Development Strategy (PIDS); and

Local government integrated development planning initiatives, as directed and administered by Buffalo City Metropolitan Municipality (BCMM) via its:
- Metro Growth and Development Strategy (MGDS)
- Integrated Development Plan (IDP).

1.8. ORGANISATIONAL STRUCTURE

CHIEF EXECUTIVE OFFICER

MANAGER: OFFICE OF THE CEO

OFFICE OF THE CHIEF EXECUTIVE OFFICER

Functional Area	EM	MG	SP	AS	T
Office of the CEO	1	1	-	2	4
Company Secretarial Support	-	-	1	-	1
Corporate Strategy and Planning	-	-	1	-	1
Project Portfolio Management & Performance Information Management	-	1	1	-	2
Research	-	-	1	-	1
Assurance	-	-	1	-	1
Total Filled Positions	1	2	5	2	10
Total Vacant Positions	-	-	-	-	-
Total Positions	1	2	5	2	10

CHIEF FINANCIAL OFFICER

FINANCIAL MANAGEMENT

Functional Area	EM	MG	SP	AS	T
Financial Management	1	-	-	2	3
Financial Control & Reporting	-	-	1	2	3
Financial Management, Reporting & Administration	-	1	1	2	4
Management & Cost Accounting	-	1	-	-	1
Supply Chain Management	-	1	3	-	4
Total Filled Positions	1	3	5	6	15
Total Vacant Positions	-	-	-	-	-
Total Positions	1	3	5	6	15

CHIEF OPERATING OFICER

ZONE DEVELOPMENT

Functional Area	EM	MG	SP	AS	T
Zone Operations	1	-	-	3	4
Sector Development & Investment Promotion	-	3	1	-	4
Project Management & Coordination	-	1	1	-	2
Property Portfolio Management	-	1	-	1	2
Maintenance & Facilities Management	-	1	1	1	3
Investor Support Services Management	-	1	2	2	5
Science & Technology Park	-	1	-	2	3
Laboratory	-	1	4	2	7
Total Filled Positions	1	9	9	11	30
Project Management & Coordination	-	-	-	1	1
Maintenance & Facilities Management	-	1	3	1	5
Science & Technology Park	-	-	1	-	1
Total Vacant Positions	-	1	4	2	7
Total Positions	1	10	13	13	37

EXECUTIVE MANAGER: CORPORATE AFFAIRS

CORPORATE AFFAIRS

Functional Area	EM	MG	SP	AS	T
Corporate Affairs	1	-	-	2	3
Legal & Contracts Management	-	1	1	-	2
Corporate Communications	-	-	2	1	3
Human Resources Management	-	-	2	-	2
Information Communication & Technology Management	-	1	4	-	5
Safety, Health & Environmental Management	-	1	3	1	5
Records Management	-	1	1	1	3
Total Filled Positions	1	4	13	5	23
Corporate Communications	-	1	-	-	1
Human Resources Management	-	-	1	-	1
Total Vacant Positions	-	1	1	-	2
Total Positions	1	5	11	8	25

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

PART B:

ORGANISATIONAL PERFORMANCE

2.1 AUDITOR-GENERAL'S REPORT

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the East London Industrial Development Zone SOC Ltd (ELIDZ) set out on pages 72 to 108, which comprise the statement of financial position as at 31 March 2017, the statement of profit or loss, statement of changes in equity, statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the ELIDZ as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) prescribed by the Accounting Standards Board 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).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Changes to legislation

7. The accounting authority's report on pages 10 and 13 indicates that the Special Economic Zones Act, 2014 (Act No. 16 of 2014) and the regulations issued in terms thereof came into effect on 9 February 2016. This act requires the ELIDZ to fully comply with its legislation by February 2019.

   The act changes the institutional structure of the company and also the funding modelling of the entity. ELIDZ is engaging the provincial departments and national departments in an effort to obtain better understanding and assess the impact of the changes to the future modelling and structure of ELIDZ.

Responsibilities of the accounting authority

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Statements of GAAP and the requirements of the PFMA and the 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.
9. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

12. 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 material findings on the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2017:

Programme	Pages in the annual performance report
Programme 1: operations	34 - 37

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programme.

Report on audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. I did not identify any instances of material non-compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Other information

19. The public entity's accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the director's report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report thereon and the selected programme presented in the annual performance report that has been specifically reported on in the auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

22. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor-General
East London
31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

2.2. SITUATIONAL ANALYSIS

2.2.1. Service Delivery Environment

A special economic zone (SEZ) seeks to deliver a high-performance manufacturing and services locational platform that will be effective in attracting steady inward industrial investment to build the productive industrial capabilities, capacities and competitiveness of the region. As such, the programme operates as a long-term, catalytic government intervention, targeting the development of both the active and the still-emerging industrialisation potentials of the SEZ host region.

In pursuing these outcomes, an SEZ seeks both to increase economic activity from its zone footprint as well as support and drive desirable, longer-term transformational outcomes to enhance the performance and resilience of the industrial base of the region and the national economy.

Performance of an SEZ site to achieve such strategic outcomes is shaped by an interplay of factors that shape and affect market demand for the SEZ project's value offering and services from time to time, including:

- The health of the economy and geo-political climate (in South Africa and globally),
- The comparative advantage that South African industrial sectors are able to assert in their bid to become more competitive and active as exporters of value-added products into global industrial supply chains.
- The competitiveness of industrial development support measures (including well targeted sector and general incentives) that each SEZ site can access, apply and customise to lower the cost of doing business and best stimulate and support rates of investment by its targeted industrial sectors;
- Location specific factors for investment attraction that create advantages or that impose constraints. These include the quality and cost of inbound/outbound logistics networks (road, rail, port and air), the reliability and cost of other key inputs (including energy and municipal utilities costs) and the perceived level of institutional support that the SEZ's management and operating complement is able to deliver.

The influence of these factors in the annual period under review are discussed in the overview of the service delivery environment below.

Significant external impacts on Service Delivery

Demand for the ELIDZ's property and services value proposition is acutely sensitive to the perceptions of domestic and international industrialists (and their funders) concerning the ruling economic climate and business prospects, as well as their views on political stability at the national and other levels of government.

For the year under review, the economy exhibited a continuing state of weakness and still faces additional pressures from forces of global geopolitical and economic uncertainty. Meanwhile, domestically, there have been growing concerns over political instability and developments impacting the financial sovereign rating status of the country.

A moderate recovery was expected for 2017 as potential global investors are still holding sums of cash, so creating potential for Foreign Direct Investment. There is also projected modest global economic growth that may positively affect the global Foreign Direct Investment stock. The strength and sustainability of this is, however, largely dependent on how investor sentiment responds to ongoing major global developments such as the Brexit issue, the US political situation and Chinese slower economic growth.

World economic growth is, as a result, most likely to remain frustratingly sluggish and fragile for some time and this is expected to have its corresponding effect on the broad performance and expansion potential of South Africa's industrial sectors generally, and on its export sectors in particular.

Closer to the SEZ programme, there are also concerns over the ability and speed of government – nationally and provincially -- to follow through to give effect to the SEZ policy intentions, largely as a result of growing pressures on the utilisation of public funds.

The longer-term industrial development aspirations of government set out in the Special Economic Zones Policy -- and also as broadly reflected in the Provincial Development Plan (PDP) -- require significant follow-up investment of efforts and funds into a range of deliberate programme-level enablement. It is concerning that this is coinciding with a climate of austerity and contraction in both the national and provincial capacity to finance and resource desirable developmental outcomes.

Government's high debt levels and a weakly performing economy are serving to place acute pressure on the extension of budgetary support for both operating costs and capital expenditure by IDZ/SEZ entities. This is most unfortunate in an initiative that – following international experience and learning – must, of necessity, take a long-term view on government commitment if the strategic industrialisation aspirations of provincial and national government are to be addressed meaningfully.

2.2.2. Organisational Environment

The organisational structure and programme composition of the ELIDZ have been under reconsideration since 2013/14 as part of a concerted institutional drive to refocus, refine and better integrate the core value chain of the business. These efforts have sought to promote increased effectiveness and efficiency in organisational activities through optimised resource placement and utilisation to improve internal business synergy.

In part, the organisational development has ensued and responded to emerging signals of change in the new SEZ legislative regime.

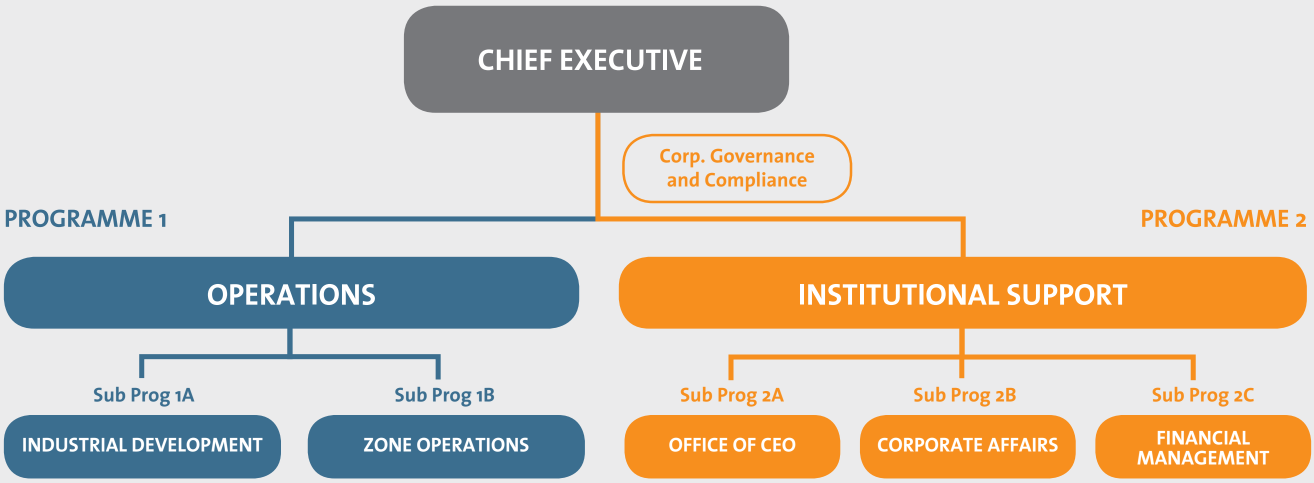
The SEZ framework anticipates that there will be a post IDZ-transition separation between an SEZ's management entity functions and the functions assigned to a Zone's operating entity (these roles were fused into one institutional entity under the IDZ programming).

ELIDZ has queried the rationale of this intention and is lobbying for government support to effect a change in the legislated institutional requirements to permit existing IDZs to operate as both management and operating entity. This is how IDZs have been operating historically (in a unified developer/manager/operator business model), which is seen as being more efficient and also more conducive to building and sustaining investor confidence and in promoting investment attraction.

Given the direction that the IDZ transitional legislation is moving, however, the ELIDZ took steps to consolidate all its operational activities into a unified Operations programme.

With effect from the financial period commencing 1 April 2016, the entity organised itself to drive two reformulated programme areas in responding to its Mission and Strategic Goals. These principal programmes (Operations and Institutional Support) employ sub-programme elements to absorb and deploy the functions that have been operative in the ELIDZ.

The resulting organisational programme requirements that emerged from these processes is arranged as follows:



The changes to the programming necessitated a review and reconfirmation of the placement of responsibilities for goals, objectives and performance indicator management to be reflective of the functional compositions of the two new programmes and their respective sub-programmes.

In addition, during the year under review the ELIDZ had commenced a further process to revisit and re-validate its five-year strategic planning after a Board review process to evaluate the set of organisational goals and objectives against the mandate and purpose of SEZs, as now contained in the Special Economic Zones (SEZ) Act, which was activated in February 2016 (for more detail see the discussion in section **2.3 Strategic Outcome Oriented Goals).**

2.2.3. Key policy developments and legislative changes

Significant events in the latter part of the 2015/16 period and in the course of 2016/17 served to change the legislative foundation under which the ELIDZ exists and operates. These developments include:

- Proclamation by the President of South Africa of the formal activation of new legislation for South Africa's economic zones sector and programming, with the commencement of the Special Economic Zones Act (Act 16 of 2014) with effect from 9 February 2016;
- Issue of Regulations in terms of Section 41 of the Special Economic Zones Act and determination that these regulations come into force with effect from the same date of commencement of the Act;
- Issue of Department of Trade and Industry (dti) Government Gazette Notification on 16 September 2016 confirming the ELIDZ site as South Africa's first proclaimed SEZ under the new zones programming.

The dti notification followed a process to re-establish and confirm the current land extent of the IDZ and its sub-zones for purposes of being recognised and included in the SEZ programme and as being nominated for eligibility to be considered to participate in the SEZ programme's incentive and support measures. The latter requires an additional authorisation that must be endorsed by the Department of Finance for incentives eligibility purposes, and this remained pending at the close of the annual reporting period.

Changes to the zones sector legislation have introduced a number of matters of concern, some of which emanate from the emergence of varying and uncertain interpretations and guidance that are being applied to the legislated provisions of the SEZ Act and its regulations. Institutionally, the Act imposes a three-year transition process during which existing IDZs must implement a formal transition plan to bring their operations into alignment with the SEZ legislative framework. Among other aspects, the latter provide for significant institutional changes, including:

- a post-transition separation of the current IDZ entities into two components – necessitating the establishment of a management entity as a separate organisation to that of the SEZ Operator (and with the latter acting in the diminished role of its agent or service provider);
- a further requirement that the Operator of the SEZ be procured through a competitive procurement process (in contrast to the current engagement of public sector operators, which was permitted under the former IDZ programme regime).

Subsequent to the activation of the Act and regulations, interpretive advice has been given to SEZ host provinces. This advice has not resolved areas of uncertainty, but rather has fuelled confusion and over the precise meaning and applicability of the Act's provisions for existing IDZ projects (and the resultant need to plan changes within their IDZ Transition Plans, which the Act requires them to produce and implement).

The matters have been taken up by the provincial Department of Economic Development (DEDEAT) -– which is viewed as the SEZ Licensee (or joint SEZ Licensee) – and several engagements between the provincial and national spheres of government have ensued. Guidance received in these interactions include further interpretive advice from officials at the dti that:

- Existing IDZ Operators are deemed to be in place as if duly established under the SEZ Act – and therefore need not be replaced through an operator procurement process while their tenure of appointment as operator persists; and
- Host provincial governments may use their own discretion to utilise an existing provincial public entity to take on the role of SEZ management entity (rather than establish a specific dedicated entity per SEZ project implementation site, as the Act's provisions would seem to require).

As Licensee, the host province is left to formulate a policy position and strategy on how best to prepare to address the planning for post-transition institutional arrangements in such a manner that its SEZ's will be found to be compliant with the SEZ legislative framework. There are concerns, however, that this may be proceeding:

- on the basis of legal interpretations of the SEZ Act, regulations and guidelines which seem to be internally inconsistent, have not been rigorously tested and may, ultimately, not be found to be sound or practicable (unless formal amendments are first made to the legislation);
- on the basis of institutional role separation that may be fundamentally flawed in its business rationale and that may create significant adverse effects, including the damaging of investor confidence in zones and their operators (due to the signal that such operators may be divested of their managerial powers).

At the close of the reporting period, the DEDEAT, dti and sector stakeholders remained immersed in ongoing processes of dialogue to resolve IDZ transitional matters so that appropriate transitional plans can be confirmed for the two EC IDZs.

Changes to the zones sector legislation have introduced a number of matters of concern, some of which emanate from the emergence of varying and uncertain interpretations and guidance that are being applied to the legislated provisions of the SEZ Act and its regulations.

2.3. STRATEGIC OUTCOME ORIENTED GOALS

The high-level goals and key performance objectives of a developmental public entity like the ELIDZ should ideally remain largely stable for the duration of the five-year government planning cycle that all government departments and public institutions observe.

In the current five-year term (2015/16 – 2019/20) this has not, however, been possible since the entity and its activities within the South African special economic zones (SEZ) sector have been subject to an extended season of uncertainty that has accompanied unfolding legislative, policy and programming changes. As a consequence, ELIDZ's five-year Strategic Planning has already been subject to reformulation on two occasions in the course of the current strategic cycle and is poised to institute a third iteration of strategic planning for activation with effect from the coming financial period (2017/18).

The Strategic Plan 2015/16 – 2019/20 that was first issued in February 2015 was formulated on the basis of the identification of three high level organisational goals, which in summarised form focused the organisation to:

Goal 1	*Mobilise strategic industrial development and innovation*
Goal 2	*Deliver an industrial complex offering strategic economic advantage*
Goal 3	*Build organisational capability, resilience and excellence*

Shortly prior to the commencement of the financial period under current reporting review (2016/17), the ELIDZ signalled a need for changes to be considered to the strategic agenda and these were duly approved by the Board and issued as a Statement of Variation Annexure to the ELIDZ 2016/17 Corporate Plan in February 2016.

The strategic review process had sought to respond to principal shifts impacting the ELIDZ's strategic interests and, in particular, its related performance planning environment. Key factors influencing developments in the strategic environment included:

- the development and implementation of a new policy and legislative foundation for the South African special economic zones (SEZ) sector,
- the preparation of new attendant regulatory requirements, and
- the intention of government that its existing Industrial Development Zones (IDZs) should anticipate and prepare planning for a three-year process of transition into a new Special Economic Zones programming dispensation.

In addition to its responsiveness to the national programming developments, the ELIDZ had also received guidance from its Executive Authority, the Department of Economic Development (DEDEAT), in which recommendations were made to utilise the strategic management review process to also effect structural improvements to the ELIDZ's reportable performance planning information.

Strategic planning deliberations concluded that it would be sensible and prudent for the ELIDZ to be both more selective and precise in formulating its high level goals. In particular, it would be advisable under the current policy and operating conditions to seek to focus the business on the attainment of fewer, more tightly defined goals. Critically, it was noted that these should be reconstructed to be:

- more emphatically concentrated on the core business of the organisation, as contemplated in the entity's foundational mandate(s) within the SA Zones sector (and as further expressed in its value propositions to its clientele);
- offer sufficient flexibility to anticipate new trends and policy developments unfolding in the IDZ/SEZ sector as a result of the ongoing processes of legislative framework change and renewal;
- recognise and accommodate the unique institutional dynamics associated with the project placement of the ELIDZ as an entity operating to satisfy the concurrent industrial development needs and interests of multiple spheres of government.

Based on its review and deliberations on the above, the ELIDZ elected to refine its corporate strategy and express this in terms of a simplified strategic agenda. This agenda was underpinned by two principal organisational-level Goals (along with the supporting ELIDZ programmes and programme-level objectives).

The refined organisational goal statements were confirmed as follows:

Strategic Goal 1	*Mobilise strategic industrial development and innovation*
Goal statement	*Transact ELIDZ's land assets to locate targeted manufacturing and services industry investments occupying 169ha of the ELIDZ's net tradable land extent by 2019/20.*
Strategic Goal 2	*Build organisational capability, resilience and excellence*
Goal statement	*Improve organisational systems and business processes to demonstrate a sustained state of organisational-wide clean administration by 2019/20.*

With effect from the financial period commencing 1 April 2016, the entity also organised its resources to drive two reformulated broad programme areas in responding to its Mission and Strategic Goals (as opposed to a three programme approach it had maintained previously). All of ELIDZ's operational activities were consolidated into a unified and streamlined Operations programme, while all other support activities were reconfigured into an Institutional Support programme (see also comments on organisational environment in the Situation Analysis section of this Annual Report).

In revising its strategic management affairs, the Board and management recognised that the continuing state of fluidity in the policy and operating environment meant that there was a likelihood that the institutional strategy could well require yet further attention within the current term of the five-year planning cycle.

This would arise as and when clarity could be attained on key matters of legislative interpretation of the national programme's precise application of various SEZ provisions and instruments. This includes various provisions of the SEZ Act, its regulations and attendant dti programming guidelines (some of which were yet to be issued).

Also still to be resolved were outstanding matters on inter-governmental relations, including, specifically, the resolution of permissible institutional arrangements on the institutional placement and assignment of respective responsibilities for the future management and operation of zones.

Prior to the close of the year under reporting review (October/November 2016) the Board and management initiated yet a further strategic management review to take stock of the state of the above matters. This was undertaken to seek to re-test and augment the content of the goals and objectives of the entity in a bid to render these both more responsive and more robust to the emerging SEZ dispensation.

A key intent was to consider and ensure that due visibility and expression is given to the discrete areas of mandated activity that the ELIDZ should respond to in order to move the organisation forward to become fully consistent with, and relevant to, the incoming SEZ legislative framework and programming regime.

In the closing quarter of the period under review, this culminated in the ELIDZ board and management readying a revised ELIDZ Five-year Strategic Plan for publication, which was poised to institute an adjusted and improved set of high level goals, objectives and performance measures. Based on a more detailed, five-goal strategy, this planning would come into effect with the start of the ensuing financial period (with effect from 1 April 2017).

In making its periodic changes to its strategic management affairs, the ELIDZ has sought to be as pro-active as possible in anticipating and responding to its changing and uncertain environment.

Even as it has prepared the revised strategic planning to come into effect with the 2017/18 financial period the ELIDZ remains mindful that instability and uncertainty continues to persist on a number of fronts and that this is posing a continuing challenge for the optimal direction and leadership of the organisation.

Among outstanding issues is the requirement that SEZ implementation sites are required by the SEZ legislation to align their strategic planning to a national strategy on special economic zones that the Minister of the dti is required to publish, but which is not yet in place (and which may or may not offer content that would prove helpful to the entity strategic planning efforts).

A further complexity is that this requirement is legislatively imposed on the Board of the entity entrusted with the management affairs of the SEZ (which the former IDZ Board discharges currently, but which legislation is seeking to change with its alternative institutional arrangements which call for a post-transitional period separation of the roles of management entity and operator entity).

With much inter-governmental discussion and interpretive exchange still ensuing on these matters, the ELIDZ remains hard pressed to stabilise its longer-term strategic management direction and planning. Under these conditions its must seek to remain agile in the shorter-term to effect strategic direction changes as these may become necessary and prudent to implement.

2.4. PERFORMANCE INFORMATION BY PROGRAMME

2.4.1 Programme 1: Operations

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

Functions co-ordinated under this programme include:

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

To operate a commercially viable, effective, attractive and sustainable, specialized industrial destination through the pursuit of value – adding strategies, effective planned preventative maintenance, facilities management, as well as planned expansions and alterations to existing infrastructure and factories in the zone. We are looking to develop and implement extensive after care programmes in order to retain existing customers. To further augment EL IDZ sustainability, we strive to increase the range of centralized service offerings to our current and future investors and to decrease the cost of doing business. Functions to co-ordinated the Operations programme include:

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

2.4.1.1 Sub-programme 1A: Industrial Development

Programme Purpose:
- Sector Development and Investment Promotion
- Project Management: Industrial Development
- Industrial Innovation and Competitiveness
- Sector Skills Development
- Laboratory Services

Strategic Goal:	**Mobilise strategic industrial development and innovation**						
Programme/Strategic Objective:	**1.1 Transact ELIDZ's land assets to locate targeted manufacturing and services industry investments occupying 169Ha of the ELIDZ's net tradable land extent by 2019/20.**						
Sub-Programme:	**1A: Industrial Development**						
Performance Indicator	**Actual Achievement 2013/2014**	**Actual Achievement 2014/2015**	**Actual Achievement 2015/2016**	**Planned Target 2016/2017**	**Actual Achievement 2016/2017**	**Deviation from Planned Target to Actual Achievement 2016/2017**	**Comment on deviations**
1.1.1 Number of investment agreements (FDI and Domestic) signed between ELIDZ and the approved investors per Annum	4	6	5	3	4	+33%	See Note 1
1.1.2 Periodic value of investments (FDI and Domestic) signed between IDZ operator and IDZ Tenant enterprises per Annum, as pledged by approved investors at the time of agreement signing.	R622m	R267,5m	R840.2m	R500m	R1,060m	+112%	See Note 2
1.1.3 Hectares of land taken up for economic activity by targeted manufacturing and services industries.	New KPI	New KPI	12.19Ha	22Ha	9.76Ha	-55.5%	See Note 3
1.1.4 Percentage of operational, non-automotive industrial investments represented in IDZ	New KPI	New KPI	0,61:1	1:1	0,65:1 (39% non-automotive, 61% automotive)	-35%	See Note 4

Notes

1. The ELIDZ actively attracts new potential investment through its investment pipeline with the intention of settling investors into the zone. During the 2016/17 financial year, four (4) investments from the investment pipeline were realised as a result of active investment attraction, negotiation efforts and ability to meet investor requirements.
2. Conversion of investors from the investment pipeline has resulted in the 4 investments noted above. The investment is comprised of approximately R80m in the Pharmaceutical sector with potential of 130 jobs, R590m in the ICT sector with a potential of 1125 jobs, R12m in the Logistics sector with a potential of 38 jobs and R378m in the Manufacturing sector with a potential of 167 jobs. The ELIDZ exceeded its target for this indicator because the initially forecasted investment value for the Yekani project increased and the ELIDZ was able to attract one additional investor than what had been initially targeted for the period under review.
3. The ELIDZ set an annual target of 22 hectares for this KPI for the 2016/17 financial year. A number of assumptions, which included the following, informed this target:
   - The operationalisation of one of the three strategic automotive manufacturing investments, which were at advanced negotiation, stages at the end of 2016/17 financial year (Commercial Vehicle Assembly, Chinese OEM and an agricultural implements manufacturing facility). Unfortunately, due to matters beyond its control – the ELIDZ was unable to secure any of these investments.
   - The availability of SEZ Infrastructure funding to allow for the construction of investor facilities – there has been limited funding available for investors and this has affected the pace of the pipeline conversion for the ELIDZ.
   - The operationalisation of approved investors in the renewable energy sector: There has been a number of issues that have impacted on the activation of approved investments in this sector – this include favourable legislation, market size and funding availability.
   - The availability of SEZ incentives that would create a higher property demand than in previous years – the incentives are yet to be operationalised.
4. Due to the close proximity with Mercedes Benz South Africa (MBSA), the ELIDZ hosts a number of the MBSA component suppliers. This has been fostered by the strategic relationship between MBSA and the ELIDZ. This factor and some of the logistical disadvantages of the EL Port which impact on the type of export-oriented industries that the ELIDZ can attract has affected the ability of the ELIDZ to achieve the targeted 1:1 ratio of operational, non-automotive industrial investments in the zone. It must be noted that this indicator is being reported as a ratio, non-automotive operators is to automotive operators, as that is the manner in which the targets have been presented and signed off in the Corporate Plan 2016/17. The ELIDZ acknowledges that the indicator should be reported as a percentage, which would be calculated as a 39% representation of non-automotive investors operational in the zone. Due to the fact that the target was set in the Corporate Plan 2016/17, the ELIDZ could only revise this target when it revised its Corporate Plan for 2017/18.

Strategic Goal:	**Mobilise strategic industrial development and innovation**						
Programme/Strategic Objective:	**1.2 Promote investment by domestic and foreign investors to increase levels of direct employment by Zone Enterprises to 5900 by end of 2019/20**						
Sub-Programme:	**1A: Industrial Development**						
Performance Indicator	**Actual Achievement 2013/2014**	**Actual Achievement 2014/2015**	**Actual Achievement 2015/2016**	**Planned Target 2016/2017**	**Actual Achievement 2016/2017**	**Deviation from Planned Target to Actual Achievement 2016/2017**	**Comment on deviations**
1.2.1 Cumulative Number of reported Manufacturing and Services industries permanent jobs in existence as at financial year end by the IDZ Investors, IDZ Operator and its service providers	2992	2932	2811	3876	2364	-39%	See Note 5
1.2.2 Cumulative Number of reported Construction jobs attributable to annual construction activity	1571	285	0	1824	75	-95.8%	See Note 6

Notes

5. There are some challenges experienced by the organisation in collecting the data, consequently, the jobs reflected above are not a true reflection of actual jobs created. This is due to some investors failing to submit their employment figures timeously. For instance, in quarter 4, 5 tenants did not provide their job statistics, the total of which is estimated to be around 490 jobs based on previous submissions by these investors. The organisation is employing some strategies to ensure that all investors in the Zone provide the required information. Additionally, with the delays in the construction of new facilities due to SEZ Fund related issues in 2015/16 and further delays in the operationalisation of the renewable enterprises in Berlin due to factors out of the ELIDZ's control – there were no new investors that became operational during the period and this impacted on the rate of new jobs creation.
6. The first 3 quarters of the financial year saw no on-site construction activity at the zone owing to various challenges include change of scope by investors, inability for investors to secure funding for planned facilities and delays in the SEZ fund approval process for top up funding requests. During the 4th quarter, an expansion construction project kicked off resulting in the 75 construction jobs reported.

Strategic Goal:	Mobilise strategic industrial development and innovation						
Programme/Strategic Objective:	**1.3 Optimise the returns of ELIDZ property portfolio to generate total property (sale and lease) income of R350m for the period 2015/16 to 2019/20**						
Sub-Programme:	**1A: Industrial Development**						
Performance Indicator	**Actual Achievement 2013/2014**	**Actual Achievement 2014/2015**	**Actual Achievement 2015/2016**	**Planned Target 2016/2017**	**Actual Achievement 2016/2017**	**Deviation from Planned Target to Actual Achievement 2016/2017**	**Comment on deviations**
1.3.1 Average vacancy rate per annum in IDZ-constructed operational Tenant Facilities	1.78%	1.43%	1.6%	2%	1.86%	+7%	See Note 7
1.3.2 Average duration of lease terms (in months) for annually signed IDZ lease investors' tenancy commitments	117 Months	118 Months	110.4 Months	94 Months	150 Months	+59.6%	See Note 8
1.3.3 Average Annual Property Portfolio Yield (property lease transactions)	New KPI	New KPI	10.3%	4%	6.14%	+53.5%	See Note 9

Notes

7. A lower than targeted vacancy rate was obtained owing to a low investor attrition rate and a high demand for readily available industrial facilities.
8. The average duration of the lease terms calculated from signed property leases for the year is 150 months due to longer lease agreements being signed by ELIDZ investors. This translates to a positive variance of 59.6% and indicates that the average lease period is higher than the target that was set at approximately 8 years. Longer lease durations are preferable to shorter as they are a form of revenue generation for the ELIDZ.
9. The property portfolio yield is higher than targeted due to a higher than targeted lease duration period for the year. The longer the lease duration, the higher the property yield is likely to be.

Strategic Goal:	Mobilise strategic industrial development and innovation						
Programme/Strategic Objective:	**1.4 Qualify 15 strategic industrial development and innovation opportunities for market exploitation in the period 2015/16 to 2019/20**						
Sub-Programme:	**1A: Industrial Development**						
Performance Indicator	**Actual Achievement 2013/2014**	**Actual Achievement 2014/2015**	**Actual Achievement 2015/2016**	**Planned Target 2016/2017**	**Actual Achievement 2016/2017**	**Deviation from Planned Target to Actual Achievement 2016/2017**	**Comment on deviations**
1.4.1 Number of prototypes produced in the Science and Technology (STP) pilot park	2	2	2	4	2	-50%	See Note 10
1.4.2 Number of industrial innovation solutions generated per annum from issued innovation challenges.	New KPI	New KPI	0	4	0	-100%	See Note 11
1.4.3 Number of hosted incubation facilities capable of generating targeted number of Incubatees (entrepreneurs)	78	89	2 incubators (129 Entrpreneurs)	2 Incubators (80 Entrepreneurs)	3 Incubators (147 Entrepreneurs)	+50% (+83.5%)	See Note 12

Notes

10. The ELIDZ was unable to meet this KPI due to budget constraints experienced during the year under review. Only 2 prototypes were produced during the financial year.
11. Due to budgetary constraints, funding for this KPI was only made available at half year, owing to the availability of funding from savings in the budget. As such, there has been delays in the implementation of this KPI, which in turn have led to a negative performance variance for the period.
12. A total of 3 incubators are now established at the ELIDZ STP. A higher than anticipated number of entrepreneurs were registered during the year due to increased demand for incubation as well as concerted marketing efforts by the incubators.

2.4.1.2 Sub-programme 1B: Zone Operations

Programme Purpose:

- Maintenance and Facilities Management
- Investor Support Services
- Property Portfolio Management

2.4.2 Programme 2: Institutional Support

2.4.2.1 Sub-programme 2A: Office of the CEO

Programme Purpose:

- Corporate Governance and Compliance
- Corporate Strategy and Planning
- Research
- Programme Portfolio Management
- Performance Information Management
- Assurance (Risk)

2.4.2.2 Sub-programme 2B: Corporate Affairs

Programme Purpose:

- Legal Services
- Safety, Health, Environmental and Quality Management
- Human Capital and Employee Relations
- Records Management
- Corporate Communications and Marketing
- Information Communication and Technology Management

Strategic Goal:	**Goal 2: Build organisational capability, resilience and excellence**						
Programme/Strategic Objective:	**2.1 Optimise ELIDZ's assessed BBBEE status to attain a Level 2 contribution level by 2017/18 and Level 1 contribution by 2019/20**						
Sub-Programme:	**2B: Corporate Affairs**						
Performance Indicator	**Actual Achievement 2013/2014**	**Actual Achievement 2014/2015**	**Actual Achievement 2015/2016**	**Planned Target 2016/2017**	**Actual Achievement 2016/2017**	**Deviation from Planned Target to Actual Achievement 2016/2017**	**Comment on deviations**
2.1.1 Percentage of employment-related expenditure spent on targeted training initiatives to develop identified organisational core competency areas.	2.69%	4.52%	3.63%	3%	4.21%	+40.3%	See Note 13
2.1.2 Number of active bursaries in ELIDZ Bursary Award Programme	8	10	10	7	10	+42.9%	See Note 14
2.1.3 Cumulative Number of Corporate Social Investment (CSI) projects administered in ELIDZ CSI Programme	10	8	10	10	13	+30%	See Note 15
2.1.5 Annual Assessed measure of Management Control	New KPI	New KPI	16 points	13 points	9.57 points	-40.1%	See Note 16
2.1.6 Annual Assessed measure of Employment Equity	New KPI	New KPI	13.6 points	13 points	12.22 points	-6%	See Note 16
2.1.8 Number of Intern / Learnership contract opportunities offered per annum within the operations of IDZ-appointed Service Provider organisations (including construction contractors).	22	15	0	5	5	0%	See Note 17
2.1.9 Number of Intern / Learnership contract opportunities offered per annum within the operations of the ELIDZ organisation.	26	37	43	28	39	+39.3%	See Note 18

Notes

13. The ELIDZ prides itself on the training and development of its resources. In this respect, a number of bursaries were awarded to staff and training and development initiatives are undertaken in terms of a workplace skills development plan in addition to individual development needs identified on staff members' performance contracts. Based on the approved skills development plan and the ELIDZ's employee training programme and the training requirements needed to retain ELIDZ ISO certifications. The increase is because of a training backlog from the previous 2 financial years due to financial constraints. Additionally the period under review saw the introduction of the new organisational structure, which required the implementation of additional training interventions by the ELIDZ.
14. The target for the period under review was exceeded by 42.9%. This is due to the ELIDZ's pro-activeness in identifying funding partners for the 2016/17 bursary programme which allowed the organisation to award a high number of bursaries for the period. The ELIDZ through an extensive selection process awarded bursaries to new beneficiaries before the end of the financial period.
15. The targeted number of CSI projects for the financial period was exceeded due to the ELIDZ's ability to leverage its unused assets (building and equipment) for purposes of Corporate Social Investment.
16. The ELIDZ has this indicator assessed as part of an independent BBBEE verification process based on the activities and operations throughout the financial period. The management control scored less than anticipated due to the change of board membership which reduced the number of female members on the board of directors. On the employment equity, the ELIDZ staff turnover affected the organisation's employment equity targets. The ELIDZ met its target on enterprise development and targeted preferential procurement.
17. With three construction projects at planning phases, the ELIDZ has increased the number of interns/learnership opportunities by IDZ appointed service providers, leading to achieving the performance target set for the period under review.
18. The internship programme remains very successful. The positive results show an ongoing commitment from the ELIDZ to develop interns through an internship programme within the environment the entity operates. The ELIDZ was also able to obtain partnerships with private sector to assist in the internship program thereby resulting in higher than anticipated performance.

2.4.2.3 Sub-programme 2C: Financial Management

Programme Purpose:

- Management and Cost Accounting
- Financial Management
- Financial Control and Reporting
- Supply Chain Management.

Strategic Goal:	**Mobilise strategic industrial development and innovation**						
Programme/Strategic Objective:	**1.4 Qualify 15 strategic industrial development and innovation opportunities for market exploitation in the period 2015/16 to 2019/20**						
Sub-Programme:	**2C: Financial Management**						
Performance Indicator	**Actual Achievement 2013/2014**	**Actual Achievement 2014/2015**	**Actual Achievement 2015/2016**	**Planned Target 2016/2017**	**Actual Achievement 2016/2017**	**Deviation from Planned Target to Actual Achievement 2016/2017**	**Comment on deviations**
2.1.4 Annual Assessed measure of Target Preferential procurement	New KPI	New KPI	18 points	18 points	18.07 points	+0.004%	See Note 16
2.1.7 Annual Assessed measure of Enterprise Development	New KPI	New KPI	15 points	13 points	15 points	+15.4%	See Note 16

2.4.3 Strategies to overcome areas of underperformance

The ELIDZ has a total of 21 KPIs for the 2016/17 year as demonstrated above. Of the 21 indicators, the ELIDZ has not achieved the desired performance for 7 of the indicators. What follows, is a brief discussion on the underperformance areas along with strategies adopted by the ELIDZ to address these areas.

The first indicator that was not achieved is the number of hectares transacted. It has been acknowledged that the target set for the financial year was particularly high when compared to previous years and this was based on an investment pipeline that saw a few planned potential investors not being realised. As such, the land uptake figures for the upcoming periods have subsequently been revised accordingly. The ELIDZ will however continue to actively pursue investment with the intention of economic development and job creation for the province of the Eastern Cape.

The next indicator that underperformance was noted for was that of the percentage of operational non-automotive investors. The ELIDZ has experienced funding issues that have impacted on the construction programme which in turn has impacted on some non-automotive investors not becoming operational during this financial period. In order to address the funding issues and delays in construction, ELIDZ management have established a Project Management Office that proactively manages projects within the ELIDZ.

The number of job created is significantly less than what was targeted for the 2016/17 financial year. There has been some difficulty in obtaining job statistics from certain investors which has resulted in an underreporting of the actual job figures. An external assessment concluded by Statistics SA has determined that 3435 jobs exist within the ELIDZ operators. Also contributing to lower than anticipated job figures is the delay in operationalising new investors during the period. It follows that construction jobs underperformed due to delays in construction activities during the year. The ELIDZ intends to develop improved relationships with investors in order to ensure cooperation with submission of job statistics. The establishment of the Project Management Office will also assist in the delivery of construction projects which will in turn have an impact on the number of construction jobs created during the upcoming periods.

The number of prototypes developed during the year was lower than targeted. This is due to the funding delays experienced by the ELIDZ which prevented any prototype development from being possible. For 2017/18 the ELIDZ will implement an fundraising drive in order to augment funding available for industrial innovation and incubation.

The ELIDZ has developed a 3 year strategy for improvement of the Employment Equity score. This strategy, once implemented and executed should yield the improvements in employment equity, along with addressing vacancies and staff turnaround that contributed to the score.

The ELIDZ acknowledges the underperformance on Management Control and, while the composition of the Board is not directly in the control of the ELIDZ, the organization is actively lobbying the Executive Authority for female representation on the Board.

2.4.4 Performance linked to budget.

	2015/16			2016/17		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
1A. Operations: Industrial Development	36,741	36,041	700	35,448	35,247	201
1B. Operations: Zone Operations	87,239	84,306	2,933	87,895	87,830	65
2A. Institutional Support: Office of the CEO	12,434	12,273	161	14,838	14,826	12
2B. Institutional Support: Corporate Affairs	42,891	41,082	1,809	52,465	52,378	87
2C. Institutional Support: Financial Management	14,759	14,555	204	15,870	15,870	14
Total	**194,064**	**188,257**	**5,807**	**206,516**	**206,137**	**379**

2.5 REVENUE COLLECTION

	2015/16			2016/17		
Source of Revenue	**Budget**	**Actual Revenue**	**Over/(Under Collection)**	**Budget**	**Actual Revenue**	**Over/(Under Collection)**
	R'000	R'000	R'000	R'000	R'000	R'000
Rentals	50,835	51,854	1,019	52,244	50,580	-1,664
Zone Levies	729	668	-61	739	535	-204
Utilities Income	35,572	53,706	18,134	58,254	62,080	3,826
STP Revenue				4,398	3,383	-1,015
Other Income	5,337	4,662	-675	2,400	3,788	1,388
Total	**92,473**	**110,889**	**18,416**	**118,035**	**120,366**	**2,331**

The 2017 revenue reported in the table above includes revenue stated in note 15 on page 93 and a portion of other income disclosed in note 17 on page 94 of this annual report. The entity exceeded its revenue target by 2% in the year under review. This was mainly attributable to a new revenue stream that was introduced at the beginning of the year. The entity now offers Laboratory testing services to municipalities and other entities.

2.6 CAPITAL INVESTMENT

	2015/16			2016/17			
Infrastructure Projects	**Budget**	**Actual Expenditure**	**Closing Balance**	**Budget**	**Actual Expenditure**	**Adjustments**	**Closing Balance**
	R'000	R'000	R'000	R'000	R'000	R'000	
Mariculture	-	-	-	1,166	-1,166	-	-
Zone 1B	1,417	-1,417	-	75	-75	-	-
Amanzi	2,953	-2,953	-	3,817	-3,817	-	-
Bulk Electricity Upgrade	26,301	-	26,301	26,301	-447	75,709	101,563
Wind Farm	35,179	-634	34,545	34,545	-13,901	-	20,644
MT2 fish cultures	29,095	-4,012	25,083	25,083	-10,883	-14,200	-
BrightWater Aquaculture	74,161	-56	74,105	74,105	-1,065	-73,040	-
VM Automotive	57,600	-	57,600	57,600	-	-57,600	-
Yanfeng Extension	10,842	-	10,842	10,842	7,305	24,882	28,419
MC Syncro	8,550	-	8,550	8,550	-	-8,550	-
Yekani	-	-	-	4,693	4,693	-	-
ILB Helios	2,593	-2,593	-	-	-	-	-
Total	**248,691**	**-11,665**	**237,025**	**246,776**	**-43,351**	**-52,799**	**150,6267**

The ELIDZ manages an asset portfolio of over R1 898 million, compared to the previous year value of R1 868 million, representing an increase of 1.6%.

At the end of 2015/16 financial year, the ELIDZ had an approved capital budget of R237 million from the SEZ fund. This was for seven projects that would run over multiple years. As at 31 March 2016, the ELIDZ had R109 millions of this approved capital budget as this portion had already been paid into the ELIDZ account by the Fund. The Fund does not pay a once off amount for approved projects, it distributes the amounts in smaller disbursements linked to the project milestones agreed to in the funding agreement. The ELIDZ applied to Provincial Treasury to roll over the R109million into the 2016/17 financial year.

The ELIDZ had an approved capital budget of R237 million at the beginning of 2016/17. During the year four additional projects were added into the list of capital projects approved and the capital budget adjusted to R246 million for the period.

Two projects worth R99.8 million were cancelled because investors that were supposed to rent out the facilities could not fulfil their funding commitments they had done at the approval stage of the projects. Two additional projects were postponed to later years, as the investors could not conclude off take agreements with their customers. These two projects had a value of R66 million. Of the three projects that proceeded, two increased their investment scope, requiring additional investment of R100.6 million combined. These projects are going to be completed in 2017/18 financial year.

PART C:

CORPORATE GOVERNANCE

3.1 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 IV 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.

3.2 PORTFOLIO COMMITTEES

Parliament exercises its role through evaluating the performance of the ELIDZ. It does this by interrogating the annual financial statements of the organisation and other relevant documents which may be 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 17 May 2016 and 27 October 2016. Some key issues raised by the Portfolio Committee at the meetings were:

- The plans that the ELIDZ had in place to move towards self-sustainability and the various factors that had an impact upon this goal.
- The implementation of the new SEZ Act and the challenges posed by potential shortcomings in the Act.
- Collaboration between the ELIDZ and other public entities on projects.

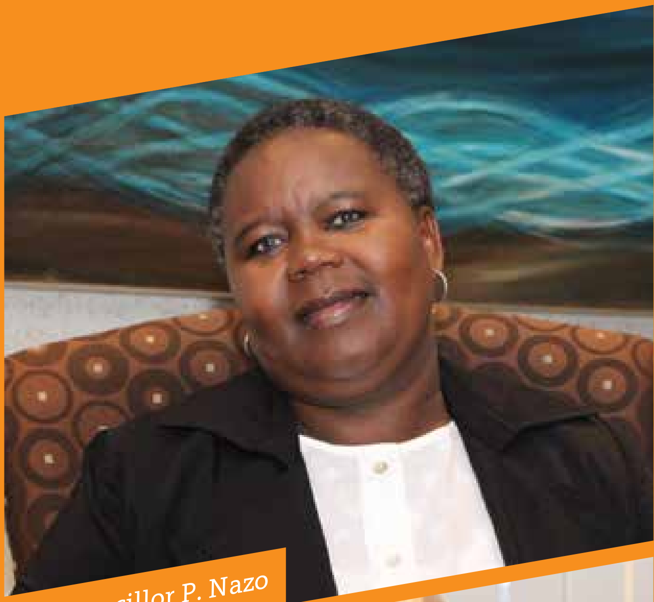
3.3 EXECUTIVE AUTHORITY

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 Board members and is also responsible for ensuring that the members of the Board have the skills and experience necessary to perform the functions and fulfil the duties of directors.

3.4 THE BOARD OF DIRECTORS

1. Professor M.W. Makalima - Chairperson



2. Councillor P. Nazo

3. Ms P. Mzazi-Geja

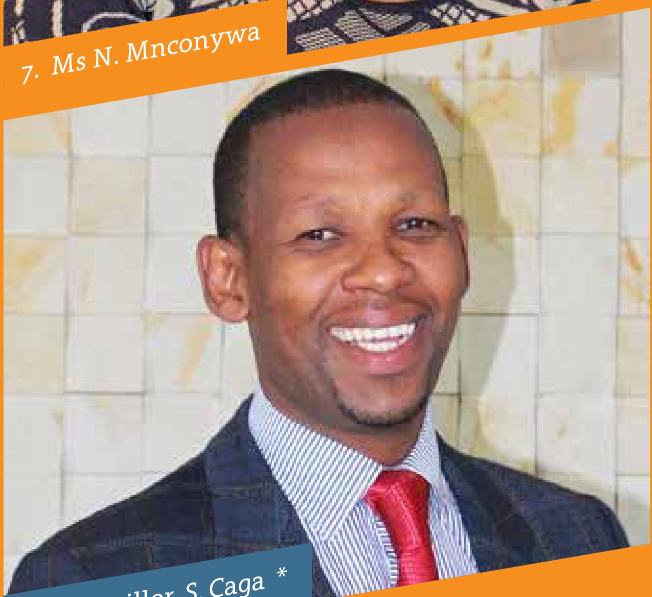
4. Mr A. Kanana

5. Mr E. Jooste

6. Mr S. Kondlo

7. Ms N. Mnconywa

8. Ms V. Sikwebu *



9. Councillor S. Caga *

10. Councillor M. Marata *

1. Professor M.W. Makalima

Chairperson of the ELIDZ Board and Chairperson of the Executive Committee

Current employment: Private Academic Research

Skills: Academic, Public Administration, Social and Economic Development, International Relations, Leadership and Project Management

Affiliations: None

2. Councillor P. Nazo

Chairperson of the Investment Services Committee, Member of the Executive Committee and the Finance and Tender Committee

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

3. Ms P. Mzazi-Geja

Member of the Investment Services Committee

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: None

4. Mr A. Kanana

Chairperson of the Audit and Risk Committee and Member of the Executive Committee

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

Skills: Audit, Finance and Public Sector Governance

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

5. Mr E. Jooste

Chairperson of the Finance and Tender Committee, Member of the Audit and Risk Committee, the Investment Services Committee and the Executive Committee

Current employment: EVJ Consulting

Skills: Supply Chain Management, Public Sector Governance and Finance

Affiliations: South African Institute of Financial Management

6. Mr S. Kondlo

Executive Director - Ex Officio

Current employment: Chief Executive Officer of the ELIDZ

Skills: Engineering and Business Management

Affiliations: SAIAE, WISA, Board Member of TCTA, Board member of BCMDA, Board Member of Joburg Water.

7. Ms N. Mnconywa

Member of the Finance and Tender Committee and the Audit and Risk Committee

Current employment: Head of Department and Senior lecturer in Accounting, University of Fort Hare

Skills: Public Sector Governance and Finance

Affiliations: SAICA, Marine Living Resource Fund: Audit committee member

Retired members of the board *

8. Ms V. Sikwebu

Member of the Audit and Risk Committee, the Investment Services Committee and the Finance and Tender Committee

Current employment: Clariter SA

Skills: IT Governance and Strategy, Business Management

Affiliations: IoDSA, BWA, Board of Governors for Merrifield Preparatory School and College

9. Councillor S. Caga

Chairperson of the Investment Services Committee and Member of the Executive Committee

Last Known Employment: Councillor at Buffalo City Metropolitan Municipality

Skills: Leadership and Project Management

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

10. Councillor M. Marata

Member of the Investment Services Committee and the Finance and Tender Committee

Last Known Employment: Portfolio Head for Economic Development and Agencies at Buffalo City Metropolitan Municipality

Skills: Local Economic Development, Community Relations and Local Government Management

Affiliations: None

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 a 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.

3.4.1 Board Charter

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

The Board charter of the ELIDZ confirms:

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

The charter furthermore confirms that the Board is responsible for:

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

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

3.4.2 Composition of the Board

The Board of the East London IDZ comprised of 6 non-executive directors as at 31 March 2017. The Chief Executive Officer is an ex officio member of the Board. The Executive Authority is responsible for appointing members of 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	Date appointed	Date retired	Area of expertise	No. of Board meetings attended	No. of committee meetings attended
Professor M.W. Makalima	Chairperson of the Board and Chairperson of the Executive Committee	26/01/2016	N/A	Public sector	7/7	7/7 EXCO
Cllr Pumla Nazo	Chairperson of the Investment Services Committee, member of the Finance and Tender Committee and member of the Executive Committee	26/10/2011	N/A	Municipal sector	7/7	7/7 EXCO meetings 2/3 ISC meetings (attended 2/2 meetings held during period of appointment) 7/8 FNT meetings 3 ARC meetings as interim member
Phumla Mzazi-Geja	Member of the Investment Services Committee	24/10/2012	N/A	Public sector	4/7	3/3 ISC meetings
Ayanda Kanana	Chairperson of the Audit and Risk Committee and member of the Executive Committee	24/10/2012	N/A	Finance and public sector governance	6/7	7/7 ARC meetings 7/7 EXCO meetings
Eugene Vincent Jooste	Chairperson of the Finance and Tender Committee, member of the Audit and Risk Committee, member of the Investment Services Committee and member of the Executive Committee	01/11/2013	N/A	Finance and public sector governance	7/7	6/7 ARC meetings 4/7 EXCO meetings (attended 4/4 meetings held during period of appointment) 2/3 ISC meetings (attended 2/2 meetings held during period of appointment) 8/8 FNT meetings
Ntombentsha Mnconywa	Member of the Audit and Risk Committee and member of the Finance and Tender Committee	26/09/2016	N/A	Finance and public sector governance	4/7 (attended 4/4 meetings held during period of appointment)	2/7 ARC meetings (attended 2/2 meetings held during period of appointment) 2/8 FNT meetings (attended 2/3 meetings held during period of appointment)

Name	Designation	Date appointed	Date retired	Area of expertise	No. of Board meetings attended	No. of committee meetings attended
Cllr Sakhumzi Caga (Retired Board member)	Former Chairperson of the Investment Services Committee, member of the Executive Committee and member of the Finance and Tender Committee	24/10/2012	31/10/2016	Municipal sector	3/7 (attended 3/4 meetings held during period of appointment)	1/3 ISC meetings (attended 1/1 meeting held during period of appointment) 3/7 EXCO meetings (attended 3/3 meetings held during period of appointment) 3/8 FNT meetings (attended 3/3 meetings held during period of appointment)
Vuyo Sikwebu (Retired Board member)	Former member of the Audit and Risk Committee, the Investment Services Committee and the Finance and Tender Committee	01/11/2013	01/07/2016	Private business	1/7 (attended 1/1 meeting held during period of appointment)	2/7 ARC meetings (attended 2/2 meetings held during period of appointment) 2/8 FNT meetings (attended 2/2 meetings held during period of appointment)
Cllr Mawethu Marata (Retired Board member)	Former member of the Investment Services Committee and member of the Finance and Tender Committee	26/09/2016	26/01/2017	Municipal sector	2/7 (attended 2/2 meetings held during period of appointment)	1/3 ISC meetings (attended 1/1 meeting held during period of appointment) 1/8 FNT meetings (attended 1/1 meeting held during period of appointment)

3.4.3 Changes in the Board Composition in 2016/17 FY

Ms N Mnconywa and Cllr M Marata were appointed as new Board members on 26 September 2016. Cllr S Caga, Ms V Sikwebu and Cllr M Marata retired as Board members during the course of the financial year.

3.4.4 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:

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

3.4.4.1 Executive Committee (EXCO)

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

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

3.4.4.2 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.

The ARC is comprised of three non-executive directors. The chief executive officer, chief financial officer, internal auditors and external auditors are standing invitees to the meetings.

The main objective of this committee is to provide the board with 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 disclosures;
- Provide as much assistance and information as possible to the Board to enable it to discharge its responsibilities appropriately.

3.4.4.3 Finance and Tender Committee (FNT)

The committee is comprised of three non-executive directors. 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.

3.4.4.4 Investment Services Committee (ISC)

The committee is comprised of three non-executive directors. 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 evaluating 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	7	4	Professor M W Makalima (Chair) Cllr P Nazo Mr E Jooste Mr A Kanana
Audit and Risk Committee	7	3	Mr A Kanana (Chair) Mr E Jooste Ms N Mnconywa
Finance and Tender Committee	8	3	Mr E Jooste (Chair) Cllr P Nazo Ms N Mnconywa
Investment Services Committee	3	3	Cllr P Nazo (Chair) Ms P Mzazi-Geja Mr E Jooste

3.4.5 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 are not remunerated for their services as Directors.

Board members are remunerated according to the following rates:

- Chairperson of the Board – R12 500 per sitting of the Board
- Member of the Board – R7 500 per sitting of the Board
- Statutory Committee chairs (ARC and EXCO) – R9 500 per sitting of the committee
- Statutory Committee members (ARC and EXCO) – R6 375 per sitting of the committee
- Chairperson of committee (other than ARC and EXCO) – R8 500 per sitting of the committee
- Member of committee (other than ARC and EXCO) – R6 375 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 per hour for statutory committee chairs (EXCO and ARC), R1 250 per hour for other members of the Board or Committee
- Attendance at external stakeholder workshops and presentations – R705 per hour for the Chairperson of the Board, R606 per hour for the Board and committee members
- Members of the Board furthermore receive a monthly contribution towards their airtime at the rate of R319 for the Chairperson of the Board and R213 for the members of the Board
- Members of the Board that travel from out of town receive an out of town travel allowance of R1 277 per round trip
- Members of the Board are reimbursed for fuel used to attend ELIDZ commitments at the published AA rate.

Name	Remuneration	Other allowance	Other re-imbursements	Total
MW Makalima	R163,960	R2,233	None	**R166,193**
P Nazo	R204,194	R2,556	None	**R206,750**
P Mzazi-Geja	Not remunerated	Not remunerated	Not remunerated	**Not remunerated**
A Kanana	R192,738	R22,988	None	**R215,726**
EV Jooste	R189,591	R2,556	None	**R192,147**
N Mnconywa	R62,115	R1,065	None	**R63,180**
M Marata	R44,718	R639	None	**R45,357**
SW Caga	R91,370	R1,491	None	**R92,861**
V Sikwebu	R37,924	R639	None	**R38,563**
Total Board Fees 2016/17 FY				**R1,020,777**

3.5 RISK MANAGEMENT

ELIDZ has had an approved risk management policy and strategy in place for the duration of the 2016/17 financial year. Risk assessments are conducted regularly in order to determine the effectiveness of the risk management strategy and to identify new and emerging risks.

The Risk Management Committee assessed the overall system of risk management, especially the mitigation of unacceptable levels of risk. The Committee met monthly to review the organisational risk register and provide updates on implementation of risk management action plans.

The Audit and Risk Committee advised management and those charged with governance on risk management and independently monitored the effectiveness of the system of risk management. Assurance was further provided by internal audit through their independent review of the ELIDZ risk management processes.

A reduction was noted in the overall entity residual risk as a result of action plans implemented during the financial year. This has transmitted into improvements in the entity's performance as well as a significant improvement in the internal control environment.

3.6 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.

Palmer

Jo-Anne Palmer
Company Secretary

3.7 ELIDZ SOCIAL AND ETHICAL RESPONSIBILITY

Social and ethical responsibility (hereinafter referred to as 'SER') has always been a key focus of the East London Industrial Development Zone SOC Ltd. ELIDZ is committed to conducting its business in an ethical manner and to be an ethical and responsible corporate citizen.

Our work, by its very nature, plays a role in improving SER processes for our tenants. This is done by providing investor solutions and attracting strategic industries that strengthen South Africa's global competitiveness through the development and operation of a specialised industrial complex.

ELIDZ is firmly committed to reducing its environmental impact, developing social and societal responsibility, and engaging in dialog with its stakeholders.In terms of the environment, ELIDZ's impact is very limited due to its service-related business. Even so, we have made considerable effort to improve energy efficiency in our offices and by measuring air quality.

Our policy primarily concerns employees and contractors. We devote particular attention to these stakeholders to guarantee the quality of our services, and to support the professional development of our staff. ELIDZ's SER policy is centred on the following principle: reducing its environmental impact and preserving the zone's natural ecology, and following guidelines for ethical conduct. This includes professional development for its employees through training, employment equity, Broad-Based Black Economic Empowerment Act, and promoting diversity.

3.14.1 Social and Ethical Responsibility - Focus Areas

The Regulations to the Companies Act no 71 of 2008 in Regulation 43(5) details the duties of the Social and Ethics Committee as being centred on the following pillars:

- GOOD CORPORATE CITIZENSHIP
- SOCIAL AND ECONOMIC TRANSFORMATION
- CONSUMER RELATIONSHIPS
- SAFETY, HEALTH AND ENVIRONMENT
- EMPLOYEE ENGAGEMENT, LABOUR RELATIONS AND EMPLOYMENT EQUITY

3.7.1 Good Corporate Citizenship

In unpacking this first pillar, the Act requires the monitoring of the following areas:

- Promotion of equality;
- Prevention of unfair discrimination;
- Reduction of corruption;
- The company's contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
- The company's record of sponsorship, donations and charitable giving

3.7.1.1 Promotion of Equality and Diversity

An effective recruitment, selection and placement policy is in place that provides a framework for promoting good practice and adopts a positive approach to equality issues. The organisation appoints employees based on suitability that is based on objective criteria for skills, experience, qualifications and competencies whilst giving preference to employment equity candidates.

Below is a detail of the policies and management practices that were implemented by the ELIDZ to ensure the promotion of equality in the company:

- Development of a 3 Year Employment Equity Plan (November 2016 – October 2019)
- Election, appointment and induction of a new Employment Equity and Skills Development Committee (October 2016)
- Representation of EESD Committee on all recruitment interviews to ensure prioritisation of EE Targets (All recruitment interviews undertaken in the period under review).

3.7.1.2 Prevention of Unfair Discrimination

The prevention of unfair discrimination is a priority to the ELIDZ. As part of its commitment to ensuring that the ELIDZ conducts its business in an open, honest and ethical manner, the following interventions were implemented for the period to date:

- **Code of conduct for the organisation:** All ELIDZ employees signed their Code of Conduct to confirm their commitment to ethical conduct. This will be done again at the beginning of 2017/18.

- **Assurance of performance and practices:** To ensure the highest level of integrity, 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

  Additionally, to ensure the prevention of unfair discrimination to both ELIDZ Employers and Service Providers, the ELIDZ has introduced the following :

- **Bid Specification Committee** – which ensures that there is no unfair discrimination in the ELIDZ is tendering processes and practices. This Committee was active during the period under review and reviewed all tender documentation prior to the advertising of tenders.

- **Employee Engagement and Consultative Forum** – This committees meets quarterly to address any concerns that would, amongst other things, relate to unfair discrimination of ELIDZ employees.

As evidence of effective implementation of these interventions, while there are Labour Cases that were part of the ELIDZ's legal register for this period, alleging unfair labour practises – the ruling on both finalised cases in this regard was in favour of the ELIDZ.

Additionally, there has been no reported cases of unfair discrimination against the ELIDZ by services providers.

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 attempted crime and corruption committed against the organisation.

Key developments for the period under regard include the following:

- Review of the Fraud Prevention Policy
- Development of the 2017/18 Fraud Prevention Plan
- Monitoring of the ELIDZ Fraud Hotline: 1 matter reported in quarter 4 and was currently under investigation.
- Declaration of interests in meeting or forums where decisions taken had the potential of conflict with employee or board member interests.

3.7.1.3 Contribution to Neighbouring Communities

As a resident of the Ward 46 Community in the Buffalo City Metropolitan Area – the ELIDZ is currently implementing a number of initiatives that support the notion that “charity starts at home”. The following projects were initiated and active in the period under review:

- Sponsorship of Office Space to house the Living Waters Victim Empowerment Centre, which assists victims of crime and abuse in Ward 46.
- Sponsorship of Office Space to house the Crime Reporting Centre in partnership with the South African Police Services. This is to ensure responsiveness of SAPS in cases of crime within the community.
- Sponsorship of University bursaries to 5 of Ward 46’s top Maths and Science matriculants. The value of these bursaries for the current financial year is R250 000.

The ELIDZ is currently engaging with the new political leadership for the ward to ascertain new needs for the community.

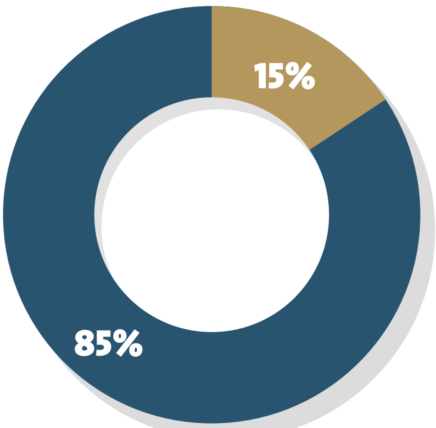
3.7.1.4 Corporate Social Investment

Corporate Social Investment is one of the areas of focus in the ELIDZ’s broader Corporate Social Responsibility policy. In the context of the ELIDZ, Corporate Social Investment is defined as 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. Below is an analysis of the ELIDZ CSI initiatives:

ELIDZ CSR **INVESTMENT FOCUS AREAS** (BY VALUE) 2016/17

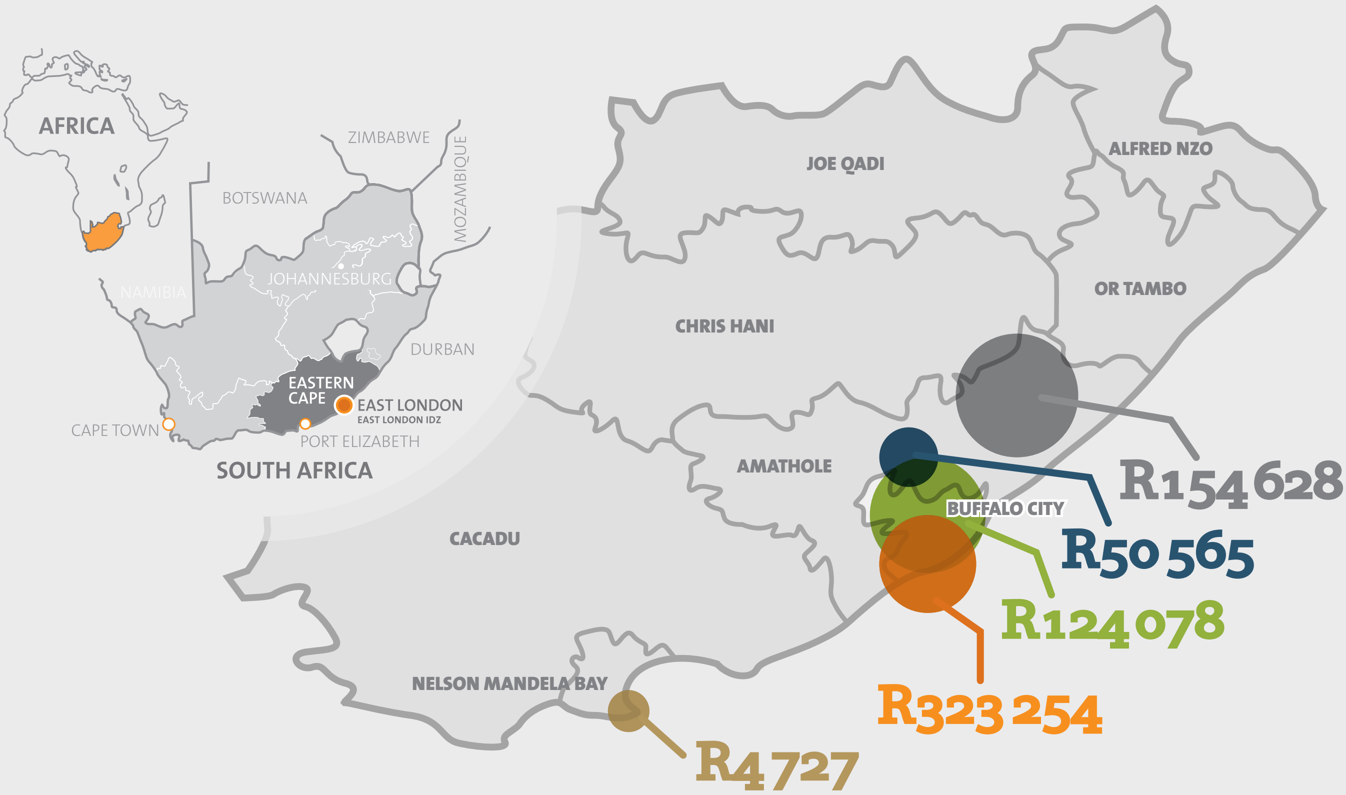
- Community safety & security
- Social & Community Development
- Educational Infrastructure Support
- Bursaries



ELIDZ CSR **TRENDS** 2016/17

- Financial
- Non-financial

Geographical Area	Value of CSI Investment	% of total CSI investment
Ward 46 of BCMM *(immediate neighbouring community)*	R 323 254	49.18 %
Rural Eastern Part of the Eastern Cape *(former Transkei)*	R 154 628	23.53 %
Alice	R 50 565	7.69 %
Broader Buffalo City Metropolitan Area	R 124 078	18.88 %
Port Elizabeth *(NMMU)*	R 4 727	0.72 %



3.7.2 Social and Economic Transformation

ECONOMIC TRANSFORMATION is a key pillar of the ELIDZ's strategy. Key to this is the implementation of various initiatives to support the empowerment of previously disadvantaged individuals.

3.7.3 Broad Based Black Economic Empowerment

The ELIDZ views Broad-based Black Economic Empowerment ('BBBEE') as a strategic imperative given the pressing need to address the unequal distribution of wealth and access to opportunity in South Africa's economy. It is for this reason that BBBEE forms an integral part of how the company does business.

Below is the ELIDZ's current BBBEE Status.

ITEM	Target Preferential Procurement	Management Control	Employment Equity	Enterprise Development	Skills Development	Socio- Economic Development
Actual	17.91	16	13.66	15	16	13.44
Target	18	13	13	13	20	15

The ELIDZ's status is assessed annually which allows the entity to assess the extent of the impact on the initiatives (and limitations) implemented during the financial year.

BBBEE at the ELIDZ is however, not just about the ELIDZ's BBBEE scorecard – it is transformational procurement policies that allow the ELIDZ to award contracts to qualifying enterprises. To ensure the prioritization of this, the ELIDZ has developed targets regarding its BBBEE expenditure, Expenditure towards Women Owned Enterprise and Small and Medium Enterprises.

3.7.4 Enterprise and Skills Development

Key to the role of the ELIDZ is the provision of a platform that will harness new innovations through the provision of incubation and research support services to new enterprises in the sectors that the organisation targets.

The ELIDZ Science and Technology Park also plays a vital role in this aspect. The STP made a number of strides in the period under review in response to this strategic intent. Key highlights included the following:

- Incubation of 147 enterprises in the chemical, renewable energy and ICT industries
- Operationalisation of the Renewable Energy Centre of Excellence – a research facility for the sector which services manufacturers / innovators in the industry,
- One of the STP incubated companies, Amahlathi Ecotech, won the Best Promising Youth led business award at Global Clean tech Innovation Programme.

The ELIDZ has implemented an internship programme to address unemployment within the Buffalo City Metropolitan area and the broader Eastern Cape province through the development of the youth. The goal of the programme is to develop individuals so that they are more employable within the business environment within which the ELIDZ operates. The programme exposes interns to on-the-job training as well other skills e.g. driver's license and business communication. The internship programme remains very successful with ongoing positive results.

The organisation has as at 31 March 2017-trained 39 interns during the 2016/17 financial year as against the annual target of 28 – this is a positive variance of 10.7%. Since the inception of this programme, ELIDZ has hosted a total 90 interns and further absorbed 7 (7.8%) of these interns into permanent employment.

3.8 AUDIT COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 31 March 2017.

3.8.1 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
Mr A. Kanana (Chairperson)	7 of 7
Mr E. Jooste (Member)	6 of 7
Ms N. Mnconywa (Member)	2 of 7 (attended 2 of 2 meetings held during period of appointment as member of the committee)

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

3.8.2 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;
- The effectiveness of the system and process of risk management, including the following specific risks:
- financial controls; fraud risks relating to financial reporting; information technology risks relating to financial reporting; and effectiveness of the entity's compliance with legal and regulatory provisions;
- Financial and sustainability information provided; and
- The adequacy, reliability and accuracy of financial information provided by management.

3.8.3 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 financial statements;
- Performance information review;
- Annual Financial Statements review;
- Financial controls review;
- Governance and ethics review;
- Policy review (key policies);
- Business continuity plan;
- Human resource management;
- Compliance review;
- Supply chain management;
- Asset management;
- Contract management review;
- IT reviews;
- Follow up reviews (all audits).

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 ELIDZ has submitted monthly and quarterly reports to the Executive Authority.

3.8.4 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 2017 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 29 May 2017, 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 and read together with the report of the Auditor-General of South Africa.

3.8.5 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:

Mr A. Kanana
Chairperson: Audit and Risk Committee

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 2017 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.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PART D:

HUMAN RESOURCES

4.1 INTRODUCTION

- Overview of HR matters at the public entity
- Set HR priorities for the year under review and the impact of these priorities
- Workforce planning framework and key strategies to attract and recruit a skilled and capable workforce
- Employee performance management framework
- Employee wellness programmes
- Policy development
- Highlight achievements;
- Challenges faced by the public entity
- Future HR plans /goals

ELIDZ employees are crucial assets in driving the achievement of the company's strategic goals. As such, the ELIDZ continues to implement various measures to ensure the optimisation of such. The ELIDZ issues a quarterly Human Capital Report to the Board Exco, which also serves as the Social, and Ethics and HR Committee. The report, amongst other things reports on the following:

- The company's employment relationships;
- The company's contribution towards the educational development of its employees

4.2 HUMAN RESOURCES OVERSIGHT STATISTICS

4.2.1 Personnel cost by programme

EXPENDITURE: Personnel Costs by Programme: 2016/17					
Programme//activity/objective	**Total Expenditure for the entity (R)**	**Personnel Expenditure (R)**	**Personnel exp. as a % of total exp. (R)**	**No. of employees**	**Average Personnel cost per employee (R)**
Office of the CEO	63,460,632	12,266,063	19.33%	10	1,226,606
Corporate Affairs (Admin, Legal, Research, Records, Communications, ICT & HR)	63,460,632	17,522,922	27.61%	23	761,866
Finance	63,460,632	9,736,543	15.34%	15	649,103
Operations	63,460,632	23,935,105	37.72%	30	797,837
TOTAL	**-**	**63,460,632**	**100%**	**78**	**3,435,412**

The amounts stated above represent actual cash payments related to the cost of employees. The disclosure in note 19 on page 94 takes into account both direct and indirect costs and non-cash transaction resulting from the reporting framework used to prepare the annual financial statements.

4.2.2 Personnel cost by salary band

EXPENDITURE: Personnel Costs By Salary Bands: 2016/17				
Programme//activity/objective	**Personnel Expenditure (R)**	**% of personnel exp. to total personnel cost (R)**	**No. of employees**	**Average Personnel cost per employee (R)**
Top management	3,805,641	6%	1	3,805,641
Senior management	8,491,235	13%	3	2,830,412
Professionally qualified and experienced specialists and mid-management	27,585,735	43%	23	1,199,380
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	17,681,192	28%	30	589,373
Semi-skilled and discretionary decision making	4,813,396	8%	14	343,814
Unskilled and defined decision making	1,083,434	2%	7	154,776
TOTAL	**63,460,632**	**100%**	**78**	**813,598**

Salaries, overtime, home-owners allowance and medical assistance by programme
The ELIDZ does not pay a homeowners allowance
R 11 743 in overtime was paid during the Financial Year ended 31 March 2017

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

4.2.3 Performance rewards

Programme//activity/objective	**Performance rewards (R)**	**Personnel Expenditure (R)**	**% of performance rewards to total personnel cost (R)**
Top management	455,628	3,805,641	12%
Senior management	1,002,923	8,491,235	12%
Professionally qualified and experienced specialists and mid-management	2,818,255	27,585,735	10%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	1,586,334	17,681,192	9%
Semi-skilled and discretionary decision making	599,032	4,813,396	12%
Unskilled and defined decision making	104,938	1,083,434	10%
TOTAL	**6,567,110**	**63,460,632**	**10%**

4.2.4 Training costs

Total training costs for the year amounted to R 969 059

Training and Development: Category (Formal Training)		
4	D Level	Four (4) D level employees.
18	C Level	Eighteen (18) C level employees.
6	B Level	Six (6) B level employees.
28		

Training and Development: Category (Bursaries)		
3	D Level	Three (3) D level employees.
5	C Level	Five (5) C level employees.
2	B Level	Two (2) B level employees.
10		

4.2.5 Employment and Vacancies

Programme//activity/objective	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies (Budgeted)	2016/2017 Vacancies (Unbudgeted)	% of Vacancies
Office of the CEO	10	10	10	-	-	0.00%
Corporate Affairs (Admin, Legal, Research, Records, Communications, ICT & HR)	20	26	23	2	1	8.70%
Finance	12	15	15	-	-	0.00%
Operations	33	40	30	7	3	23.33%
TOTAL	**75**	**91**	**78**	**9**	**4**	**11.54%**

Programme//activity/objective	2015/2016 No. of Employees	2016/2017 Approved Posts	2016/2017 No. of Employees	2016/2017 Vacancies	% of Vacancies
Top management	1	1	1	-	0.00%
Senior management	3	3	3	-	0.00%
Professionally qualified and experienced specialists and mid-management	22	26	23	2	8.00%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	24	39	30	6	16.67%
Semi-skilled and discretionary decision making	16	15	14	1	6.67%
Unskilled and defined decision making	9	7	7	-	0.00%
TOTAL	**75**	**91**	**78**	**9**	**11.54%**

4.2.6 Employment changes

EMPLOYMENT CHANGES: ANNUAL TURNOVER RATES BY SALARY BAND & CRITICAL OCCUPATION FOR THE PERIOD 01 APRIL 2016 TO 31 MARCH 2017				
SALARY BAND	**Employment at beginning of period**	**Appointments**	**Terminations**	**Employment at end of the period**
Top management	1	-	-	1
Senior management	4	-	1	3
Professionally qualified and experienced specialists and mid-management	23	2	2	23
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	28	6	4	30
Semi-skilled and discretionary decision making	12	4	2	14
Unskilled and defined decision making	7	-	-	7
TOTAL	**75**	**12**	**9**	**78**

4.2.7 Reasons for staff leaving

EMPLOYMENT CHANGES: REASONS WHY STAFF ARE LEAVING		
REASON	**Number**	**% of total no, of staff leaving**
Death	-	-
Resignation	7	8.97%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	2	2.56%
Other	-	-
Total	**9**	**11.54%**
Total number of employees who left as a % of the total employment	**9**	**11.54%**

4.2.8 Labour relations

CASE MANAGEMENT PRECAUTIONARY SUSPENSIONS:
One (1) employee was suspended during the year under review.

LABOUR DISPUTES:
Two (2) Labour disputes for the year under review.

DISCIPLINARY CASES:
One (1) Disciplinary Case. The outcome was dismissal.

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

4.2.9 Employment equity

EMPLOYMENT EQUITY ANALYSIS (AS AT 31 MARCH 2017)

OCCUPATIONAL BANDS	AFRICAN	COLOURED	INDIAN	WHITE	**Sub Total**	AFRICAN	COLOURED	INDIAN	WHITE	**Sub Total**	**Grand Total**
	MALE					**FEMALE**					
Top management	1	-	-	-	**1**	-	-	-	-	**-**	**1**
Senior management	2	-	-	-	**2**	1	-	-	-	**1**	**3**
Professionally qualified and experienced specialists and mid-management	7	2	2	4	**15**	4	1	-	3	**8**	**23**
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	5	1	1	3	**10**	17	2	-	1	**20**	**30**
Semi-skilled and discretionary decision making	3	-	-	-	**3**	9	2	-	-	**11**	**14**
Unskilled and defined decision making	-	-	-	-	**-**	7	-	-	-	**7**	**7**
Total permanent	18	3	3	7	**31**	38	5	-	4	**47**	**78**
Temporary employees	-	-	-	-	**-**	-	-	-	-	**-**	**-**
Grand total	**18**	**3**	**3**	**7**	**31**	**38**	**5**	**-**	**4**	**47**	**78**

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

4.2.10 Foreign workers

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

PART E:

FINANCIAL STATEMENTS

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The development of an industrial development zone in East London
Directors	MW Makalima (Chairperson) SW Caga* EV Jooste A Kanana S Kondlo (Ex-officio) P Mzazi-Geja P Nazo N Mnconywa V Sikwebu* M Marata* * Retired during year
Registered office	Acacia House Palm Square Bonza Bay Road Beacon Bay 5241
Business address	Lower Chester Road Sunnyridge East London 5201
Postal address	P.O. Box 5458 Greenfields East London 5208
Bankers	Standard Bank
Auditors	Auditor-General of South Africa
Secretary	Jo-Anne Palmer
Preparer	The Annual Financial Statements were internally compiled under the supervision of: Gift Matengambiri CA (SA) Chief Financial Officer

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The reports and statements set out below comprise the annual financial statements presented to the board of directors:

BOARD OF DIRECTORS' RESPONSIBILITIES AND APPROVAL

The board of directors are required in terms of the Companies Act, No 71 of 2008 (Companies Act) and the Public Finance Management Act, No 1 of 1999 (PFMA) to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements (AFS) and related financial information included in this report. It is their responsibility to ensure that the AFS fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice (SA GAAP). SA GAAP was withdrawn by the Accounting Practice Board as from 1 December 2012. However, Treasury instructed East London Industrial Development Zone SOC Ltd (ELIDZ) to continue using SA GAAP until a more appropriate accounting framework is identified. ELIDZ has therefore continued to use SA GAAP for the 2016/17 financial year.

The board of directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the board of directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board of directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the AFS. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The board of directors have reviewed the company's cash flow forecast for the year to 31 March 2018 and, in light of this review and the current financial position, they are satisfied that the compay has acccess to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's AFS.

The AFS set out on pages 73 to 108, which have been prepared on the going concern basis, were approved by the board of directors on 31 May 2017, however, the board still has the power to amend the financial statements after issue. The financial statements were signed on their behalf by:

Professor MW Makalima
Board chairperson

BOARD OF DIRECTORS' REPORT

The board of directors have pleasure in submitting their report on the AFS of ELIDZ for the financial year ended 31 March 2017.

1. Nature of business

The company is engaged in the development of East London's industrial development zone, investment attraction and investment management. It operates in the Republic of South Africa.

2. Review of financial results and activities

The AFS have been prepared in accordance with SA GAAP and the requirements of the Companies Act and the PFMA. The accounting policies have been applied consistently between current and prior year. Where there are changes in accounting policies applied in prior year, the change has been disclosed in terms of the applicable financial reporting standard.

The full details of the financial position, results of operations and cash flows of the company are set out in these AFS.

3. Share capital

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

4. Dividends

The company did not declare dividends for 2016/17 financial year.

5. Directorate

The board of directors in office during the financial year are as follows:

Directors	Nationality	Designation	Changes
MW Makalima	South African	Non-executive	Chairperson
SW Caga	South African	Non-executive	Retired 31 October 2016
EV Jooste	South African	Non-executive	
A Kanana	South African	Non-executive	
S Kondlo (Ex-officio)	South African	Executive/ Ex officio	
P Mzazi-Geja	South African	Non-executive	
P Nazo	South African	Non-executive	
N Mnconywa	South African	Non-executive	
V Sikwebu	South African	Non-executive	Retired 1 July 2016
M Marata	South African	Non-executive	Appointed 26 September 2016 and retired 26 January 2017

6. Events after the reporting period

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

7. Going concern

The assets of the company are more than the liabilities by R425 718 477 (2016: R347 428 701) and company has been making profits for the previous three years.

The board of directors are satisified that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The board of directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient own generated revenue and grants to meet its foreseeable cash requirements.

The Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) has committed to meet the ELIDZ's operational needs for the next three years to augment own generated revenue. The own generated revenue contribution to the operating budget has been increasing year on year.

In addition, ELIDZ has been engaging with Department of Trade and Industry (DTI) to secure 100% funding for capital projects that qualify under the Special Economic Zone (SEZ) funding mechanisms. At the end of the financial year the company had adequate capital funds in its bank accounts to complete projects that were at different stages of construction.

The Special Economic Zones Act, Act 16 of 2014, and the Regulations made in terms thereof, came into operation on 9 February 2016. In terms of the Act and its Regulations, a period of 3 years has been provided for the entity to become compliant with the legislation and a period of 12 months has been provided for the entity to provide a plan showing how it intends to be fully compliant. Both these periods are taken from 9 February 2016. As a result, a compliance plan was prepared and submitted to DTI by 8 February 2017 and full compliance is required by 8 February 2019. The act changes the institutional structure of the company and also the funding modelling of the entity.

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

8. Litigation statement

The company is involved from time to time in various claims and lawsuits incidental to the ordinary course of business. The company is currently involved in lawsuits which are before the courts and ELIDZ is not able to assess the impact of the effects of the cases as at the end of the financial year. ELIDZ is managing the effects of the lawsuits.

9. External auditors

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

10. Secretary

The company secretary is Ms Jo-Anne Palmer.

11. Date of authorisation for issue of financial statements

The annual financial statements have been authorised for issue by the Board on 31 May 2017 however the directors still have the power to amend the annual financial statements after the date of issue.

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	Note(s)	2017 R	2016 (Restated) R	2015 (Restated) R
Assets				
Non-Current Assets				
Investment property	3	1,430,043,075	1,386,645,100	1,329,176,600
Property, plant and equipment	4	442,906,843	452,173,335	470,226,514
Intangible assets	5	7,189,397	9,199,900	7,330,076
Other financial assets	6	18,357,559	20,272,839	29,898,587
		1,898,496,874	**1,868,291,174**	**1,836,631,777**
Current Assets				
Trade and other receivables	7	42,634,666	41,289,958	34,717,043
Other financial assets	6	4,797,364	4,644,226	1,596,596
Cash and cash equivalents	8	97,173,302	142,718,443	149,539,523
		144,605,332	**188,652,627**	**185,853,162**
Total Assets		**2,043,102,206**	**2,056,943,801**	**2,022,484,939**
Equity and Liabilities				
Share capital	9	1,000	1,000	1,000
Other Non Distriutable Reserve	10	8,306,368	8,306,368	8,306,368
Retained income		417,411,113	339,121,333	230,657,781
		425,718,481	**347,428,701**	**238,965,149**
Liabilities				
Non-Current Liabilities				
Deferred income	11	1,427,028,195	1,476,750,139	1,545,701,473
Current Liabilities				
Trade and other payables	12	12,723,316	24,898,831	61,037,434
Deferred income	11	170,207,518	201,290,734	176,295,866
Provisions	14	7,424,696	6,575,398	485,019
		190,355,530	**232,764,963**	**237,818,319**
Total Liabilities		**1,617,383,725**	**1,709,515,102**	**1,783,519,792**
Total Equity and Liabilities		**2,043,102,206**	**2,056,943,803**	**2,022,484,941**

STATEMENT OF PROFIT OR LOSS

	Note(s)	2017 R	2016 R
Revenue	15	119,928,977	110,459,637
Cost of sales	16	(81,958,567)	(57,107,729)
Gross profit		**37,970,410**	**53,351,908**
Other income	17	187,397,273	175,983,289
Operating expenses		(158,599,050)	(156,202,351)
Operating profit	**18**	**66,768,633**	**73,132,846**
Finance income	21	1,839,068	63,349
Fair value adjustments	22	9,682,075	46,437,103
Finance costs	23	-	(11,090,246)
Profit for the year		**78,289,776**	**108,543,052**

STATEMENT OF CHANGES IN EQUITY

	Share capital R	Other Non Distributable Reserve R	Retained earning R	Total equity R
Opening balance as previously reported	1,000	8,306,368	230,970,102	239,277,470
Adjustments				
Prior period error	-	-	(312,321)	(312,321)
Balance at April 1, 2015 as restated	**1,000**	**8,306,368**	**230,657,781**	**238,965,149**
Profit for the year	-	-	108,543,052	108,543,052
Opening balance as previously reported	1,000	8,306,368	339,200,833	347,508,201
Adjustments				
Prior year adjustments	-	-	(79,500)	(79,500)
Balance at April 1, 2016 as restated	**1,000**	**8,306,368**	**339,121,337**	**347,428,705**
Profit for the year	-	-	78,289,776	78,289,776
Balance at March 31, 2017	**1,000**	**8,306,368**	**417,411,113**	**425,718,481**
Note(s)	9	10		

STATEMENT OF CASH FLOWS

	Note(s)	2017 R	2016 R
Cash flows from operating activities			
Cash generated from operations	25	260,871	29,887,124
Finance income	21	1,839,068	63,349
Finance costs	23	-	(11,090,246
Net cash from operating activities		**2,099,939**	**18,860,227**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(18,408,435)	(9,234,887)
Sale of property, plant and equipment	4	113,560	-
Completion of investment property	3	(26,772,775)	(11,031,397)
Completion of other intangible assets	5	(2,577,430)	(5,415,023)
Net cash from investing activities		**(47,645,080)**	**(25,681,307)**
Total cash movement for the year		**(45,545,141)**	**(6,821,080)**
Cash at the beginning of the year		142,718,443	149,539,523
Total cash at end of the year	8	**97,173,302**	**142,718,443**

ACCOUNTING POLICIES

1. Presentation of annual financial statements

The AFS have been prepared in accordance with SA GAAP, and the Companies Act, No 71 of 2008 and the PFMA. SA GAAP was withdrawn by the Accounting Practice Board as from 1 December 2012. However, Treasury instructed ELIDZ to continue using SA GAAP until a more appropriate accounting framework was identified.

The AFS have been prepared on the historical cost basis, except for the measurement of investment properties and incorporate the principal accounting policies set out below.

The AFS are presented in South African Rands and the accounting policies are consistent with previous period. The financial statements' figures presented and disclosed are rounded to the nearest Rand.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables and other financial assets
The company assesses its trade receivables and Loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and Loans and receivables is calculated on an individual debtor basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the specific debtor.

Impairment testing
The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the current market conditions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including entity specific variables together with economic factors such as economic factors such as inflation and interest rates.

Provisions
Provisions were raised and management determined an estimate based on the information available.

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

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

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

Investment property
Management makes significant judgements in determining the fair value of investment property at each reporting date. The following methods are considered and utilized in determining the fair values of investment properties;

The methods used by the company to revalue the investment property are;

a) The income capitalisation method - for income generating properties.
b) The direct comparable sales method - for all vacant industrial land and agriculturally zoned farms
c) The cost method - investment property which is under construction

ACCOUNTING POLICIES: *1.1 Significant judgements and sources of estimation uncertainty - (continued)*

Prevailing open market rental values are used for the income capitalization methodology with the appropriate capitalization rate as determined by the valuer with guidance from sources independent sources.

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

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

Property plant and equipment and intangible assets

Judgement is required in determining the useful lives and residual values for purposes of depreciating and amortizing property plant and equipment and intangible assets respectively.

The useful lives and residual values are based on management's judgement and intentions on how the carrying amount of the asset will be recovered. These judgements are based on information available at the time of making the judgement.

At each reporting date, management assesses the relevance of judgements based on information available.

Interest and IAS 39 adjustments

The time value of money is considered a material factor in determining the interest income and fair value adjustments to financial instruments. Management discounts the future cash flows associated with each financial instrument to determine the impact of time value of money. Judgement is made in determining the interest rate to be used in discounting future cash flows based on the prevailing prime interest rate as determined by the South African Reserve Bank. Management factors in the particular risk associated with the industry by including a premium of 2% over and above the prevailing prime interest rate.

1.2 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the company, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Investment properties acquired for no consideration are initially recognised and measured at fair value.

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

Fair value

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

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises. There are no property interests held under operating leases which are recognised as investment property.

Investment property is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an investment property is included in profit or loss when the item is derecognised. Any gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets, where appropriate.

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

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	10 years
IT equipment	Straight line	3 years
Infrastructure (including buildings)	Straight line	25 years
Laboratory equipment & other	Straight line	5 years
Land	Straight line	Indefinite
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Plant and machinery	Straight line	5 to 25 years

ACCOUNTING POLICIES: *1.3 Property, plant and equipment - (continued)*

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

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

Item	Useful life
Computer software	3 years

1.5 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement
Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

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

Regular way purchases of financial assets are accounted for at trade date.

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

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

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

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

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

Trade and other receivables are classified as loans and receivables.

ACCOUNTING POLICIES: *1.5 Financial instruments - (continued)*

Trade and other payables
Trade payables and other payables are carried at fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier and are subsequently measured at amortised costs, using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are classified as loans and receivables and measured at amortised cost. The cash and cash equivalents are available on demand and interest income is received for the balances held with the bank.

1.6 Tax

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor
Operating lease income is recognised as income on a straight-line basis over the lease term. Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This liability or asset is not discounted.

1.8 Impairment of assets

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

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

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

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

ACCOUNTING POLICIES: *1.8 Impairment of assets - (continued)*

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.9 Share capital and equity

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

1.10 Employee benefits

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

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

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

Defined contribution plans
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised but are disclosed. The company discloses contingent liability when there is a possible obligation that arises from past events and whose existence will be confirmed by the occurence or non occurrence of a future uncertain event not wholly within the control of the company. The company discloses contingent liabilities when the probability of future outflows of economic benefits is not remote. Contingent assets are disclosed only when the probability of a future inflow of economic benefts is probable.

1.12 Government grants

Government grants for core operations
Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

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

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

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

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

Grants related to income are presented as a credit in the profit or loss (separately).

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

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

Government grants for special projects
Government grants received for special projects which are not part

ACCOUNTING POLICIES: *1.12 Government grants - (continued)*

of the normal trading activities of the company are regarded as "grants for special projects". The income and expenditure relating to these grants are netted off and reported as other grants in trade and other payables.

1.13 Revenue

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

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

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.14 Cost of sales

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

1.15 Irregular expenditure

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

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

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

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

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

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

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

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

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 Related parties

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

When deciding whether entities should be required to disclose a relationship as a related party relationship, the starting point of IAS 24 is the ability or perceived ability to influence transactions and/or

ACCOUNTING POLICIES: *1.17 Related parties - (continued)*

actions of the entity, or the ability or perceived ability to compel an entity to complete a transaction it otherwise would not have completed.

Key management is defined as the individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from Executive management up to Board members are regarded as key management. Close family members of key management are considered to be those family members who may be expected to influence, or be influenced by key management individuals or other parties related to the entity.

1.18 Events after reporting date

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 R

2. New Standards and Interpretations

There were no new standards or interpretations that were issued, effective or adopted in the current financial year. The Accounting Standards Board (ASB) issued directive 12 for the selection of an appropriate reporting framework for public entities. The provisions of the directive are effective for financial periods ending on or after 1 April 2018.

3. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	1,430,043,075	-	1,430,043,075	1,386,645,100	-	1,386,645,100

Reconciliation of investment property - 2017

	Opening balance	Additions	Acquisition of investment property for no consideration	Fair value adjustments	Total
Investment property	1,386,645,100	26,772,775	6,943,125	9,682,075	1,430,043,075

Reconciliation of investment property - 2016

	Opening balance	Additions	Fair value adjustments	Total
Investment property	1,329,176,600	11,031,397	46,437,103	1,386,645,100

The investment property values include market values as per the 31 March 2017 valuation and initial costs of additions as reflected by the above reconciliation. All the above additions are arising from new construction in the current year.

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

Details of property
A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company. The company's appoints an external, independent property valuer once in each three year cycle. The current valuation was conducted by an independent valuer.

Details of valuation
The effective date of the revaluations was 31 March 2017. Revaluations were performed by an external registered valuer, Letlaka Ndamase, Reg. No. 5435/7. Mr Letlaka Ndamase has recent experience in the location and category of the investment property being valued.

The methods used by the company to revalue the investment property are;

a) The income capitalisation method - for income generating properties.
b) The direct comparable sales method - for all vacant industrial land and agriculturally zoned farms
c) The cost method - investment property which is under construction

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

3. Investment property - (continued)

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

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

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

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

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

There have been no transfers between Levels 1, 2 or 3 during the year with regards to the fair value hierachy as detailed in note 33.

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

Amounts recognised in profit and loss for the year

	2017 R	2016 R
Rental income from investment property	51,580,809	54,979,727
Direct operating expenses from rental generating property	(12,223,582)	(13,078,364)
Direct operating expenses from non-rental generating property	(2,142,935)	(1,892,573)
	37,214,292	**40,008,790**

4. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	4,745,429	(2,956,532)	1,788,897	4,894,294	(2,626,131)	2,268,163
Infrastructure: work in progress	60,706,027	-	60,706,027	46,358,422	-	46,358,422
Infrastructure including Buildings	467,425,287	(153,474,138)	313,951,149	466,259,717	(134,792,903)	331,466,814
IT equipment	26,426,694	(21,457,675)	4,969,019	26,789,372	(17,397,559)	9,391,813
Laboratory equipment and other	3,619,752	(3,059,590)	560,162	3,593,452	(2,514,982)	1,078,470
Land	3,821,361	-	3,821,361	3,821,361	-	3,821,361
Motor vehicles	1,513,146	(1,048,922)	464,224	1,513,146	(980,570)	532,576
Office equipment	605,865	(565,082)	40,783	645,248	(560,100)	85,148
Plant and machinery	64,042,533	(7,437,312)	56,605,221	61,805,033	(4,634,465)	57,170,568
Total	**632,906,094**	**(189,999,251)**	**442,906,843**	**615,680,045**	**(163,506,710)**	**452,173,335**

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

4. *Property, plant and equipment - (continued)*

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2,268,163	-	(42,717)	(436,549)	1,788,897
Infrastructure including buildings	331,466,814	1,165,570	-	(18,681,235)	313,951,149
Infrastructure: work in progress	46,358,422	14,347,605	-	-	60,706,027
IT equipment	9,391,813	631,460	(103,103)	(4,951,151)	4,969,019
Laboratory equipment and other	1,078,470	26,300	-	(544,608)	560,162
Land	3 821 361	-	-	-	3 821 361
Motor vehicles	532,576	-	-	(68,352)	464,224
Office equipment	85,148	-	(3,782)	(40,583)	40,783
Plant and machinery	57,170,568	2,237,500	-	(2,802,847)	56,605,221
	452,173,335	**18,408,435**	**(149,602)**	**(27,525,325)**	**442,906,843**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Furniture and fixtures	2,657,682	54,200	-	-	(443,719)	2,268,163
Infrastructure including buildings	347,948,736	180,839	-	1,976,368	(18,639,129)	331,466,814
Infrastructure: work in progress	47,507,640	827,150	-	(1,976,368)	-	46,358,422
IT equipment	11,395,613	3,120,712	(1,363)	-	(5,123,149)	9,391,813
Laboratory equipment and other	1,623,077	-	-	-	(544,607)	1,078,470
Land	3,821,361	-	-	-	-	3,821,361
Motor vehicles	600,928	-	-	-	(68,352)	532,576
Office equipment	160,667	5,183	-	-	(80,702)	85,148
Plant and machinery	54,510,810	5,046,803	-	-	(2,387,045)	57,170,568
	470,226,514	**9,234,887**	**(1,363)**	**-**	**(27,286,703)**	**452,173,335**

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

The entity does not have property plant and equipment that has been pledged as security.

All the above additions are arising from new construction or acquisitions in the current year.

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

5. Intangible assets

	2017			2016		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	23,398,020	(16,208,623)	7,189,397	20,108,129	(11,620,689)	8,487,440
Work in progress	-	-	-	712,460	-	712,460
Total	**23,398,020**	**(16,208,623)**	**7,189,397**	**20,820,589**	**(11,620,689)**	**9,199,900**

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	8,487,440	2,577,430	712,460	(4,587,933)	7,189,397
Work in progress	712,460	-	(712,460)	-	-
Total	**9,199,900**	**2,577,430**	**-**	**(4,587,933)**	**7,189,397**

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	7,330,076	4,702,563	(3,545,199)	8,487,440
Work in progress	-	712,460	-	712,460
Total	**7,330,076**	**5,415,023**	**(3,545,199)**	**9,199,900**

Details of intangible assets

The intangible asset work in progress relates to the cloud services which had a milestone outstanding at 31 March 2016. This milestone was completed during the current financial year. A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

None of the above intangible assets were internally generated, encumbered or pledged as security. All the above additions are arising from acquisitions in the current year.

6. Other financial assets

	2017	2016
Non-current assets		
Long term financial assets	32,973,336	31,575,789
Reversal of impairment	-	4,907,882
Time value of money	(14,615,777)	(16,210,832)
	18,357,559	**20,272,839**
Current assets		
Short term financial assets	4,797,364	3,880,226
Reversal of impairment	-	764,000
	4,797,364	**4,644,226**
Total other financial assets	**23,154,923**	**24,917,065**

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

6. Other financial assets - (continued)

Fair value information

The fair value of the other financial assets approximates their fair values. The carrying amount is determined by discounting the future cash flows receivable.

Reconciliation of provision for impairment of other financial assets

	2017 R	2016 R
Other financial assets - non-current portion		
Opening balance	-	4,907,882
Impairment amounts reversed	-	(4,907,882)
	-	**-**
Other financial assets - current portion		
Opening balance	-	764,000
Impairment amounts reversed	-	(764,000)
	-	**-**

The first category of the financial asset was a debt restructuring that was done to a tenant that was in financial distress. The company was restructured and is showing signs of recovery and has started paying its current debt in full plus a portion of the debt. The debt conversion is interest free and is payable over 5 years. The arrangement was part of the business rescue program done by the company in accordance with its debtors policy. The original debt was R16 748 405 and was negotiated on 25 March 2015.

The second category of the financial asset is a leasehold improvement which was done on premises that are occupied by one of our tenants. The improvements were done according to the instructions of the tenant. The tenant has agreed to reimburse the amount that was spent on the tenants request over a period of 20 years and the amount owing will be escalating at a rate of 5.5% per year. The original amount to be reimbursed by the tenant is R25 741 495.

7. Trade and other receivables

	2017 R	2016 R
Trade receivables	22,894,369	29,068,680
Allowance for impairment	(13,654,164)	(22,757,339)
Rental receivables (smoothing adjustment)	23,087,436	23,321,664
Prepayments	7,326,644	1,014,498
Other receivables	536,013	395,547
Accrued expenses	-	5,375,496
Receivables adjustment (time value of money)	-	(50,702)
Amounts from related parties/rebates	468,234	4,021,021
Sundry debtors	(663)	-
VAT	1,976,797	901,093
	42,634,666	**41,289,958**

Reconciliation of allowance for impairment of trade and other receivables

	2017 R	2016 R
Opening balance	(22,757,339)	(13,475,504)
Provision for impairment	9,103,175	(9,281,835)
	(13,654,164)	**(22,757,339)**

The carrying amount of the trade and other receivables approximates their fair values.

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	486	1,638
Bank balances	1,215,949	11,723,485
Short-term deposits	95,956,867	130,993,320
	97,173,302	**142,718,443**

Short term deposits yielded an average interest of 6.5% (2016: 6.5%).

Included in the cash and cash equivalents of R97 173 302 (2016: R142 718 443) is a balance of R76 462 159 (2016: R109 526 961) ringfenced for projects funded in terms of the Special Economic Zone act.

The carrying amount of the cash and cash equivalents approximates its fair value. All bank balances and short term deposits are available on demand and interest is receivable for the balances held with the bank.

9. Share capital

Authorised		
1 000 000 Ordinary shares of R0.01 each or par value of R10 000	10,000	10,000
Reconciliation of number of shares issued:		
Reported as at 30 June 2016	100,000	100,000
Issued		
Ordinary	1,000	1,000

The issued share capital consists only of ordinary shares. There is no intention on the part of the company to repay the capital to the shareholders. The ordinary shares issued can only be sold or transferred to an entity that is an organ of the state. The declaration of dividends is considered at the annual general meeting of the shareholders. Since incorporation the company has not declared any dividends.

10. Other Non Distriutable Reserve

Balance at beginning of year	8,306,368	8,306,368

One of the main provision of awarding an operators permit to East London Industrial Development Zone Corporation was that the company be a private company. Therefore to ensure sustainability of the company, an entity entitled the East London Industrial Development Zone (Proprietary) Limited was formed.

On 1 April 2004 all the assets and liabilities of the company were sold to Industrial Development Zone (Proprietary) Limited as a going concern. From that date the company no longer operated as an East London Industrial Development Zone Corporation and ceased operations. The net assets and liabilities taken over were treated as non-distributable reserves.

Notes to the Annual Financial Statements [continued]

11. Deferred income

	2017 R	2016 R
Balance at the beginning of the year	1,678,040,872	1,721,997,339
Grants received and to be received		
DEDEAT	100,866,000	94,932,000
DTI	-	22,057,427
Interest income	7,461,907	6,056,256
South African Revenue Services - output VAT on grants	(12,387,053)	(14,367,123)
Development Bank Southern Africa (DBSA)	2,237,500	6,528,786
BCMM annual rates rebate	-	13,264,093
	1,776,219,226	**1,850,468,778**
Released to income - operations and property, plant and equipment	(117,923,224)	(101,117,107)
Released to income - rebates	(941,102)	(12,322,991)
Investment property - grants amortisation	(60,119,189)	(58,987,807)
	(178,983,515)	**(172,427,905)**
Non-current liabilities	1,427,028,195	1,476,750,139
Current liabilities	170,207,518	201,290,734
	1,597,235,713	**1,678,040,873**

The entity receives grants from the DTI for infrastructure development i.e. investment property and other owner occupied infrastructure. If the projects do not commence, the funds are returned to DTI. The company submitted a request to Provincial Treasury to rollover all the capital projects funds that were not utilised during the 2016-17 financial year. The roll over was granted.

In addition, the entity receives grants from DEDEAT for operating expenses and the acquisition of property, plant and equipment.

12. Trade and other payables

	2017 R	2016 R
Trade payables	3,799,902	14,741,927
Other grants (Note 13)	1,150,519	5,000,926
Amounts received in advance	1,252,353	-
VAT	-	-
Leave pay accrual	3,328,715	2,336,269
Salary savings accrual	97,840	73,834
Operating lease smoothing	29,597	19,327
Deposits received	2,718,566	2,418,768
Other payables	345,824	366,627
Payables - Time value of money	-	(58,847)
	12,723,316	**24,898,831**

Fair value of trade and other payables
The carrying amounts of trade and other payables approximate their fair values in terms of IAS 39.

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R
13. Other grants		
Department of Environmental Affairs (DEA)		
Opening balance	628,686	833,233
Additional grant received	-	6,874,278
Revenue generated during the year	6,371	93,531
Expenditure for the year	(470,882)	(7,172,356)
	164,175	**628,686**
Manufacturing, Engineering and Related Services Education and Training Authority (MERSETA)		
Opening balance	-	710,405
Utilised during the year	-	(710,405)
	-	**-**
DBSA - Renewable energy project		
Opening balance	2,850,354	10,123,021
Interest capitalised	151,927	468,625
Expenditure for the year	(2,237,500)	(7,741,292)
	764,781	**2,850,354**
DEDEAT - Stem cell project		
Opening balance	1,078,482	1,078,482
Expenditure	(856,920)	-
	221,562	**1,078,482**
Wild Coast SEZ		
Opening balance	443,403	14,805,112
Transfer to Coega	(443,403)	(14,361,709)
	-	**443,403**
Total other grants	1,150,519	5,000,926

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

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

Renewable Energy
ELIDZ was granted funds by the DBSA to implement a renewable energy school that will train artisans in renewable energy.

Stem Cell project
The company received additional funding from DEDEAT for a pilot project of Stem Cell in partnership with the Eastern Cape Department of Health. The project started in prior years and is still ongoing. During the third quarter of the current financial year the project steering committee which includes ELIDZ and department of health approved a transfer of funds for purposes of commencing with the stem cell project.

Wild Coast SEZ
DTI is considering setting up another SEZ in the Eastern Cape and ELIDZ was assisting in setting it up and was administering funds meant for the SEZ. However the project operations have been transferred to the Coega IDZ as at the beginning of the previous financial year. Remaining unspent funds included in the opening balance were transferred to Coega IDZ at the begining of the year.

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

14. Provisions

Reconciliation of provisions - 2017

	Opening balance	Additions	Utilised during the year	Total
Retentions	861,856	-	(513,158)	348,698
Performance bonus provision	5,713,542	7,075,998	(5,713,542)	7,075,998
	6,575,398	**7,075,998**	**(6,226,700)**	**7,424,696**

Reconciliation of provisions - 2016

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Retentions	485,019	688,698	(340,000)	28,139	861,856
Performance bonus provision	-	5,713,542	-	-	5,713,542
	485,019	**6,402,240**	**(340,000)**	**28,139**	**6,575,398**

The provision for performance bonus relates to the payment of bonuses to the entity's employees based on the assessment of performance during the financial year. The provision is based on historic data and the probability of an outflow is considered to be probable. The expected timing of the payment of the performance bonus is expected to be no more than 6 months after the end of the financial year.

Retentions relate to project amounts withheld by the company that are paid back to contractors when there are no latent defects to project work. These amounts are claimable after the completion of the project.

15. Revenue

	2017	2016
Rendering of services (providing utilities)	59,589,457	53,080,139
Telephone service income	3,026,059	1,293,597
Conference hire income	2,349,463	1,106,174
Rental income (smoothing adjustment)	(234,228)	3,125,780
Rental income (revenue)	51,814,614	51,853,947
Analytical lab income	3,383,612	-
	119,928,977	**110,459,637**

The amount of revenue disclosed above includes contingent rentals as follows:

	2017	2016
Rendering of services	3,073,978	4,851,315

16. Cost of sales

Rendering of services

	2017	2016
Services and utilities	70,304,107	51,685,740
Analytical lab	6,161,313	3,976,940
Conference facility	3,146,962	918,113
Telephone services	2,346,185	526,936
	81,958,567	**57,107,729**

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

17. Other income

Rebate released	973,275	12,322,991
Government grants - released to income	117,923,224	101,117,107
Grants released - investment property	60,119,189	58,987,807
Other income	8,381,585	3,555,384
	187,397,273	**175,983,289**

18. Operating profit

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

Remuneration, other than to employees, for:		
Auditors remuneration	1,845,491	2,318,461
Operating lease charges		
Equipment		
• Contractual amounts	1,025,031	1,303,834
Loss/(profit) on sale of property, plant and equipment	(35,987)	1,363
Bad debts written off*	9,802,134	234,053
Impairment of trade receivables provision movement	(9,125,686)	9,281,835
Reversal of impairment on other financial assets	-	(5,671,883)
Amortisation on intangible assets	4,587,934	3,545,199
Depreciation on property, plant and equipment	27,525,325	27,286,703
Employee costs	69,120,384	63,900,231

*All debts written off were in terms of the company's approved debt management policies

19. Employee cost

The following items are included within employee costs expense:

Employee costs		
Salaries and wages	43,838,996	43,817,046
Defined contribution plan	5,887,723	5,390,437
Medical aid contributions	3,592,916	1,771,869
Performance bonus provision/paid	7,929,565	5,713,542
13th cheque	3,574,035	3,446,309
Long service awards	85,000	70,000
UIF	462,848	473,449
SDL	635,018	1,371,660
Internships	1,705,495	1,680,894
Leave pay provision charge	1,408,788	165,025
	69,120,384	**63,900,231**

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

19. Employee cost - (continued)

Total employee costs		
Direct employee costs	63,232,661	58,509,794
Indirect employee costs	5,887,773	5,390,437
	69,120,434	**63,900,231**

Average number of persons employed during the year was:		
Permanent staff	78	66
Contract staff	-	9
Interns	39	26
	117	**101**

20. Depreciation, amortisation and impairments

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

Depreciation		
Property, plant and equipment	27,525,325	27,286,703
Amortisation		
Intangible assets	4,587,934	3,545,199
Impairments		
Other financial assets	-	(5,671,883)
Total depreciation, amortisation and impairments		
Depreciation	27,525,325	27,286,703
Amortisation	4,587,934	3,545,199
Impairments/ (Impairment reversals)	-	(5,671,883)
	32,113,259	**25,160,019**

21. Finance income

Interest received	1,839,068	63,349

22. Fair value adjustments

Investment property (Fair value model)	9,682,075	46,437,103

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

23. Finance costs

Interest paid	-	11,090,246

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

24. Auditors remuneration

Fees	1,845,491	2,318,461

25. Cash generated from operations

Profit before taxation	78,289,776	108,543,052
Adjustments for:		
Depreciation and amortisation	32,113,319	30,831,902
Net loss on disposal of property, plant and equipment	35,987	1,363
Interest income	(1,839,068)	(63,349)
Finance costs	-	11,090,246
Fair value adjustments	(9,682,075)	(46,437,103)
Movements in provisions	849,298	6,090,379
Other non-cash items- Investment property acquired for no consideration	(6,943,125)	-
Changes in working capital:		
Decrease/ (Increase) in Trade and other receivables	(1,344,708)	(6,572,915)
Decrease in Other financial assets	1,762,142	6,578,118
Decrease in Trade and other payables	(12,175,515)	(36,218,103)
Decrease in Deferred income	(80,805,160)	(43,956,466)
	260,871	**29,887,124**

26. Taxation

Reconciliation of the tax income

Taxable Income for the year		
Profit before tax	78,289,776	108,543,052
Permanent differences	(90,470,770)	(74,324,789)
Temporary differences	(19,716,271)	(33,539,896)
Assessed loss unrecognised/(utilised) from previous year	31,897,265	(678,367)
	-	-

Assessed loss carried forward		
Assessed loss brought forward	(69,991,727)	(70,670,094)
Permanent differences	(31,897,264)	678,367
	(101,888,991)	**(69,991,727)**

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

26. Taxation - (continued)

Reconciliation of the income tax expense

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 28%.

Applicable tax rate	28.00 %	28.00 %
Permanent differences	(32.36)%	(19.00)%
Made up as follows:		
Expenses not deductable for tax purposes	31.90%	27.80%
Grant income not taxable	(63.70)%	(44.50)%
Investment property gains	- %	(2.30)%
Non taxable income	(0.60)%	- %
Temporary differences	(7.05)%	(8.80)%
Made up as follows:		
Investment property fair value gains	(3.50)%	(9.70)%
Operating lease smoothing	0.10 %	(0.80)%
Income received in advance	0.40 %	- %
Depreciation and wear and tear adjustment	- %	(0.10)%
Provision for bad debts - other financial assets	- %	(1.10)%
Provision for bad debts - general	(2.40)%	1.80 %
Provision for leave pay	0.40 %	(0.40)%
Provision for performance bonus	0.50 %	1.50 %
Investment property acquired for no consideration	(2.50)%	-
Prepaid expenses	- %	- %
Assessed loss unrecognised/(utilised)	11.40 %	(0.20)%
	- %	**- %**

No provision for tax has been made in 2017 financial year as the company has no taxable income. In previous years ELIDZ has not expected to generate taxable profit and taxable temporary differences in the future that are sufficient to be utilised against the deferred tax asset. This is re-assessed at the end of each reporting period.

27. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	33,684,520	40,923,989
• Investment property	296,362,952	105,198,241
	330,047,472	**146,122,230**

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

27. Commitments - (continued)

The committed expenditure relates to investment property and property, plant and equipment contracts that will be finished in the coming years. The commitments will be financed by grants from the DTI as well as DEDEAT.

The commitment amounts are exclusive of VAT.

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	937,101	907,200
- in second to fifth year inclusive	315,790	1,252,884
	1,252,891	**2,160,084**

Leasing arrangements

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

Operating leases – as lessor (income)

Minimum lease payments due		
- within one year	47,068,382	44,739,158
- in second to fifth year inclusive	150,466,502	175,303,056
- later than five years	22,189,716	46,600,479
	219,724,600	**266,642,693**

Leasing arrangements

Operating leases relate to the investment property owned by the company with lease terms of between 1 to 10 years, with an option to extend for a further 10 years in some instances. All operating lease contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. The operating leases include escalation clause.

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

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

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

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

28. Related parties

Relationships	
Holding company (controlling interest - 74%)	DEDEAT
Shareholder with significant influence (26%)	Buffalo City Metropolitan Municipality (BCMM)
Providers of funding for capital projects	DTI (The transactions and related balances are disclosed in note 11 under deferred income)
Members of key management	Chief Executive Officer: Mr S Kondlo Chief Operations Officer: Mr T Zweni Executive Manager (Corporate Affairs): Ms A Magwentshu Chief Financial Officer: Mr G Matengambiri
Non-executive directors	Refer to note 5 per the Directors Report

- The detail of the remuneration of the members of key management and non executive directors is included in note 29 to the annual financial statements.

Related party balances

	2017 R	2016 R
Amounts included in trade receivables regarding related parties		
BCMM (trade)	598,176	55,980
BCMM (rebates)	268,825	3,477,917
BCMM (prepayments)	3,000,647	317,963
Amounts included in trade payables regarding related parties		
BCMM	-	(18,196)

Related party transactions

	2017 R	2016 R
BCMM		
Expenditure: Rates and taxes	12,223,582	13,078,364
Expenditure: Electricity	48,812,865	39,888,944
Expenditure: Water	3,638,846	1,908,929
Expenditure: Sewerage	1,621,575	1,489,321
Income: Rates and taxes rebate	(973,275)	(12,322,991)
Income: Grass cutting expense recovery	(1,210,908)	(340,033)
Income: Rentals, utilities and ICT services	(1,466,580)	(280,251)

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

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

New developments and developments that did not benefit in the past benefits offered to ELIDZ under memorandum of agreement qualify for a phased in rebates on rates applicable as follows:

Year 1 - 50%
Year 2 - 40%
Year 3 - 30%
Year 4 - 20%
Year 5 - 10%

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

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

28. Related parties - (continued)

Water
A 15% special discount rate was offered on bulk purchases by BCMM.

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

Sewerage
Sewerage charges are at normal arms length rates.

All other services are also at arms length

Account Balances
The account receivables and payables result from services rendered by the company to the related parties and vice versa. The nature of these services is described above. The balances subject to normal 30 day payment terms. The company holds no guarantees for the balances owed by the related parties.

DEDEAT

	2017 R	2016 R
Total grants received for the year	100,866,000	94,932,000

Compensation to directors and other key management Key management remuneration - executive (Note 29)
Remuneration - non executive (Note 29)

29. Directors and Executive managements' emoluments

Executive

2017	Basic salary	Allowances	Employer contribution to funds	Acting allowances	Performance bonus	Total
S Kondlo	1,943,174	1,020,292	386,547	-	455,628	3,805,641
T Zweni	1,611,818	849,897	325,160	-	309,153	3,096,028
A Magwentshu	1,429,284	754,626	293,412	-	270,167	2,747,489
G Matengambiri*	1,055,537	560,846	227,693	69,207	176,909	2,090,192
J Burger (retired)	172,524	102,940	35,368	-	246,694	557,526
	6,212,337	**3,288,601**	**1,268,180**	**69,207**	**1,458,551**	**12,296,876**

A provision for performance bonuses of R7 075 998 (2016: R5 173 542) has been raised as disclosed in note 14. R1 530 078 (2016: R 856 718) of this provision relates to provisional performance bonuses for executive management.

* G Matengambiri acted as chief financial officer for two months during the financial year.

2016	Basic salary	Allowances	Employer contribution to funds	Acting allowances	Total
S Kondlo	1,819,434	942,029	359,658	-	3,121,121
T Zweni	1,284,654	665,142	258,309	-	2,208,105
J Burger	1,105,511	572,389	196,659	-	1,874,559
A Magwentshu	1,079,471	558,906	224,285	-	1,862,662
B Magongwa	318,392	182,137	62,578	-	563,107
G Matengambiri (acting)	564,842	285,286	123,017	215,291	1,188,436
	6,172,304	**3,205,889**	**1,224,506**	**215,291**	**10,817,990**

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

29. *Directors and Executive managements' emoluments - (continued)*

Non-executive

2017	Directors' fees	Allowances	Total
MW Makalima	163,960	2,233	166,193
EV Jooste	189,591	2,556	192,147
A Kanana	192,738	22,988	215,726
P Nazo	204,194	2,556	206,750
S Caga	91,370	1,491	92,861
S Sikwebu	37,924	639	38,563
N Mnconywa	62,115	1,065	63,180
M Marata	44,718	639	45,357
	986,610	**34,167**	**1,020,777**

2016	Directors' fees	Allowances	Total
MW Makalima	33,280	368	33,648
A Kanana	157,934	32,387	190,321
EV Jooste	208,688	2,769	211,457
NI Anderson	165,092	2,130	167,222
P Nazo	125,540	2,769	128,309
SW Caga	101,693	2,769	104,462
ZM Tini	180,757	2,556	183,313
V Sikwebu	175,952	3,190	179,142
	1,148,936	**48,938**	**1,197,874**

30. Fruitless and wasteful expenditure

	2017	2016
Current year fruitless and wasteful expenditure	-	132,748
Fruitless and wasteful expenditure written-off	-	(132,748)
	-	**-**

No fruitless and wasteful expenditure has been incurred in the current year.

31. Irregular expenditure

	2017	2016
Opening balance	-	-
Current year irregular expenditure	-	3,210,551
Irregular expenditure condoned	-	(3,210,551)
	-	**-**

No irregular expenditure has been incurred in the current year.

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

32. Risk management

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

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

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

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

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

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

A maturity analysis of ELIDZ's financial instruments as at 31 March 2017 is as follows:

At 31 March 2017	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Other financial assets - short term	-	4,797,364	-	4,797,364
Other financial assets - long term	-	-	18,357,559	18,357,559
Trade and other receivables	10,244,452	-	-	10,244,452
Cash and cash equivalents	97,173,302	-	-	97,173,302
	107,417,754	**4,797,364**	**18,357,559**	**130,572,677**

Liabilities				**Total**
Trade and other payables	(4,144,537)	-	(2,718,566)	(6,863,103)

				Total
Liquidity gap	103,273,217	4,797,364	15,638,993	123,709,574

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

32. Risk management - (continued)

At 31 March 2016	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Other financial assets - short term	-	4,644,226	-	4,644,226
Other financial assets - long term	-	-	20,272,840	20,272,840
Trade and other receivables	6,260,639	27,842,383	-	34,103,022
Cash and cash equivalents	142,718,443	-	-	142,718,443
Total assets	148,979,082	32,486,609	20,272,840	201,738,531
Liabilities				
Trade and other payables	(14,756,911)	(10,141,917)	-	(24,898,828)
	134,222,171	**22,344,692**	**20,272,840**	**176,839,703**

Included in the cash and cash equivalents of R97 173 302 (2016: R142 718 443) is a balance of R76 462 453 (2016: R109 529 691) ringfenced for projects funded in terms of the Special Economic Zone act.

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

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

Interest charged on trade debtors in arrears is linked to the South African prime rate. Interest rate sensitivity analysis
The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date.

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

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

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

Estimated increase in rates	2017	2016
Estimated increase in basis points	100	100
Cash and cash equivalents	97,173,302	142,718,443
Effect on accumulated profit/ (loss)	971,733	1,427,184

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

32. Risk management - (continued)

Credit risk

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

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

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

Trade receivables comprise mainly of amounts owing from tenants. Management evaluated credit risk relating to tenants before they were incorporated into the zone. ELIDZ tenants pay deposist at the beginning of their lease terms. At 31 March 2017 ELIDZ holds deposits from tenants amounting to R 2 718 566 (2016: R2 418 768) as security for tenants' lease obligations.

The amounts below are before impairment.

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

	2017 R	2016 R
Trade and other receivables (excluding prepayments)	23,898,616	56,860,361
Cash and cash equivalents	97,173,302	142,718,443
Other financial assets	23,154,923	24,917,065
	144,226,841	**224,495,869**

Analysis by credit quality of financial assets is as follows:

	2017 R	2016 R
Neither past due nor impaired		
- Cash and cash equivalent	97,173,302	142,718,443
- Trade and other receivables	9,103,879	30,579,087
- Other financial assets	23,154,923	24,917,065
Past due and not impaired		
- Trade and other receivables	1,140,573	3,328,728
- Other financial assets	-	-
Past due and impaired		
- Trade and other receivables	13,654,164	22,952,547
- Other financial assets	-	-

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

33. Fair value information

At 31 March 2017 the carrying amount of bank balances and cash deposits, trade and other receivables, trade and other payables and contracts in progress approximated their fair values due to the short term maturities of these assets and liabilities.

Basis for determining fair value

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

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

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

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

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

Levels of fair value measurements

Level 3

Recurring fair value measurements

	Note(s)	2017 R	2016 R
Assets	Note(s)		
Investment property	3		
Investment property		1,430,043,075	1,386,645,100
Total		**1,430,043,075**	**1,386,645,100**

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

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

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

34. Categories of financial instruments

Categories of financial instruments - 2017

	Note(s)	Loans and receivables	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Assets					
Non-Current Assets					
Property, plant and equipment	4	-	-	442,906,843	442,906,843
Investment property	3	-	-	1,430,043,075	1,430,043,075
Intangible assets	5	-	-	7,189,397	7,189,397
Other financial assets	6	18,357,559	-	-	18,357,559
		18,357,559	**-**	**1,880,139,315**	**1,898,496,874**
Current Assets					
Trade and other receivables	7	10,244,452	-	32,390,214	42,634,666
Other financial assets	6	4,797,364	-	-	4,797,364
Operating lease asset		-	-	-	-
Cash and cash equivalents	8	97,173,302	-	-	97,173,302
		112,215,118	**-**	**32,390,214**	**144,605,332**
Total Assets		**130,572,677**	**-**	**1,912,529,529**	**2,043,102,206**
Equity and Liabilities					
Equity Attributable to Equity Holders of Parent:					
Share capital	9	-	-	1,000	1,000
Reserves	9	-	-	8,306,368	8,306,368
Retained income	9	-	-	417,411,113	417,411,113
		-	**-**	**425,718,481**	**425,718,481**
Total		**-**	**-**	**425,718,481**	**425,718,481**
Liabilities					
Non-Current Liabilities					
Deferred income	11	-	-	1,427,028,195	1,427,028,195
Current Liabilities					
Trade and other payables	12	-	12,625,476	-	12,625,476
Deferred income	11	-	-	170,207,518	170,207,518
Provisions	14	-	348,698	7,075,998	7,424,696
		-	**12,974,174**	**177,283,516**	**190,257,690**
Total Liabilities		**-**	**12,974,174**	**1,604,311,711**	**1,617,285,885**
Total Equity and Liabilities		**-**	**12,974,174**	**2,030,030,192**	**2,043,004,366**

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

34. Categories of financial instruments - (continued)

Categories of financial instruments - 2016

	Note(s)	Loans and receivables	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Assets					
Non-Current Assets					
Property, plant and equipment	4	-	-	452,173,335	452,173,335
Investment property	3	-	-	1,386,645,100	1,386,645,100
Intangible assets	5	-	-	9,199,900	9,199,900
Other financial assets	6	20,272,839	-	-	20,272,839
		20,272,839	**-**	**1,848,018,335**	**1,868,291,174**
Current Assets					
Trade and other receivables	7	41,289,958	-	-	41,289,958
Other financial assets	6	4,644,226	-	-	4,644,226
Cash and cash equivalents	8	142,718,443	-	-	142,718,443
		188,652,627	**-**	**-**	**188,652,627**
Total Assets		**208,925,466**	**-**	**1,848,018,335**	**2,056,943,801**
Equity and Liabilities					
Equity Attributable to Equity Holders of Parent:					
Share capital	9	-	-	1,000	1,000
Reserves	9	-	-	8,306,368	8,306,368
Retained income	9	-	-	339,200,833	339,200,833
		-	**-**	**347,508,201**	**347,508,201**
Total		**-**	**-**	**347,508,201**	**347,508,201**
Liabilities					
Non-Current Liabilities					
Deferred income	11	-	-	1,476,750,139	1,476,750,139
Current Liabilities					
Trade and other payables	12	-	24,898,831	-	24,898,831
Deferred income	11	-	-	201,290,734	201,290,734
Provisions	14	-	-	6,575,398	6,575,398
		-	**24,898,831**	**207,866,132**	**232,764,963**
Total Liabilities		**-**	**24,898,831**	**1,684,616,271**	**1,709,515,102**
Total Equity and Liabilities		**-**	**24,898,831**	**2,032,124,472**	**2,057,023,303**

Notes to the Annual Financial Statements [continued]

	2017 R	2016 R

35. Prior period errors

During the financial year ended 31 March 2017 it was identified that some tenant deposits were incorrectly recognised in revenue instead of liabilities in the prior years. The error identified affected the previous financial years, as such the balance of trade and other payables as presented on the statement of financial position as at the said date has been adjusted to account for the error identified. The error has been corrected retrospectively.

The correction of the error(s) results in adjustments as follows:

	2017 R	2016 R
Trade and other payables		
Balance previously stated	24,507,008	60,725,111
Effect of the correction of an error	391,821	312,321
Restated balance	**24,898,829**	**61,037,432**
Retained earnings		
Balance previously reported	339,513,154	230,970,102
Effect of the correction of an error	(391,821)	(312,321)
Restated balance	**339,121,333**	**230,657,781**

The East London Industrial Development Zone (ELIDZ) is an entity which exists to help manufacturers to become globally competitive through the development and efficient management of a modern, purpose built industrial location, which offers investing industries a streamlined business environment enhanced by a range of supporting services.

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