VISION
To be the leading catalyst for the championing of socio-economic development.

MISSION
To provide a competitive investment location, facilitate holistic infrastructure and value-adding commercial business solutions.

VALUES
- Integrity
  - Honesty, reliability – trust
- Innovation
  - Needs-based service innovation, continuous improvement
- Partnership
  - Teamwork, building long term relationships with clients and stakeholders
- Service Excellence
  - Delivery, speed, quality, customer focus
- Sustainability
  - Social, economic and environmental growth
# CONTENTS

## 01 ABOUT THE INTEGRATED REPORT
- Reporting Philosophy
- Reporting Approach & Changes
- Scope, Boundaries & Materiality
- Board Statement of Application, Responsibility & Approval
- Other Information

## 02 ABOUT COEGA DEVELOPMENT CORPORATION
- Business Model – How CDC Creates Value
- Organisational Overview & Business Model
- Area Profiles
- Operating & Control
- Stakeholders

## 03 MATERIAL ISSUES – RISK & OPPORTUNITIES
- Governance
- Governance Structure
- Board of Directors
- Human Resources & Administration
- Social & Ethical Committee
- Executive Management
- Programme Directors
- Coega Brand Architecture

## 04 PERFORMANCE & OUTLOOK
- 2015/16 Corporate Performance
- Strategic Overview
- Business Overview of the 2015/16 FY
- Investment Promotion
- Infrastructure Development
- Operations Management
- Central Support Services
- Broad-Based Black Economic Empowerment (B-BBEE)
- Human Capital Solutions
- Development, Empowerment & Transformation
- External Services
- Sustainability Report
- Outlook

## 05 ANNUAL FINANCIAL STATEMENTS
- CFO’s Review
- Certificate by Company Secretary
- General Information
- Statement of Directors’ Responsibilities and Approvals
- Independent Auditor’s Report
- Directors’ Report
- Notes to the Financial Statements
- Financial Risk Management

## 06 ADMINISTRATION
- Acronyms & Abbreviations
- Annexure 1
- Annexure 2
- Annexure 3
17 NEW INVESTORS SIGNED DURING THE 2015/16 FY

6,375 PEOPLE TRAINED THROUGH SKILLS DEVELOPMENT DURING THE 2015/16 FY

11,774 NUMBER OF JOBS CREATED DURING THE 2015/16 FY
REPORTING AND PHILOSOPHY

The Coega Development Corporation (CDC) is in its third year of a journey to compile a fully integrated annual report in compliance with the International Integrated Reporting Framework (IR). This approach is in support of the view of the International Integrated Reporting Council (IIRC) that, in the ongoing wave of the global financial crisis, there is a need to forge stronger links between investment decisions, corporate behaviour and reporting in order to promote financial stability and sustainable development.

According to the IIRC, IR applies principles and concepts that are focused on bringing greater cohesion and efficiency to the reporting process, and adopting “integrated thinking” as a way of breaking down internal silos and reducing duplication. It improves the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital. Its focus on value creation, and the “capital” used by the business to create value over time, contributes towards a more financially stable global economy.

By adopting the IR, the integrated reporting process has stimulated integrated thinking within the CDC. It has sharpened the organisation’s focus on first evaluating and understanding the external environment and stakeholder needs and concerns in order to make decisions on material issues. This process informs the CDC’s strategic response, planning and performance targets which are aimed at creating value over time for both the CDC and its broad base of stakeholders.

In its print form, the Integrated Annual Report provides stakeholders and investors with clear, concise, connected and comparable information about how the CDC’s strategy, governance, performance, and prospects are creating value over the short-, medium- and long-term. This information is supplemented by the website (www.coega.co.za), which carries more in-depth information on the various projects and initiatives in which the CDC is involved. This is updated constantly.

Readers of the report are given a clear picture of the CDC’s current position, where it is heading and how it plans to get there. The objective is to enable investors and other stakeholders to make informed assessments of the CDC’s performance and its ability to continue creating stakeholder, customer, and shareholder value.

The CDC’s 2015/16 Integrated Annual Report outlines the company’s mandate, strategy, business model, governance structure, performance review and future outlook. It illustrates how the CDC is responding to risks and opportunities in its drive to create sustainable value. A core focus is to provide support to the Provincial Government, business and civil society in the drive to address the socio-economic developmental needs of the Eastern Cape.

REPORTING APPROACH AND CHANGES

In the 2015/2016 Integrated Annual Report, the focus of the content continues to be on connecting performance more closely to strategy and material issues in line with the guiding principles of the IR. This report is part of a continuous journey towards meeting the IIRC goals. Best practices adopted and implemented by the CDC ensure regular and effective communication with all stakeholders including investors, suppliers and communities.

The following reporting standards have been applied in the preparation of this report:

- Public Financial Management Act (PFMA), Act 1 of 1999
- Companies Act, Act 71 of 2008
- International Financial Reporting Standards (IFRS)
- King Code of Corporate Governance for South Africa (The Institute of Directors in Southern Africa) September 2009 (King III)

SCOPE, BOUNDARIES AND MATERIALITY

This report covers the financial year 2015/16 from the period 1 April 2015 to 31 March 2016. It encompasses all operations related to the mandate of the CDC. This includes its role as the license holder responsible for the development and operation of the Coega Industrial Development Zone (IDZ).

Using the expertise and experience acquired during the creation of the IDZ infrastructure since inception in 1999, the CDC is also able to serve as an implementing agent (IA) for certain key government departments in support of the Infrastructure Delivery Programme (IDP). The IDP is an initiative of the South African government to fast-track and improve the standard of infrastructure delivered by the public sector. In order to provide this support, the CDC has adopted the infrastructure delivery management system (IDMS), which helps to ensure that the organization is able to support efficient and effective public sector infrastructure investment.

The CDC operates in a dynamic environment. The organization adapts in order to respond to meeting the needs and requirements of all stakeholders, including funders, investors, tenants and external services clients. This is reflected in the report, which highlights the performance of the CDC in the context of its strategy, including its commercial and project management services and its management of the Nelson Mandela Bay Logistics Park.

The CDC has also been recently certified in:

- ISO 9001:2015 (Quality Assurance)
- OHSAS 18001: 2007 (Occupational Health and Safety)
- ISO 14001:2015 (Environmental Management)

The CDC is the first South African state-owned enterprise to achieve the revised ISO 9001:2015 certification.

The organization is pursuing certification in the following standards:

- ISO 28000:2007 (Security Management System for Supply Chain)
- ISO 55001:2014 (Energy Management)

The CDC undertakes an annual independent project management maturity audit based on internationally accepted project management standards such as PRINCE2 and PMBOK, which were developed by the Project Management Institute (PMI). This audit measures project management practices and benchmarks the CDC against similar organisations. For the year under review, the CDC achieved a 3.34 level, indicative that it has project management procedures and systems that are practiced consistently throughout the organisation.

BOARD STATEMENT OF APPRECIATION, RESPONSIBILITY AND APPROVAL

The Board expresses its appreciation to the Chair of the Board for their support, oversight and leadership. The Board also expresses its appreciation to the Premier of the Eastern Cape, Mr Phumulo Masuale; the Eastern Cape MEC for Finance, Economic Development, Environmental Affairs and Tourism, Mr Sakhumzisa Somlo and their respective heads of department for their support, oversight and leadership.

A special thanks to CDC staff and external stakeholders who continue to uphold the values and high performance standards of the organisation.

The Board, assisted by its committees, is ultimately responsible for oversight of the integrity of the annual report. The Board has collectively reviewed the output of the integrated reporting process and has concluded that the 2015/16 Integrated Annual Report has made substantial progress over the previous year in the journey to meeting the requirements of the International Integrated Reporting Framework v1.0.

“Coega IDZ is a good story to tell.”

Statement of the Board of Directors

Chairman

Initiated by the Board for its approval

Date: 29 September 2016
It is no secret that the Coega Development Corporation (CDC) is operating in an extremely challenging environment. In South Africa the drought, the slump in commodity prices, the continued sluggishness of the European market and China’s slowdown have all contributed to low economic growth and with it a drop in the appetite to invest. The rates of inbound Foreign Direct Investment and Domestic Direct Investment have slowed correspondingly.

Despite these challenges the Coega Industrial Development Zone continues to attract investors, and remains the right place for the establishment of manufacturing, processing, services and logistics facilities. Over the past three years more investment has been attracted to the Coega IDZ than any other industrial zone in South Africa. In addition, the CDC has developed an investment pipeline in excess of R181-billion that would ensure its future sustainability as the organisation convert these into operating investors over the next five years.

Therefore, the Coega IDZ remains on course to continue to increase the number of investors in the zone over the next five years due to hard work, tenacity, and the resilience of the CDC leadership and staff. I would like to express our appreciation as the Board to the Executive for achieving most of their key Performance Indicators during 2015/2016.

There is no doubt that the introduction of incentives under the government’s Special Economic Zone (SEZ) programme will add to the business case for investing in the Coega IDZ. We welcome the SEZ programme which will help reposition South Africa in the world economy by offering a range of competitive incentives to investors. Coega is already one of the “growth engines” identified and referred to in the dt SEZ policy document.

Furthermore, the CDC is on track to achieve the objectives set in its five-year 2015-2020 sustainable growth strategy, which is premised on financial sustainability. But, it should be highlighted that the CDC is much more than a commercial enterprise that is operating the IDZ. It is a pioneering and innovative organisation established to transform the socio-economic environment of Nelson Mandela Bay and the rest of the Eastern Cape. With financial stability will come much-needed jobs, training and development, and local economic growth.

Thus, there is clear evidence of the impact that the CDC has and is making. The CDC’s project maturity, ISO certification on systems and business processes, as well as contribution to job creation has seen the organisation win a number of national prestigious awards of excellence, one of which is the Top Empowered Job Creation Award presented to the CDC in 2015. The CDC has won this award on four occasions in the past five years, demonstrating that the organisation is making a noticeable impact on unemployment in the Eastern Cape in particular, and is being recognised for this contribution to society by industry and communities. In support of the National Development Plan’s focus on job creation, the CDC created 11 774 jobs during the period under review. These jobs were created through activities both within and outside of the IDZ in an effort to contribute towards reducing unemployment and poverty in the Eastern Cape and throughout South Africa.

Both the skills and the people developed and nurtured by the CDC are contributing to socio-economic development well beyond the borders of the IDZ and Eastern Cape. CDC is the programme implementing agent for infrastructure projects in various parts of the country, including in KwaZulu-Natal, Western Cape, and Mpumalanga, to name but a few.

It is evident that the CDC is achieving far more than developing the property in an industrial zone. It is changing lives and enriching millions of South Africans. The skills and the people developed and nurtured by the CDC are contributing to socio-economic development well beyond the borders of the IDZ and Eastern Cape. CDC is the programme implementing agent for infrastructure projects in various parts of the country, including in KwaZulu-Natal, Western Cape, and Mpumalanga, to name but a few.

It is only by combining our strengths and resources that we will be able to overcome the macro economic challenges facing the region and the world, and make CDC a true beacon of hope for all the people of the Eastern Cape and South Africa.

CHAIRMAN’S STATEMENT

One more highlight of the year under review is the commissioning of the next R25-million phase of the Coega Dairy project in Zone 3 of the Coega IDZ. This expansion of the Coega cheese product line and building of a warehouse and office accommodation has created over 650 sustainable jobs. It is the fourth expansion of the investor’s facilities in as many years.

Coega continues to attract innovative companies. Work has started on a factory for Spiral Wrap, a South Africa/Australian joint venture which will be the first polymer conversion facility in the IDZ manufacturing specialist products for the engineering and mining industries. Another first for the IDZ and Eastern Cape is investment by the Lension Group (a Malaysia/South African JV) for the manufacture of biodegradable plastics.

We will also be catering for smaller investors. A multi-tenant, multi-sector facility in the general industries project is expected to come online in Zone 3. It will house companies such as River Edge, which produces inverted sugar syrup for the beverage and confectionary industries. These developments point to progress in the much-needed diversification of the local industrial base.

The automotive sector continues to see growth through expansions and new investments. Rehau is in the throes of its third expansion to support Volkswagen and Mercedes-Benz exports, while O-Plus is commencing with its expansion barely two years after commissioning its operation.

This performance should be seen in the context of an economic environment in which the global and South African economies have been under extreme pressure. Pressure is likely to continue in 2016. The January 2016 World Economic Outlook (WEO) update by the World Bank and International Monetary Fund estimates that global growth will rise from 3.1% in 2015 to 3.4% in 2016 and 3.6% in 2017. In October 2015 the estimates were 3.6% for 2016 and 3.8% for 2017. This has since been revised downwards again, with the WEO in April 2016 projecting that the world economy will grow by just 3.3% in 2016 and 3.5% in 2017. Geopolitical conflicts in different parts of the world continue to destabilise economic growth.

Furthermore, significant political and economic events taking place in Greece and across Europe have shaken confidence in the future of the Eurozone and the European economy. Growth is projected to be around 1.5% in 2016.

China’s economy is gradually decelerating as government priorities quality of growth over quantity. The WEO forecast for China is that growth will slow from 6.7% in 2015 to 6.3% in 2016, and 6.2% in 2017. This adds to the concerns about the global impact of the unwinding of prior excesses in China’s economy as it transitions to a more balanced growth path after a decade of strong credit and investment growth.

Falling commodity prices have had a direct impact on the prospects for emerging markets. There is a decline in investment growth across most emerging market economies, which reflects the rebalancing in China and also a sharp scaling down of investment in commodity exporters, particularly those facing difficult macroeconomic conditions.

There are, however, some beacons of hope. The Indian economy is expected to grow by 7.5% in 2016 and 2017 – up from 7.3% in 2015. Brazil – the third original member of the BRICS group of countries, is expected to emerge from recessionary decline of -8.8% in 2015 and 10% in 2017. South Africa is expected to show stronger growth of 1.2% in 2017 after dropping to 0.6% in 2016 from 1.3% in 2015.

Combined economic growth in the Association of Southeast Asian Nations (ASEAN) is forecast to be 4.4% in 2016 and 5.1% in 2017, both higher than the 4.7% of 2015. The Japanese economy is predicted to increase by 0.5% in 2016.

CEO’S REPORT

It has been another year of great delivery by the professional and highly committed team at the Coega Development Corporation (CDC). Despite being a challenging year with 17 new investors signed, the CDC performed better than any other IDZ in the country. The combined investment value was R26.99-billion against a target of R3.52-billion. This was achieved through the signing up of a single large investor which accounted for R24.025-billion of the total. Some 13 950 investment-related jobs (direct and indirect) were created, and at a corporate level, some 11 774 jobs were created during the period under review.

One of CDC’s flagship projects the Dedisa Power Peaking Plant (PPP) which commenced commercial operation in September 2015, created over 1 490 jobs during its construction phase. Dedisa PPP was a R3.5-billion investment situated in Zone 13 of the Coega IDZ.

We are particularly proud of this project because of its impact on Small Micro Medium Enterprises (SMMEs). The CDC is mindful of the country’s high youth unemployment rate of 26.7% and the broad triple challenge of inequality, poverty and unemployment. As such we ensure that the youth and women-owned businesses benefit as much as possible from all our projects.

Our focus on SMMEs has produced a significant increase in the number of youth-owned SMME companies in the Nelson Mandela Bay Metro, two of the three SMME companies which worked on the project have youth and women shareholders.

Another project that became operational during the year under review was the WNS call centre situated at Business Outsourcing (BPO) in the Coega IDZ. It created over 600 jobs primarily for young people.

One more highlight of the year under review is the commissioning of the next R25-million phase of the Coega Dairy project in Zone 3 of the Coega IDZ. This expansion of the Coega cheese product line and building of a warehouse and office accommodation has created over 650 sustainable jobs. It is the fourth expansion of the investor’s facilities in as many years.

Coega continues to attract innovative companies. Work has started on a factory for Spiral Wrap, a South Africa/Australian joint venture which will be the first polymer conversion facility in the IDZ manufacturing specialist products for the engineering and mining industries. Another first for the IDZ and Eastern Cape is investment by the Lension Group (a Malaysia/South African JV) for the manufacture of biodegradable plastics.
The success of the Coega IDZ in attracting investors under the new Special Economic Zone (SEZ) Act No 16 of 2014 will depend on effectiveness of the SEZ incentives in making South Africa a more globally competitive investment destination. The SEZ Act came into operation on 9 February 2016, having been signed into law in May 2014. The legislation aims to boost private investment (domestic and foreign) in labour-intensive areas in order to stimulate job creation, competitiveness, skills and technology transfer as well as increasing exports of beneficiated products through the establishment of special economic zones. Incentives for companies located in an SEZ include value-added tax and customs duty relief if located in a customs controlled area, and for the relaxation of employment tax incentive (ETI) provisions subject to certain conditions.

### Reduced Corporate Income Tax Rate

Certain companies will qualify for a reduced rate of 15% (instead of 28%) between 2014 and 2024.

### Building Allowance – Qualifying businesses operating within SEZs will be eligible for an accelerated depreciation allowance of 10% for buildings.

### VAT and Customs Relief – Businesses within customer-controlled areas will qualify for VAT and customs relief, similar to those currently enjoyed in IDZs.

### 12i Tax Allowance – Offers capital investment and training support for NEW industrial projects, as well as expansions or upgrades to EXISTING ones.

### Employment Tax Incentive – Employers that hire low-salaried staff (below R80 000 PER ANNUM) in any SEZ will be entitled to this incentive.

The revenue derived during the year under review, increased by 7% to R529-million (R488,1-million self-generated revenue).

The CDC seeks to maintain its trajectory as the foreign direct investment (FDI) destination of choice. It will consistently ensure that projects in the IDZ translate to tangible jobs and skills development. In order for the CDC to remain competitive it continues to invest in systems development, supply chain management, and Information Technology. There is ongoing marketing of the IDZ and the services offered by the CDC, and that includes protecting the image of the organisation.

Testament to the success of the work being done by the CDC team are awards of excellence, ISO certification, and scores in maturity models utilised in both project management and ICT. The CDC scored 3.34 in its Project Maturity measurement compared to 2.9 in the 2014/15 financial year.

During 2015/16, the organisation received the following awards of excellence: Job Creation, 3030 Vision, Legends of Empowerment & Transformation, Top Empowered: Public Service, and Top Employer in South Africa.

### LOOKING AHEAD

Despite enormous economic challenges in the world markets, the CDC has achieved results unrivalled by any other economic zone in South Africa during the first year of the implementation of its new strategy. This is a continuation of the success of the CDC. Over the past five years, CDC has signed 67 new investors, with an investment value of R34,5-billion. This is an achievement that the Eastern Cape Province and the country have reason to celebrate.

However, the predictions are that the world economy and investment climate in particular will be challenging for the next two years at least. Across advanced economies, activity slowed during the second part of 2015, and asset price declines and widening spreads have tightened financial conditions. If sustained, these developments could further weaken growth, with risks of a stagnation scenario with persistent negative output gaps and excessively low inflation.

In addition, the baseline projection for global growth in 2016 is a modest 3.2%, which is marginally up on the WEO estimate of 3.1% in 2015. The recovery is projected to strengthen in 2017 and beyond, driven primarily by emerging market and developing economies as conditions in stressed economies start to gradually normalise.

But, uncertainty has increased, and risks of weaker growth scenarios are becoming more tangible. The fragile global economic environment increases the urgency for the implementation of a broad-based policy response to raise growth and manage vulnerabilities.

Notwithstanding these developments, CDC will endeavour to meet its strategic objectives in line with its Five-Year Sustainable Growth Strategy 2020, through which the organisation aims to diversify its product and customer mix. The objectives include optimising the utilisation of skilled staff; improving skills development; increasing the number of operational investors from the current 36 to 98; increasing job creation opportunities; realising alternative sources of funding; attaining environmental sustainability for all CDC activities; promoting excellence in the delivery of projects to increase the project maturity score from the current 3.34 to 4; improving business processes and systems; and increasing the contribution to corporate social investment from the current 1.5% to approximately 10% of annual profit. Achieving these objectives would enable CDC to improve retention of operational investors and improve customer satisfaction, thus continuing to deliver customer and shareholder value.
The Integrated Report 2015/16 was approved for release by the Board and signed on its behalf by:

Dr Paul Jourdan  
Chairman

31 July 2016

Dr Paul Jourdan  
Chairman

Mninawe (Pepi) Silinga  
CEO

Lionel Billings  
Acting Chief Financial Officer

Energy Development: Honorable Deputy Minister of Energy, Ms Thembisile Majola, MEC of Economic Development, Environmental Affairs & Tourism, Sakhumzi Somyo and Nelson Mandela Bay Metro Mayor, Danny Jordaan inspecting the progress made on the DEISA Peaking Power Plant.
The Coega Development Corporation (CDC) is a state-owned enterprise (SOE) based in the Nelson Mandela Bay Municipality with operations throughout South Africa. The corporation is mandated to develop and operate the 11 500 ha Coega Industrial Development Zone (IDZ), which was established in 1999.

CDC’s vision is to be the leading catalyst for the championing of socio-economic growth. Its mission is to provide a competitive investment location supported by value-added business services that ultimately enable socio-economic development in the EC and South Africa.

With the establishment of the Coega IDZ and the rollout of its world-class infrastructure, the CDC has positioned the Eastern Cape as a preferred investment destination. The Coega IDZ continues to draw international interest and remains one of Southern Africa’s most successful IDZs. In the 17 years since inception, the Coega IDZ has matured to become one of the biggest drivers of job creation and development of the Eastern Cape economy. It is purpose-designed following the cluster model, which strategically positions related and synergistic industries and their supply chains in close proximity to one another in order to maximise efficiency and minimise turnaround times.

The Coega IDZ is demarcated into 14 zones, with the focus being placed on the following areas:

- Metals/Metallurgical
- Automotive
- Business Process Outsourcing
- Chemicals
- Agro-processing
- Logistics
- Trade Solutions
- Energy
- Marine

In 2008, the reach of the Coega IDZ was extended to include the 21 6 ha Nelson Mandela Bay Logistics Park (NMBLP) in Uitenhage. The NMBLP provides infrastructure and support services to the automotive manufacturing industry. Its centralised logistics services and infrastructure helps manufacturers to reduce costs and improves suppliers’ competitiveness.

The CDC’s organisational structure is based on the three main business areas:

- The Coega IDZ – currently hosting 36 operational investors with a combined investment value in excess of R4,489-billion;
- Coega Commercial Services, which includes:
  - Recruitment, training and staff development services for investors in the IDZ through Coega Human Capital Solutions (Coega HCS)
  - Business and leisure travel-related solutions through Coega Corporate Travel (CCT)
  - Consulting services providing turnkey solutions through Coega Business Solutions (CBS)
  - ICT services by Coega Telecom
  - Accommodation and conferencing at the Vulindlela Accommodation and Conference Centre
- Project Management Services – Engineering and project management skills honed during the construction of Africa’s largest IDZ have been retained to enable the CDC to contribute towards the socio-economic development of the country. To this end, the CDC acts as an implementing agent for a range of public and private sector clients, providing infrastructure development and facilities management services.

The Coega Development Corporation offers the following revenue generating products and services:

<table>
<thead>
<tr>
<th>REVENUE GENERATING PRODUCT OFFERING</th>
<th>IDZ Focus</th>
<th>IDZ and Non-IDZ Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Estate Planning and Development</td>
<td>Travel Agency Services</td>
<td>Skills Development Services</td>
</tr>
<tr>
<td>• Infrastructure Planning &amp; Development Investment Promotion</td>
<td>• Travel Planning</td>
<td>• Accredited Training</td>
</tr>
<tr>
<td>• Facilities Management</td>
<td>• Travel Accommodation</td>
<td>• Mentorship and Development</td>
</tr>
<tr>
<td>• One-Stop-Shop</td>
<td>• VISA Applications</td>
<td>• Human Capital Solutions</td>
</tr>
<tr>
<td>• Project Management Services</td>
<td>• Mega and Minor Infrastructure Development</td>
<td>• Facilities Management</td>
</tr>
<tr>
<td>• Facilities Management</td>
<td>• Turnkey Business Solutions</td>
<td>• Economic Research and Development</td>
</tr>
<tr>
<td>• Project Management Services</td>
<td>• Mega and Minor Infrastructure Development</td>
<td>• Document Management Services</td>
</tr>
<tr>
<td>• Facilities Management</td>
<td>• SEZ/IDZ Planning &amp; Development</td>
<td>• SEZ/IDZ Planning &amp; Development</td>
</tr>
<tr>
<td>• Business Process &amp; Systems Re-engineering</td>
<td>• Business Process &amp; Systems</td>
<td>• ICT Systems Development and Support</td>
</tr>
</tbody>
</table>

TOP 9 REASONS TO INVEST AT COEGA

**World Class Infrastructure**

- The Coega IDZ is ready to “plug and play”. All the necessary infrastructure is in place, including roads, bulk water and sewer networks, telecommunication sleeve networks, electrical substations (HV and MV), and overhead power lines (HV and MV) – all that investors are looking for and more in a world-class industrial development zone.

**Governance**

- CDC has robust internal governance structures in place to prevent corruption. Strong and proven supply chain processes ensure minor and mega infrastructure projects are implemented on time, within scope and on budget.

**A Connected Zone**

- There is a direct rail connection between the IDZ, the rest of South Africa and neighbouring countries.
- Major roads provide a seamless link into the national N2 arterial highway, which connects the IDZ to the rest of the region.
- The zone is integrated into Africa’s newest deep-water harbour, the Port of Ngqura.

- National and international connectivity for passengers and freight is provided by the Port Elizabeth International Airport (PLZ), which is around 20 minutes travelling time away on the N2 Freeway.
- It takes just 1 hour 40 minutes to fly from PLZ to OR Tambo Airport on a route serviced by a number of airlines.
- The distance to the main banking and business precincts in Port Elizabeth is around 20 km, which takes about 15 minutes.

- The Coega IDZ is strategically positioned on the main Southern Hemisphere east-west shipping routes.
- It is the only IDZ in Africa to be served by two ports, with a combined capacity of over two million TEU (Twenty Foot Equivalent Unit) a year.
- The deep-water port of Ngqura is the designated South African hub for container traffic, and is served by the world’s top shipping lines.
- Named day services connect the port to the main global markets and supply centres.
- The Port of Port Elizabeth operates world class container, vehicle, breakbulk and bulk terminals.
- The shipping links are complemented by direct road and rail links to the rest of South and Southern Africa.
World Class Support Systems

• Geographic Information System helps investors make informed decisions on positioning their plant
• ICT Solutions for supply chain management, budgeting, procurement and financial management
• Customs Control Areas (CCA) in the Logistics and Automotive Zones
• Customs compliance infrastructure management
• Proven in-house expertise in delivering infrastructure projects of all sizes on budget and on time.

One Stop Investor Services Centre

• Full Human Relations support, including recruitment, training and managing labour relations
• Assistance with visa applications, work and study permits, applications for municipal services
• Assistance with applying for incentives
• Facilitation of environmental approvals and licence requirements for project development (EIAs, Basic Assessment, Air Quality Licence, Waste Licence and OEMP)
• Customs services to assist with all SARS Customs registrations and permit processes in preparation for approval of facility for operational phases
• Incentives: Assist all investors to ensure optimal use of all necessary incentives available to industry (IDZ, Municipal, and Sector Specific Incentives)
• Construction management and operational Safety, Health and Environment (SHE) management systems in place
• SHE systems monitor and control construction and operational phases (waste management, water and air quality, storm water and effluent, alien plant eradication, open space management)
• The CDC clinic provides services during construction and operational phases.

Incentives

• The CDC assists investors in their application for incentives offered by the national government, provincial legislature and local municipality. They include incentives for:
  – Training
  – Automotive Production and Development Programme (APDP)
  – Production Incentive Programme
  – Aquaculture Development and Enhancement Programme
  – Research and Development (S11D)
  – Export promotion incentives
  – Infrastructure support
  – Reduced municipal costs

Skills Development

• Systems are in place to assist investors with skills development
• Advanced systems for registering work-seeker and competency based recruitment functionality
• Advanced labour management systems in place
• Co-ordinated transport services
• Induction training capacity
• Central wage payment services
• Construction Village facilities provide accommodation, conference and training venues
• Partnership with internationally recognised university (NMMU) for research and development
• Apprenticeship training centre (construction, manufacturing and ME).

Lifestyle – the Best of All Worlds

• Nelson Mandela Bay and its surroundings offer a lifestyle that is the envy of other IDZ operators around the world
• It offers a cosmopolitan Indian Ocean lifestyle that is a unique mix of the best of African, European and Asian cultures
• Executives and key staff will find comfortable homes within a 20 minute commute of the IDZ
• Nelson Mandela Bay has world-class theatres, including an opera house, museums, restaurants, beaches, public gardens, sports stadiums, gymnasmiums, hospitals and shopping malls
• It is home to some of South Africa’s top schools, as well as the Nelson Mandela Metropolitan University
• There is plenty of opportunity to enjoy the great outdoors — Nelson Mandela Bay is the sunniest metro complex in South Africa
• Algoa Bay, the metro, is rated as one of the top water sport venues in the world and has world-renowned Blue Flag beaches
• Nelson Mandela Bay is the gateway to the world-famous Garden Route
• For those venturing further afield, the Metro is 750 km from Cape Town along the Garden Route, 1 000 km from Durban, and 1 300 km from Gauteng.
Once the infrastructure of the IDZ was completed, the CDC began applying its project management expertise in the facilitation and fast-tracking of government infrastructure projects. This has seen the CDC extend its impact within the broader Eastern Cape, and more recently in KwaZulu-Natal, Gauteng, Free State and Western Cape.

This shift in strategy reflects the CDC’s mindset as a developmental organization and was also necessitated by the continued and substantial reductions in government grant funding, which greatly challenged the business model of the CDC.

As a result, over the past few years the CDC has proactively developed external consultancy businesses and provincial and national Infrastructure Implementation Programmes, evolving the capabilities that it had built internally and further converting them into a product line/value offering that will grow the business of the organisation and diversify its income base.

These external consultancy businesses and programmes have driven a consistent increase in self-generated revenue for the CDC, growing at an average of 36% year-on-year over the past five-year strategy implementation period, constituting 64% of the total revenue in the year under review.

**Business Model Evolution**

The CDC’s initial core target market was potential investors. Once an investor was secured, income would be generated from their rental of the land and infrastructure, and through their use of value-added services. The result was a direct impact on the Eastern Cape economy in terms of foreign direct investment and job creation.

Once the infrastructure of the IDZ was completed, the CDC began applying its project management expertise in the facilitation and fast-tracking of government infrastructure projects. This has seen the CDC extend its impact within the broader Eastern Cape, and more recently in KwaZulu-Natal, Gauteng, Free State and Western Cape.

The diagramme below indicates the evolution of the CDC’s business model with the addition of project management services outside of the IDZ.
During the past three financial years, the CDC undertook organisational restructuring to streamline its operations to meet growing internal and external demands. The result is the diversification of the CDC’s business and the allocation of human resources to further capacitate the organisation through Programme Directors for the infrastructure development business of the organisation in the following areas:

- SEZ Investment Services
- Central Support Services
- External Services.

These divisions and the new organisational structure are further outlined in the organogram below.

---

ORGANISATIONAL OVERVIEW – WHO WE ARE, WHAT WE DO

---

INVESTMENT PROMOTIONS (BUSINESS DEVELOPMENT):
MR CHRISTOPHER MASHIGO

IDZ INFRASTRUCTURE PROGRAMME:
MS MARIA VAN ZYL

OPERATIONS:
MR DAVID LEFUTSO (Acting)

FINANCE:
MR LIONEL BILLINGS (Acting)

CORPORATE SERVICES:
MR BONGINKOSI MTHEMBU

COST ENGINEERING UNIT:
MR HENNIE VAN DER KOLF

CENTRE OF EXCELLENCE:
MR RICCARDO TEMMERS
(Acting)

ICT, RESEARCH AND STRATEGY:
MR MONDE MAWASHA

SHARED SERVICES UNIT:
MR FEZILE NDEMA

NATIONAL DPW PROGRAMME:
MR THEMBA KOZA

WILD COAST SEZ PROGRAMME:
MR THANDO GWINTSA

BUSINESS DEVELOPMENT EXTERNAL PROJECTS:
MR CHUMA MBANDE

KZN PROGRAMME:
MR ZAKHELE KUNENE

PROVINCIAL TREASURY INFRASTRUCTURE PROGRAMME:
MR ZUKO MQHATU

DEPARTMENT OF EDUCATION DEPT OF SPORT, RECREATION, ARTS AND CULTURE PROGRAMME:
MS THEMBEKA POSWA

DEPARTMENT OF HEALTH INFRASTRUCTURE PROGRAMME:
MR HENNIE VAN DER KOLF

DEPARTMENT OF HEALTH FACILITIES MANAGEMENT PROGRAMME:
MR ROBERT MAGOTS

DEPARTMENT OF HEALTH PLANNING & COMMISSIONING PROGRAMME:
DR SIYABONGA SIMAYI

Over 36 investors operational in the IDZ
GLOBAL COMPETITIVENESS

The CDC creates value for investors, clients and stakeholders through its provision of a competitive investment location supported by value-added business services, resulting in the organisation achieving its mission to act as an enabler of sustainable socio-economic development. This is evidenced by the fact that major trans-national companies from the majority of the world’s leading industrial nations have invested in the IDZ.

Currently, the Coega IDZ contributes an estimated 0.16% to the provincial gross geographic product (GGP), a figure which is expected to increase in the short term as the organisation gains traction within the IDZ, and more investments and projects are attracted to the province as a whole. The CDC’s objective is to contribute 0.5% to the Eastern Cape GGP.

Trade map of South Africa with SADC, the rest of Africa and the world.

South Africa with SADC, the rest of Africa and the world’s imports & exports statistics.
The CDC is a government-owned entity mandated to develop and operate the 11 500 ha Coega IDZ, adjacent to the deep-water Port of Ngqura, which is owned by the Transnet National Ports Authority (TNPA). The Department of Trade and Industry (dti) is the primary shareholder and executive authority, with ordinary shares owned by the Eastern Cape Provincial Government through the Eastern Cape Development Corporation.

The Special Economic Zones Act came into operation on 9 February 2016, having been signed into law in May 2014. The legislation aims to boost private investment (domestic and foreign) in labour-intensive areas in order to stimulate job creation, competitiveness, skills and technology transfer as well as increasing exports of beneficiated products through the establishment of special economic zones (SEZs). SEZs are geographically designated areas of the country, attracting targeted economic activities which are supported and incentivised through a range of measures, including tax incentives.

The SEZ legislation builds on the Industrial Development Zone (IDZ) dispensation and provides for the existing IDZs at Richards Bay, Coega, East London, OR Tambo and Saldanha Bay to be transitioned into SEZs. In addition, the SEZs have been identified across all provinces.
Objectives of CDC's Stakeholder Relations Strategy

The main objectives are to:

- Create a coherent guiding document that outlines and defines the route towards better stakeholder engagement.
- Establish a strategy and plan that adequately acknowledges the role, influence and impact of stakeholders.
- Identify and engage all stakeholders in order to meet and exceed their expectations.
- Contribute to sustainable business growth and sustainable development of the CDC.
- Lobby and communicate with key decision-makers and stakeholders to facilitate buy-in and support for the CDC's projects.
- Keep decision-makers, role-players and stakeholders constantly informed of CDC projects development.
- Measure the impact of stakeholder activities through stakeholder satisfaction surveys.
- Establish a favourable environment and conditions for successful implementation of the overarching goals of the CDC.
- Ensure high quality, simple and targeted communication is maintained for all users.
- Deliver the right information, to the right people, at the right time.
- Implement pro-active communication in accordance with plans as well as reactive communication on an ad-hoc basis as the environment requires.
- Provide a central point of contact for all inquiries regarding CDC projects for information purposes.
- To involve all stakeholders in the communication process in order to build maximum trust and cooperation in the change process.
- Keep decision-makers, role-players and stakeholders constantly informed of CDC projects development.
- Measures to ensure stakeholder satisfaction and support for the CDC's projects.
- Contribute to sustainable business growth and sustainable development of the CDC.

Key Stakeholder Communication Principles

The following communication principles must be adhered to during the stakeholder engagement process:

- Open and Honest
  Open and honest communications will ensure that all stakeholders share a single consistent message that rumours and speculation are kept to a minimum. In addition, the reputation and credibility of all parties will be protected.
- Face to Face
  Changes that directly impact a particular group of stakeholders should be communicated face-to-face. This gives the stakeholders the opportunity to provide immediate feedback. Listening to stakeholders is an important communication skill.
- Clear, Concise and Consistent
  It is important to ensure that there is no confusion or misunderstanding of the messages received. Information shared must focus on facts and not on emotions or personalities.
- Timely
  As it happens, when it happens. Information should be provided as soon as it becomes available. Delays of a minimum will decrease the risk of uncertainty, rumours and unauthorised leaks. We will tell employees what we know when we know it; we will tell them what we don’t know and when we expect to know it.
- Frequent
  Stakeholders must be kept involved in the process by regularly engaging them through various communication channels.
- Use Established Communication Channels
  Tried and tested communication channels should be used to avoid the risk of ineffective message transfer through unfamiliar media. Social media should not be utilised to disseminate important stakeholder information unless the message is generic and targeted to a large audience throughout the Province or South Africa.

STAKEHOLDER RELATIONS MODEL

Effective stakeholder engagement enables better planned and more informed policies, programmes, mechanisms, and processes, which are critical to the management of stakeholders at the CDC. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence. Complete, timely, relevant, accurate, honest and accessible information should be provided by the CDC to its stakeholders whilst having regard to legal and strategic considerations. In addition, communication with stakeholders should be clear and understandable language. This will enable stakeholder engagement to be mutually beneficial for the CDC and its stakeholders.

For stakeholders, the benefits of engagement include the opportunity to contribute as experts in their field to policy and programme development, have their issues of interest heard and participate in the decision-making process.

For the CDC, the benefits of stakeholder engagement include improved information flows by tapping into local knowledge and the opportunity to “road-test” policy initiatives or proposals with stakeholders. The earlier the stakeholders are engaged, the more likely these benefits are to be realised.
Key Stakeholder Communication Principles

The CDC’s approach to stakeholder engagement is based on a recognised framework designed to assist the organisations select the appropriate level of participation required for different stakeholder groups. There is a range of flexible approaches and tools depending on the goals, timeframes and resources available and the interest of other parties. It recognises that different projects can require different approaches and that stakeholder needs can change over time. Given the stakeholder phases as identified, CDC will engage stakeholders taking into account the following approach:

**Stakeholder Engagement Methodology**

<table>
<thead>
<tr>
<th>Inform</th>
<th>Consult</th>
<th>Involve</th>
<th>Collaborate</th>
<th>Empower</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stakeholder Engagement Goals</strong></td>
<td>To provide balanced, objective, accurate and consistent information to assist stakeholders to understand the problem, alternatives, opportunities and/or solutions.</td>
<td>To obtain feedback from stakeholders on analysis, alternatives and/or outcomes</td>
<td>To work directly with stakeholders throughout the process to ensure that their concerns and needs are understood and considered.</td>
<td>To partner with stakeholders in developing where necessary alternatives and the identification of positive solutions.</td>
</tr>
</tbody>
</table>

**Promise to Stakeholders**

The CDC’s information on projects would be relevant, current, and address stakeholder expectations. Keep stakeholders informed, listen to and acknowledge concerns and aspirations, and provide feedback on how stakeholder input influenced the outcome. Involve/work with stakeholders to ensure concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how stakeholder input influenced the outcome. Look to stakeholders for advice and innovation in formulating solutions and incorporate stakeholder advice and recommendations into the outcomes to the maximum extent possible. Stakeholder activities would deliver high impact to address triple challenge of unemployment, inequality and poverty.

**Methods of Engagement**

Fact sheets Open days/roadshows/Forums Newsletters Information packs Media External Websites Social Media tools And in collaboration with other agencies where feasible. Public comments Focus group Surveys Public meetings Intranet Social Media tools Workshops Forums Social Media tools Reference groups Facilitated consensus building forums for deliberations and decision-making. Experimental projects Dialogue Sessions Joint planning forums Competitions Shared projects Capacity building

---

Specific stakeholders key to the CDC

<table>
<thead>
<tr>
<th>Government</th>
<th>Business</th>
<th>Communities</th>
<th>Internal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Trade and Industry</td>
<td>Current Investors</td>
<td>Communities impacted by CDC’s infrastructure programmes</td>
<td>CDC Employees</td>
</tr>
<tr>
<td>Trade and Industry &amp; Economic Development parliamentary portfolio committees</td>
<td>Potential Investors</td>
<td>Community Organisations and Associations</td>
<td>CDC Executive Management</td>
</tr>
<tr>
<td>National Treasury, EC Provincial Treasury, Auditor-General, and SCOPA</td>
<td></td>
<td>Non-governmental agencies (NGOs)</td>
<td>CDC Board of Directors</td>
</tr>
<tr>
<td>EC Provincial Government which includes office of the EC Premier and other provincial structures (DEDEA)</td>
<td>Media and Thought Leaders</td>
<td></td>
<td>CDC Operational Structures (OPSMA etc.)</td>
</tr>
<tr>
<td>Nelson Mandela Bay Municipality</td>
<td>Education and Training Institutions, Local, Provincial and National</td>
<td>Political Parties and Youth Organisations</td>
<td></td>
</tr>
<tr>
<td>Key Project Stakeholders - EC DRPW, KZN DoH, DSRAC, EC DoH, Department of Rural Development and Land Reform</td>
<td>Business Agencies and Associations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Providers (IDZ)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Providers (PMS)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
MATERIAL ISSUES RISKS & OPPORTUNITIES

Proactive and effective risk management is understood by the CDC to be a critical management component of an efficient and focused business enterprise, and as a responsible public entity that is bound by the Public Finance Management Act (PFMA) and Treasury regulations.

The annual risk management plan encapsulates the risk management strategy and policy, taking into account:

• The risk management policy framework
• Available resources
• Changes within the organisation
• Urgency, quick wins and sustainability
• Business continuity.

The CDC Board is accountable for the process of risk management and the effectiveness of internal control. In order to monitor and guide the implementation of responsible, proactive and sound risk management systems, the Board ensures that:

• There is a formally defined risk management policy and strategy in place designed to ensure that risk management practices are maintained at best practice levels
• There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company
• There is an adequate system of internal control in place to ensure the mitigation of significant risks faced by the Company to an acceptable level.

Following best practice, the system is designed to manage rather than eliminate risks of failure, as some risk is required to maximise opportunities in order to achieve business objectives.

In the process of determining the top 10 risks facing the CDC over the next financial year, the risks identified by the various Business Units and Programmes are analysed and ranked. Risk registers and monitoring reports are prepared and updated on a monthly basis and reviewed by the Risk Management Committee.

TOP 10 RISKS AND CATEGORIES

<table>
<thead>
<tr>
<th>No.</th>
<th>ORGANISATIONAL OBJECTIVES</th>
<th>CATEGORY</th>
<th>RISK</th>
<th>MITIGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Achieve independence from national government funding.</td>
<td>Financial</td>
<td>Failure to maintain the status of being a going concern.</td>
<td>Continuous engagement with the provincial government to solicit funding for OPEX.</td>
</tr>
<tr>
<td>2</td>
<td>Sustain good relations with stakeholders and funders.</td>
<td>Reputation/Public Image</td>
<td>The CDC may be unable to effectively operate due to the disruption and reputational degradation brought about by creditors seeking legal recourse against the company.</td>
<td>Development and implementation of a system to store all data for ease of access.</td>
</tr>
<tr>
<td>3</td>
<td>Increase number of operational tenants.</td>
<td>Operational</td>
<td>Inability to meet investor expectations.</td>
<td>Draw up a stakeholder management plan and implement the plan.</td>
</tr>
<tr>
<td>4</td>
<td>Achieve optimal utilisation of Analytics for decision-making at the CDC.</td>
<td>Operational</td>
<td>The CDC may be unable to stay competitive and retain its financial sustainability due to lack of credible decision-making information.</td>
<td>Development and implementation of a system to store all data for ease of access.</td>
</tr>
<tr>
<td>5</td>
<td>Promote excellence in government compliance.</td>
<td>Regulatory</td>
<td>The CDC may obtain Qualified audit.</td>
<td>Draw up and implement a schedule for closing audit findings and prepare for the next audit.</td>
</tr>
<tr>
<td>6</td>
<td>Achieve excellence in the delivery of projects.</td>
<td>Operational</td>
<td>CDC External Programmes may fail to meet client expectations/requirements through accepting projects with unrealistic targets due to pressure to increase portfolio.</td>
<td>EXMA to approve new contracts prior to signing of contracts for External Programmes.</td>
</tr>
<tr>
<td>7</td>
<td>Achieve level 1 B-BBEE Status according to the amended B-BBEE codes of good practice.</td>
<td>Regulatory</td>
<td>Non achievement of Maximum B-BBEE Targets.</td>
<td>The SMME Unit to schedule monthly one-on-one meetings with affected BJJs to provide advice and monitor progress on B-BBEE Targets.</td>
</tr>
<tr>
<td>8</td>
<td>Ensure that CDC Intellectual Property is protected from SPs and other third parties.</td>
<td>Strategic</td>
<td>CDC may run a greater risk of losing key personnel to other organisations.</td>
<td>Establish, implement and communicate a staff retention strategy.</td>
</tr>
<tr>
<td>9</td>
<td>Increase Job Creation.</td>
<td>Operational</td>
<td>Non achievement of employment targets.</td>
<td>Include a standard item on Programme Board Meetings agendas.</td>
</tr>
<tr>
<td>10</td>
<td>Achieve excellence in the delivery of projects.</td>
<td>Operational</td>
<td>Low level of project management competence resulting in poor delivery of projects.</td>
<td>PMBOK Training for all project managers, with all projects following PMBOK methodologies and procedures.</td>
</tr>
</tbody>
</table>

“The growth potential of any investor in Coega is phenomenal. The opportunities are endless in terms of what we’ll take to the outside world, such as manufacturing, back office processing, agro processing, science and technology and in research.”
CORPORATE GOVERNANCE STATEMENT

Company Secretary and Professional Advice

All directors have access to the service of the Company Secretary, who is responsible for ensuring that Board procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the Company and the Company’s expense.

Report of the Audit & Risk Committee

The Audit and Risk Committee (ARC) has adopted formal terms of reference, which have been approved by the Board. In meeting its responsibilities as set out in the terms of reference, the ARC has reviewed the following:

• The functionality of the Risk Management internal control system
• The functioning of the internal audit department
• The risk areas of the entity’s operations to be covered in the scope of the internal and external audits
• Financial information provided by management
• The accounting or auditing concerns identified as a result of the internal or external audits
• The entity’s compliance with legal and regulatory provisions
• The credibility, independence and objectivity of the external auditors as well as their audit reports.

The ARC is satisfied that internal controls and systems have been put in place and that these controls have generally functioned effectively during the period under review.

The ARC has evaluated the annual financial statements of the Coega Development Corporation Proprietary Limited for the year ended 31 March 2016 and has concluded that they comply, in all material respects, with the requirements of the Companies Act (Act 61 of 1973, as amended) and International Financial Reporting Standards (IFRS).

The ARC has:

• Reviewed the credibility, independence and objectivity of the external auditors
• Reviewed significant adjustments resulting from the audit
• Reviewed the external audit report and audit opinion
• Met with the external auditors to ensure that there are no unresolved issues.

The ARC agrees that the adoption of the going concern premise is appropriate in preparing the annual financial statements.

The ARC has therefore recommended the adoption of the annual financial statements by the Board of Directors.

Ayanda Mjekula
Chairperson: Audit and Risk Committee

41 km of roads
GOVERNANCE STRUCTURE

Robust and effective governance is the cornerstone of the CDCs continued success in value creation – providing both investors and stakeholders with the assurance of stability and sustainability.

The CDC Board provides the organisation’s vision and strategic direction, playing an active role in defining and monitoring the organisation’s annual performance objectives and targets, which map the road towards achievement of the five-year strategy. The Board meets quarterly to review progress against performance objectives and to consider material issues in the context of the external environment and adjust course where necessary.

The diversity of backgrounds, networks and experience of the Board members ensures a well-rounded collective with significant insight into business and industry, economic affairs, politics and government, infrastructure development, finance, investment and sustainability. Members bring an appropriate mix of the range of specialist expertise required to guide the organisation in its diverse activities, and the Board benefits from the insight and institutional knowledge of its long-standing founder members.

Board members are carefully selected not only for their specialist expertise and knowledge, but their in-depth understanding of the socio-economic development challenges of the Eastern Cape and South Africa, and the complexity of managing mega-projects such as the Coega IDZ as a mechanism for responding to those challenges.

These qualities of the Board – specialist skills and knowledge, diversity of experience and networks, in-depth understanding of the organisation and its external environment – play a vital role in the organisation’s ability to deliver value creation to its diverse stakeholders.

In addition, a strongly integrated and transparent governance system in line with best practice supports the work of the Board, with the Company Secretary as interface between the Board and the organisation, ensuring consistent application throughout all levels of the business and enabling the CDC to maintain its position as a leader in accountable corporate governance.

The two committees of the Board – Audit and Risk (ARC), and Human Resources and Remuneration (HRRC) – meet bi-monthly to consider specific material and strategic issues pertinent to their terms of reference, which have been formalised and approved by the Board. Their smaller size and more frequent meetings enable key issues to be swiftly addressed.

The CEO and Executive Management Committee (EXMA) are responsible for overseeing the operational execution of the corporate strategy and implementing decisions of the Board. Day-to-day operational responsibilities are delegated by the CEO to the Executive Managers, and the CEO regularly reports to and engages with the Board and Board Committees, ensuring a free and transparent flow of information to support informed and integrated decision-making at all levels.

ATTENDANCE SCHEDULE OF BOARD & SUB-COMMITTEE MEETINGS

2015/16 FY HUMAN RESOURCES & REMUNERATION COMMITTEE ATTENDANCE SCHEDULE

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>MEETING 17 JUL</th>
<th>MEETING 23 JUL</th>
<th>MEETING 21 OCT</th>
<th>MEETING 29 FEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr J de Bruyn</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Dr P Jourdan</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Adv T Norman</td>
<td>❌</td>
<td>❌</td>
<td>❌</td>
<td>✓</td>
</tr>
</tbody>
</table>

2015/16 FY SOCIAL AND ETHICS COMMITTEE ATTENDANCE SCHEDULE

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>MEETING 29 FEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr J de Bruyn</td>
<td>✓</td>
</tr>
<tr>
<td>Dr P Jourdan</td>
<td>✓</td>
</tr>
<tr>
<td>Adv T Norman</td>
<td>✓</td>
</tr>
</tbody>
</table>

2015/16 FY BOARD MEETING ATTENDANCE SCHEDULE

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>MEETING 11 JUN</th>
<th>MEETING 29 JUL</th>
<th>MEETING 09 SEP</th>
<th>MEETING 06 NOV</th>
<th>MEETING 03 DEC</th>
<th>MEETING 29 FEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr J de Bruyn</td>
<td>Apology</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Dr P Jourdan</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr S Zikode</td>
<td>Apology</td>
<td>✓</td>
<td>✓</td>
<td>Apology</td>
<td>Apology</td>
<td>✓</td>
</tr>
<tr>
<td>Mr S Liebenberg</td>
<td>Apology</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr P Slinga</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>Apology</td>
<td>✓</td>
</tr>
<tr>
<td>Mr P Ndoni</td>
<td>✓</td>
<td>✓</td>
<td>Apology</td>
<td>Apology</td>
<td>Apology</td>
<td>✓</td>
</tr>
<tr>
<td>Adv T Norman</td>
<td>Apology</td>
<td>✓</td>
<td>Apology</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Cllr B Lobishe</td>
<td>Apology</td>
<td>✓</td>
<td>Apology</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mr S Khan</td>
<td>✓</td>
<td>✓</td>
<td>Apology</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Appointed: 1999

Dr. Paul Jourdan is an independent consultant on resource-based development strategies, working across several African states as well as for SADC, the AU and UNeca. As Deputy Director-General in charge of Special Projects at the dti, Jourdan was responsible for the establishment of the IDZ programme, from which he retired after a 32-year career. He was a member of the Manufacturing Development Board – the entity that issued the CDC's operating licence – for more than 20 years, 12 of those as chair.

Dr. Jourdan holds a BSc in Geology and a BA in African Government from UCT; a Postgraduate Diploma in Exploration Geophysics from ITC (International Institute for Aerospace Survey and Earth Sciences) in Delft; an MSc in Mineral Economics from Wits University; and a PhD in Politics from Leeds University.

Appointed: 1999

Jan de Bruyn is a past Deputy Managing Director of the Industrial Development Corporation of South Africa (IDC), from which he retired after a 32-year career. He was founder of the CDC, appointed on the establishment of the CDC in 1999.

De Bruyn has served on, and in many cases chaired, the boards of leading South African corporates, including Algorax, Gencor, Hulett Aluminium and Saldanha Steel, as well as the Small Business Development Corporation, the executive of the Johannesburg Afrikaans Sakekamer and the Afrikaanse Handelsinstituut (AHI).

Jan de Bruyn holds a BSc in Geology and a BA in African Government from UCT; a Postgraduate Diploma in Exploration Geophysics from ITC (International Institute for Aerospace Survey and Earth Sciences) in Delft; an MSc in Mineral Economics from Wits University; and a PhD in Politics from Leeds University.

Appointed: 1999

Mninawe (Pepi) Silinga is the founding CEO of the CDC, appointed on the establishment of the CDC in 1999.

Silinga is a professionally registered Civil Engineer (Pr. Eng), Project Manager (PMP), Chartered Director (C.Dir) and a fellow of the South African Academy of Engineers (SAAS). He holds a BSc (Eng) from the University of KwaZulu-Natal, MSc (Eng) (Wits), a Master’s in project management from Unisa (MDP), Stellenbosch (CMP) and Oxford and INSEAD (AMP).

Silinga’s distinguished service and outstanding contribution to socio-economic development in the Eastern Cape through bringing the vision for the Coega IDZ to life was recognised in late 2014 with the Prestige Award of the NMMU Council.

Appointed: 2010

Sybert Liebenberg, is a seasoned public sector executive with experience in research, strategy development and operational management. He previously served as acting Head of Department for the Eastern Cape Department of Economic Development, Environmental Affairs and Tourism and as interim Chief Executive Officer of the Eastern Cape Parks and Tourism Agency. He is currently in private practice.

Dr. Liebenberg holds BA, BA Hons (Political Science) and Master’s in Public Administration from the University of Stellenbosch, and a DPhil in Development Studies from NMMU.

Appointed: 2014

Babalwa Lobishe holds the portfolio of Economic Development, Tourism and Agriculture on the mayoral executive committee of the NMBM.

She joined the ANC in 1999 and assisted in community mobilisation and development. She was elected as a branch secretary for the South African Student Congress in 2000 and served on the provincial executive of the ANCYL from 2008 to 2010. From 2008 until recently, Lobishe was an ANC regional leader on the Sports and Economic Development desk. She was deployed to the mayoral committee in the Sports, Arts and Culture portfolio in 2011 and moved to her current position in 2013.

Lobishe has a BCom degree from NMMU and is currently studying towards her Master’s in Public Administration at the University of Fort Hare.

Appointed: 2007

Pumelele ‘Bicks’ Ndoni has played a leading role in local government since 1996 when he was elected as a councillor on the Uitenhage Transitional Local Council. He served as Mayor of Uitenhage from 1999 to 2000, when the Nelson Mandela Metropole was formed to include Port Elizabeth, Uitenhage and Despatch. He served as Portfolio Councillor for Infrastructure, Engineering and Energy in that structure until 2001 and was appointed the first Deputy Executive Mayor of Nelson Mandela Bay in 2002, serving in that position until 2009.

Ndoni previously worked at Goodyear in Uitenhage and holds a BA degree from Vista University.
Appointed: 2011

Sipho Zikode is the acting CEO of Small Enterprise Development Agency (SEDA), and a Deputy Director-General of the dti, responsible for the Broadening Participation Division. He joined the Technology Promotion Division of the dti in 1997, having obtained a BCom (Economics) from Wits University. His career path at the dti saw him rise to Deputy Director: Defence Portfolio and then Chief Director: Industrial Participation in 2003. He was appointed to his current position in 2011.

Zikode also holds a Postgraduate Diploma in Marketing Management (Unisa), a National Diploma in Chemical Engineering from Mangosuthu Technikon and an MBA from the University of Pretoria.

Appointed: 2014

Advocate Thandi Norman SC was admitted as an advocate in Bhisho in 1992, and to the Bhisho Bar in 1997. She took silk in 2011. She brings valuable expertise to the CDC Board through her preferred areas of practice in shipping, competition, constitutional and administrative law.

She has appeared in the Constitutional Court, the Supreme Court of Appeal, in various High Courts, the Land Claims Court and Labour Court. Adv Norman chaired the RTI Commission (February 2013 to March 2014) and acted as evidence leader in the Pillay Commission (2005) and the Goldstone Commission (1995), both in the Eastern Cape. She was also a Presiding Officer at the country’s first democratic elections and has acted as a judge from time to time since June 2002 in the Eastern Cape and KwaZulu-Natal.

Adv Norman holds a BJuris LLB degree and a Certificate in Shipping from the Chartered Institute of Shipping.

Appointed: 2014

Shabeer Khan is the Chief Financial Officer of the dti, leading the Financial Management Services team responsible for the department’s overall spending and aligning priorities with the necessary funding to ensure the dti achieves its objectives. He is a member of the dti’s Executive Board as well as the Bid, Risk and Ethics committees.

Khan holds a BCom Honours degree and is a registered Chartered Accountant. He joined the dti in 2013, having previously worked for the Auditor-General of South Africa where he was responsible for managing numerous audit portfolios and taking the lead in many United Nations audit assignments.

Advocate Thandi Norman SC was admitted as an advocate in Bhisho in 1992, and to the Bhisho Bar in 1997. She took silk in 2011. She brings valuable expertise to the CDC Board through her preferred areas of practice in shipping, competition, constitutional and administrative law.

She has appeared in the Constitutional Court, the Supreme Court of Appeal, in various High Courts, the Land Claims Court and Labour Court. Adv Norman chaired the RTI Commission (February 2013 to March 2014) and acted as evidence leader in the Pillay Commission (2005) and the Goldstone Commission (1995), both in the Eastern Cape. She was also a Presiding Officer at the country’s first democratic elections and has acted as a judge from time to time since June 2002 in the Eastern Cape and KwaZulu-Natal.

Adv Norman holds a BJuris LLB degree and a Certificate in Shipping from the Chartered Institute of Shipping.

Appointed: 2011

Sipho Zikode is the acting CEO of Small Enterprise Development Agency (SEDA), and a Deputy Director-General of the dti, responsible for the Broadening Participation Division. He joined the Technology Promotion Division of the dti in 1997, having obtained a BCom (Economics) from Wits University. His career path at the dti saw him rise to Deputy Director: Defence Portfolio and then Chief Director: Industrial Participation in 2003. He was appointed to his current position in 2011.

Zikode also holds a Postgraduate Diploma in Marketing Management (Unisa), a National Diploma in Chemical Engineering from Mangosuthu Technikon and an MBA from the University of Pretoria.
AUDIT & RISK COMMITTEE

In order to ensure independent oversight of the organisation’s response to material issues via financial controls and risk management, the membership of the ARC is weighted towards independent, external members.

JAN DE BRUYN
Appointed: 1999
See Jan de Bruyn’s profile under Board Member profile.

NOMFUNDO QANGULE
Appointed: 2010
A Chartered Accountant (CA(SA)) with extensive board and audit committee experience, Nomfundo Qangule started her career in Nedcor’s Corporate and International Division. She has served as director and chaired the audit committee of Rand Mutual Assurance, and also served as a board member of Afrocentrerix Health, Hans Morenby Holdings and Royale Energy.

Qangule was previously executive manager at Worldwide Africa Investment Holdings. She is a Certified Associate of the Institute of Bankers (CAIB, SA), a member of the KwaZulu-Natal Growth Fund Investment Committee, and a director and member of the audit committee of Reboosi Ltd and Nozala Investments.

SYBERT LIEBENBERG
Appointed: 2010
See Sybert Liebenberg’s profile under Board Member profile.

AYANDA MJUKULA: CHAIRMAN
Appointed: 2002 (Board); 2010 (ARC)
A widely-respected business leader, Ayanda Mjekula has over 20 years’ experience in the banking sector, having held executive management positions in two of the four major South African commercial banks and served as chairperson of Ubank Limited.

As Chief Executive of the South African Supplier Development Agency (SASDA), Mjekula gained extensive experience in enterprise and supplier development. He has played a prominent role in the energy sector as a past chairman of the Central Energy Fund (CEF) and director of PetroSA.

Mjekula is the chairperson of the National Arts Festival, serves on the Board of Safika Holdings and its audit and remuneration committees, is deputy chair of the Council of the University of Fort Hare and chairs its finance and investment committees.

He is a member of the Institute of Directors of South Africa, and holds a BA degree in English (University of Fort Hare) and an MBA in Financial Accounting from Western Michigan University (USA).

TEMBA ZAKUZA
Appointed: 2010
Temba Zakuza is an audit partner at Nkonki Inc. Chartered Accountants and has extensive experience in public sector governance. He was previously the head of the Department of Accounting at the University of Fort Hare; IRBA Board member and chaired the education, training and professional development committee of the Independent Regulatory Board for Auditors (IRBA).

Zakuza chaired the audit and risk committees of the South African Local Government Association (SALGA), and currently Centlec and Mbilaza Local Municipality.

Zakuza has a BCom degree from the University of Limpopo and postgraduate accounting diplomas from UCT. He qualified as a Chartered Accountant (CA (SA)) in 1999 and as a Certified Internal Auditor in 2000.
HUMAN RESOURCES & REMUNERATION COMMITTEE

Two non-executive directors, along with Coega CEO Mninawe (Pepi) Silinga, make up the Human Resources and Remuneration Committee. The committee makes recommendations to the Board on matters including general staff policy, remuneration, bonuses, Directors’ fees, services contracts and other employee benefits.

SOCIAL & ETHICS COMMITTEE

The role of the committee is to monitor the activities of the Company, including its subsidiaries, taking into consideration the relevant legislation, any other legal requirements or prevailing codes of best practice.

MNINAVE (PEPI) SILINGA
Appointed: 1999
See Mninawe (Pepi) Silinga's profile under Board Member profile.

JAN DE BRUYN
Appointed: 1999
See Jan de Bruyn's profile under Board Member profile.

DR PAUL JOURDAN
Appointed: 1999
See Dr Paul Jourdan's profile under Board Member profile.

ADV THANDI NORMAN
Appointed: 2014
See Adv. Thandi Norman’s profile under Board Member profile.

DR PAUL JOURDAN
Appointed: 1999
See Dr Paul Jourdan’s profile under Board Member profile.

JAN DE BRUYN
Appointed: 1999
See Jan de Bruyn’s profile under Board Member profile.
EXECUTIVE MANAGEMENT (EXMA)

The Executive Management Committee (EXMA) is the CDC’s highest operational decision-making body. Convened by the CEO and with all Executive Managers as members, it is a key structure in enabling integrated thinking and integrated reporting by the organisation.

With specific authority delegated to it by the CEO in order to facilitate effective, collective decision-making, EXMA considers strategic matters relating to the CDC as a whole, as well as operational matters arising from the various business units, and acts to facilitate coordination of the activities of the business units.

PROGRAMME DIRECTORS

Programme Directors are responsible for the CDC’s infrastructure programmes under the External Services Unit, a growing component of the organisation’s business model as it brings its expertise in managing complex and mega infrastructure projects to assist in resolving government’s service delivery challenges. Clients include the Eastern Cape provincial departments of Health; Education; Roads and Public Works; Sports, Recreation, Arts and Culture; Rural Development and Land Reform; and Economic Development, Environmental Affairs and Tourism, as well as a number of provincial departments in KwaZulu-Natal and national departments.
The Coega brand strategy is based on a monolithic brand approach. The mother brand is Coega and pay-off line is Right Place, Right Time, Right Choice. There are three main brands, namely: IDZ, Commercial Services, and Project Management Services (External Programmes). The Coega sub-brands are as follows: NMLP, Vulindlela Accommodation & Conference Centre, Corporate Travel, Human Capital Solutions, Business Solutions, Telecoms, Infrastructure Development, and Facilities Management.

COEGA BRAND ARCHITECTURE

MOTHER BRAND

BRAND VALUES & PILLARS

Brand Values
- Integrity
- Innovation
- Partnership
- Service Excellence
- Sustainability

Brand Pillars
- Transparent Practices
- Customised Solutions
- Efficiency through Expertise
- Sustainable Socio-Economic Development

Brand Personality
- Progressive
- Trustworthy
- Intelligent

Vision
To be the leading catalyst for the championing of socio-economic development.

Mission
To provide a competitive investment location, facilitate holistic infrastructure and value-adding commercial business solutions.

Positioning
Right Place, Right Time, Right Choice

MAIN BRANDS

Industrial Development Zone
Commercial
Services
Project Management Services

SUB-BRANDS

COEGA IDZ: The entrance to the laydown area and Transnet National Ports Authority in Zone 1 of the Coega IDZ. The CDC established a 12 hectare laydown area which is being used as a temporary storage site for wind turbines and other abnormal cargo. Zones 1 and 2 have been designed as Customs Control Areas (CCA) to comply with SARS requirements.
SOCIAL RESPONSIBILITY

CORPORATE SOCIAL INVESTMENT (CSI)

The Coega Development Corporation continues to be a leading example of a socially responsible organization with more than 4% of its revenue dedicated to the CSI Programme. The CSI Programme focuses on the following areas:

- Rural Development
- Job Creation
- Education and Skills Development
- Health
- Crime and Corruption Prevention
- Sport and Recreation.

The programme has now shifted from philanthropically spending towards capacity building and sustainable development. This has resulted in the CDC evaluating the delivery model of some its programmes such as the Youth Leadership Development Programme and the Mobile Science Laboratories.

CSI OBJECTIVES

The CDC’s CSI “Footprint” will be made throughout South Africa, particularly focusing on the communities in which it operates to achieve the following objectives:

- Make a measurable, positive impact on the communities in which the CDC operates through investing in the development of disadvantaged communities
- Contribute towards improving the country’s socio- and economic environment in alignment to the country’s national pillars and respectively, the CDC’s long-term survival
- Promote an image of good corporate citizenship and driver of social change thereby enhancing employee satisfaction and credibility of the organisation
- Increase customer and stakeholder goodwill and loyalty
- Increase involvement in the communities in which it operates
- Attract funders/partners to support the CDC CSI Programmes.

IMPACT OF CSI PROGRAMMES

Social Responsibility vs Investment

The objective of social responsibility is to contribute to sustainable development and the investment made by CDC ensures that this is achieved. A common mistake made by organizations is thinking that social investment is the same as social responsibility. Social Investment, is but one of the elements of Social Responsibility. Social Responsibility looks at all the activities of the organization focusing on three areas: Economy, Environment and the Society. In respect to social responsibility, society is not limited to the communities in which an organization works with, but takes into account all the stakeholders of the organization including its employees. A socially responsible organization takes care of all its stakeholders i.e. investors, funders, suppliers, SMMEs, communities, employees etc.

The CDC is in the process of implementing the ISO 26 000: Guidelines to Social Responsibility to ensure that it is compliant with the standard thereby ensuring that it takes care of all its stakeholders and is implementing sustainable programmes.

CSI Impact on Communities

The CDC’s Maths and Science Programme has led to more learners undertaking studies in science, engineering and technology, thereby reducing the gap between supply and demand of critical and scarce skills. This programme has taken learners who had given up on gaining university entrance due to poor results and given them a second chance to improve their results and thereby increased their chances of a better future.

These are the same learners that will one day be placed on big projects on the Coega IDZ. This programme has produced learners that have won scholarships to study abroad, learners that have been admitted to the Lawrine Maritime School, learners that have won the SAICE Water National Competition, ESKOM Expo Competition and other regional competitions.

The CDC’s Social Assistance to Destitute Families gives hope to families that have less by providing them with the basics, enhancing the image of these families, with learners receiving school uniforms from the organization therefore placing their focus on their studies. The winter campaigns which includes donating blankets to families affected by the floods and those living in unfavourable conditions.

The organisation is now focusing on the vulnerable groups like children and women. An example is a group of Women in Palmerton, Lusikisiki who are making a living out of the skills they have acquired informally. They are engaged in a business venture which will see them employing more community members and reducing the rate of unemployment in their area. With CDC support not only will they be reducing the rate of unemployment in their area, but they are also equipping themselves with life skills that will improve their lifestyles and empower them.

The CDC’s Early Childhood Development Programme is investing in the younger generation and ensuring that these children get quality education at the basic level.

The CDC’s Driver Training Programme is giving unemployed people a much needed skill in the employment sector. It is providing these people with an opportunity to be employed and earning a living.

CSI’s contribution to Socio-Economic Development

Where the CDC continues to be rated highly in terms of the revised B-BBEE codes is in one of the Key Performance Areas (KPA) of the CDC’s Balanced Scorecard, which is corporate social investment. This is one KPA where the organisation has consistently scored maximum points due to the CDC’s commitment to socio-economic development.

This achievement enables the organisation to bid for consulting work outside of the Coega IDZ, where CDC is an Implementing Agent for government on infrastructure development. Success in this area has resulted in more funds being generated and invested in the CSI Programme.

Going forward, the CDC will continue to generate more revenue through carefully structured and targeted programmes inside and outside the IDZ to fund social development. The table on the next page outlines progress on current social development initiatives under discussion.
### Table 1: CSI Flagship Programmes

<table>
<thead>
<tr>
<th>Project</th>
<th>Objectives</th>
<th>Target Group</th>
<th>Beneficiaries</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Science Laboratories</td>
<td>• Provide learners with the practical aspect of physical science as a subject</td>
<td>• Grade 10 to 11</td>
<td>• 2500 in Fort Beaufort, PE/Uitenhage and Mdantsane</td>
<td>• Consistently achieved pass rate above Province’s</td>
</tr>
<tr>
<td></td>
<td>• Increase pool of Science, Engineering and Technology graduates.</td>
<td></td>
<td></td>
<td>• More learners choosing Science, Engineering and Technology Studies at Tertiary level.</td>
</tr>
<tr>
<td>Maths and Science Centre</td>
<td>• Improve Grade 12 Maths and Science to gain access to HET/ FET Institutions for SET studies</td>
<td>• Grade 12 Maths and Science Learners</td>
<td>• 52 learners in 2015 PE-based</td>
<td>• 98% Pass rate for both subjects in 2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• 56.6% Subject Average for Mathematics and 55.3% for Physical Science – higher than national subject averages</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• 100% commitment from the parents to supporting their children</td>
</tr>
<tr>
<td>Township Flagship Schools</td>
<td>• Revival of township schools that were recognised as Centres of Excellence in education.</td>
<td>• Grade 10 - 12 Learners</td>
<td>• 6 schools in the NMBM; East London and Durban</td>
<td>• Partnership with the NMMU to provide tutors</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Engagement of CDC employees through Employment Involvement Programme</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Partnerships with the Schools</td>
</tr>
</tbody>
</table>

### Table 2: CSI Non Flagship Schools

<table>
<thead>
<tr>
<th>Project</th>
<th>Objectives</th>
<th>Partnerships</th>
<th>Beneficiaries</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chess Development Programme</td>
<td>• To increase learners’ analytic skills and mathematical skills</td>
<td>• Nelson Mandela Bay Chess Union</td>
<td>• Previously Disadvantaged Schools: Primary and High School Learners</td>
<td>• 16 schools participating in the Programme including Khanyisa School for the Blind</td>
</tr>
</tbody>
</table>

### Looking Ahead

CSI programmes run by the CDC are designed to leave a positive legacy by being meaningful, relevant and life-changing. Through this process, the CDC will continue to transform and improve the lives of the people in the communities it serves.

Current and future CSI programmes will continue to uplift and empower communities in the areas in which the CDC operates.

In addition, the CDC encourages and facilitates investment in disadvantaged communities, people and groups. The focus is on youth and women empowerment and the provision of quality education in order to address the twin problems of dependency and crime.
### TIMELINE

- **1997 - 2009**
  - A feasibility study established that the Coega Project was viable and well-suited to the establishment of the deep-water port.
  - The Coega Development Corporation Pty (Ltd) is established.
  - Coega becomes the first declared South African IDZ.
  - Dynamic Commodities becomes the first investor to operate in the Coega IDZ.
  - The CDC signs a long-term lease agreement with the Nelson Mandela Bay Municipality (NMBM) to take over the management of the NMBLP.
  - CDC portfolio of projects increases to R40-billion within four years of an intensive marketing drive.
  - Trial operations at Port of Ngqura confirm readiness for operations.

- **2010**
  - The CDC signs Universal Wind to the Coega IDZ at a value of R850-million.
  - The CDC signs Hella Automotive to the NMBLP.
  - The CDC signs Ulrich and Associates as an NMBLP investor.
  - Coega Dairy (agro-processing) signs a lease agreement to establish a churn assembly plant in Zone 2 of the Coega IDZ with an investment value of R600-million.
  - CDC signs agreement with CDC to establish a wind tower manufacturing plant in Zone 3 of the Coega IDZ to the value of R1.25-billion.
  - Discovery Health signs a lease to establish a R15-million call centre in the Coega IDZ BPO Park.
  - Kuhre & Nagel (logistics) signs with the CDC for a R15-million investment.

- **2011**
  - President Jacob Zuma officially opens the Port of Ngqura.
  - The Port of Ngqura surpasses the Port Elizabeth Port to become the third busiest container port in South Africa.
  - Chinese automotive giant, First Automotive Works (FAW) signs a lease agreement to establish a truck assembly plant in Zone 2 of the Coega IDZ with an investment value of R6.34-billion.
  - Famous Brands signs lease for establishment of a cement plant to the value of R6.43-billion.
  - CDC signs industrial gas company Air Products in December for R300-million investment.
  - AfriSam signs lease for establishment of a cement plant in Zone 3 of the Coega IDZ with an investment value of R600-million.
  - Coega Dairy to produce cheese for its fast food outlets across the Eastern Cape.
  - A total of eight investors are signed including Golden Ever (manufacturing), Grinded (logistics), Royale Energy International (chemicals) and Vector Logistics (logistics).
  - CDC signs record number of ten new investors.
  - CDC wins the Best Company for its fast food outlets across the Eastern Cape.
  - Afrox, a leading South African gas company, is signed as a new investor in November.

- **2012**
  - Coega Cheese starts producing thousands of tons of cheese a month for Famous Brands.
  - CDC signs a new record of 13,569 jobs and training 13,607 people.
  - Chinese company Sinopic partners with PetroSA on a blueprint and feasibility study for the proposed oil refinery at Coega IDZ, dubbed Project Mihlambu.
  - Discovery’s call centre breaks the mark of 450 people employed.

- **2013**
  - DCD Wind Towers begins construction on its Zone 3 wind tower manufacturing plant in March. Air Products South Africa begins construction on its air separation unit in May, the first in the Eastern Cape.
  - CDC wins Top Provider of Services to Exporters in the Eastern Cape Award from the EC Exporters Club.
  - CDC wins the Best Company in Promoting and Enhancing Sustainable Development in the Eastern Cape.
  - Afrox signs a lease agreement to establish a R1.25-billion cold storage distribution unit and partners with neighbouring investor Coega Dairy to produce cheese for its fast food outlets across the Eastern Cape.
  - CDC signs record number of ten new investors.
  - Afrox is declared South African IDZ established.

- **2014**
  - A feasibility study established that the Coega Development Company would be suited to the establishment of the deep-water port.
  - CDC signs 4PL. Com Logistics and UTi move into a new IDZ facility.
  - Afrox becomes operational.

- **2015**
  - FAW, DCD Wind Towers and Agni Steels 5A reach commissioning phase and start production in March.
  - First wind turbine tube rolls off the DCD Wind Towers production line in March.
  - Operational investors move from 22 to 28.
  - CDC signs a new investor in November.
  - Afax and Air Products launch their air separation units.
  - CDC awards Top Employers South Africa 2014-2015 Award.
  - CDC awarded Best Provider of Services to Exporters 2014.
  - CDC in partnership with JA Solar, initiates a 48 kV solar panel project to assist electricity generation within the IDZ, initially supplying power to the CDC headquarters.

- **2016**
  - CDC nominated for finalist in the Top Empowered Public Service Award category at 14th Annual Oliver Empowerment Awards.
  - CDC appointed implementing agent on behalf of KwaZulu-Natal Co-operative Governance and Traditional Affairs (COGTA) on two projects.
  - CDC awarded Top Employer Award 2016.
  - Implementation of 5 year sustainable growth strategy (SCG) commences.
  - 17 new investors signed with an investment value of R26.99-billion.
  - 36 Operational investors.
  - 11,774 jobs created.
  - 37.2% SMME-Preneurship.
  - 5,500 m² Coega Cheese and Coega Dairy Expansion.
  - Job Creation Award (Oliver Empowerment Award).
  - CDC awarded Top Employer Award 2016.
  - Implementation of 5 year sustainable growth strategy (SCG) commences.
  - Certifies in ISO 9001:2015 (Quality Assurance), OHSAS 18001 (Occupational Health and Safety), and ISO 14001 (Environmental Management).
  - 174 people were placed successfully with Aspen Pharmaceuticals in general assistant positions.
  - 50 learners successfully trained in the following skills programmes: - Boiler making - 13 Learners placed in host companies.
  - Welding - 14 Learners placed in host companies, with 1 undergoing training.
  - Fitting and Turning - 12 Learners placed in host companies.
  - Joinery - 8 Learners undergoing training.
  - CDC facilitated accredited training for 218 small businesses throughout the Eastern Cape.

---

**38 km potable water piping**
The Coega IDZ had 36 operational investors by the end of the 2015/16 FY, amounting to R6,489-billion, and is on track to reach 40 by the end of 2015/16 FY.
### CDC STRATEGIC PERSPECTIVES

The CDC Perspectives are the Key Focus Areas that drive the strategic intent of the organisation. The perspectives are as follows:

- **Developmental** – This represents the ultimate outcome of the organisation, which is socio-economic development. It goes the full circle in that it ties back to the vision of the organisation.
- **Financial** – This contains the Business Growth Strategy and the productivity from both tangible and intangible assets.
- **Customer and Stakeholder** – This contains the Go-To Market Strategy of the organisation. It links directly to finance in terms of the Business Growth Strategy that the organisation will embark on, taking into account the product attributes, the market being served and the relationship with the customers.
- **Internal Processes** – This Perspective denotes the Operational Model of the organisation.
- **Organisational Capacity** – This includes both tangible and intangible assets that will be acquired and created at the CDC and further looks at the Strategic Posture that the organisation is adopting.

### DETAILED CORPORATE PERFORMANCE AREAS

The following provides detailed Performance Areas for the organisation for the 2015/16 FY:

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Objective</th>
<th>Measures</th>
<th>Baseline 2014/15</th>
<th>Targets - Year</th>
<th>2015/16 Performance Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Development</strong></td>
<td>Promote Small, Medium and Micro Enterprise (SMME) Development</td>
<td>1) SMME Targeting</td>
<td>1) 38.65%</td>
<td>1) 35%</td>
<td>1) 37.2%</td>
</tr>
<tr>
<td></td>
<td>Improve contribution to GDP</td>
<td>1) GDP Contribution</td>
<td>1) 0.5%</td>
<td>1) 0.6%</td>
<td>1) 0.6%</td>
</tr>
<tr>
<td></td>
<td>Increase job Creation</td>
<td>1) Construction Jobs</td>
<td>1) 10,900,52</td>
<td>1) 12,129</td>
<td>1) 10,885.85</td>
</tr>
<tr>
<td></td>
<td>Improve Small Enterprise Development</td>
<td>2) Operational jobs</td>
<td>2) 8,147</td>
<td>2) 6,355</td>
<td>2) 6,375</td>
</tr>
<tr>
<td></td>
<td>Achieve independence from Government Funding</td>
<td>3) New KPI</td>
<td>3) 50%</td>
<td>3) 40%</td>
<td>2) 50% (non-dti)</td>
</tr>
<tr>
<td></td>
<td>Increase Alternative Funding, Non-certified</td>
<td>4) New KPI</td>
<td>4) 8,152</td>
<td>4) 7,762</td>
<td>4) 7,748.36</td>
</tr>
<tr>
<td></td>
<td>Attain Environmental Sustainability for all CDC Activities</td>
<td>6) New KPI</td>
<td>6) 138%</td>
<td>6) 138%</td>
<td>6) 138%</td>
</tr>
<tr>
<td></td>
<td>Promote Excellence in the delivery of projects at the CDC</td>
<td>7) New KPI</td>
<td>7) 31</td>
<td>7) 31</td>
<td>7) 31</td>
</tr>
<tr>
<td></td>
<td>Ensure that CDC Intellectual Property is protected from Service Providers</td>
<td>8) New KPI</td>
<td>8) 100%</td>
<td>8) 100%</td>
<td>8) 100%</td>
</tr>
<tr>
<td></td>
<td>Improve Staff Skills and Systems</td>
<td>9) New KPI</td>
<td>9) 18%</td>
<td>9) 18%</td>
<td>9) 18%</td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td>Increase Alternative Funding</td>
<td>1) New KPI</td>
<td>1) 313.5 million</td>
<td>1) 246 million</td>
<td>1) 246 million</td>
</tr>
<tr>
<td></td>
<td>Achieve Independence from Government Funding</td>
<td>2) New KPI</td>
<td>2) R441.8-million</td>
<td>2) R497.3-million</td>
<td>2) R497.3-million</td>
</tr>
<tr>
<td></td>
<td>Increase Growth of Operational Tenants</td>
<td>3) New KPI</td>
<td>3) R1,5 billion</td>
<td>3) R1,5 billion</td>
<td>3) R1,5 billion</td>
</tr>
<tr>
<td></td>
<td>Attain Environmental Sustainability for all CDC Activities</td>
<td>4) New KPI</td>
<td>4) 10%</td>
<td>4) 10%</td>
<td>4) 10%</td>
</tr>
<tr>
<td></td>
<td>Promote Excellence in the delivery of projects at the CDC</td>
<td>5) New KPI</td>
<td>5) 31</td>
<td>5) 31</td>
<td>5) 31</td>
</tr>
<tr>
<td></td>
<td>Ensure that CDC Intellectual Property is protected from Service Providers</td>
<td>6) New KPI</td>
<td>6) 100%</td>
<td>6) 100%</td>
<td>6) 100%</td>
</tr>
<tr>
<td></td>
<td>Improve Staff Skills and Systems</td>
<td>7) New KPI</td>
<td>7) 18%</td>
<td>7) 18%</td>
<td>7) 18%</td>
</tr>
<tr>
<td><strong>Customer and Stakeholder</strong></td>
<td>Promote Small, Medium and Micro Enterprise (SMME) Development</td>
<td>1) SMME Targeting</td>
<td>1) 38.65%</td>
<td>1) 35%</td>
<td>1) 37.2%</td>
</tr>
<tr>
<td></td>
<td>Improve contribution to GDP</td>
<td>1) GDP Contribution</td>
<td>1) 0.5%</td>
<td>1) 0.6%</td>
<td>1) 0.6%</td>
</tr>
<tr>
<td></td>
<td>Increase job Creation</td>
<td>1) Construction Jobs</td>
<td>1) 10,900,52</td>
<td>1) 12,129</td>
<td>1) 10,885.85</td>
</tr>
<tr>
<td></td>
<td>Improve Small Enterprise Development</td>
<td>2) Operational jobs</td>
<td>2) 8,147</td>
<td>2) 6,355</td>
<td>2) 6,375</td>
</tr>
<tr>
<td></td>
<td>Achieve independence from Government Funding</td>
<td>3) New KPI</td>
<td>3) 50%</td>
<td>3) 40%</td>
<td>2) 50% (non-dti)</td>
</tr>
<tr>
<td></td>
<td>Increase Alternative Funding, Non-certified</td>
<td>4) New KPI</td>
<td>4) 8,152</td>
<td>4) 7,762</td>
<td>4) 7,748.36</td>
</tr>
<tr>
<td></td>
<td>Attain Environmental Sustainability for all CDC Activities</td>
<td>6) New KPI</td>
<td>6) 138%</td>
<td>6) 138%</td>
<td>6) 138%</td>
</tr>
<tr>
<td></td>
<td>Promote Excellence in the delivery of projects at the CDC</td>
<td>7) New KPI</td>
<td>7) 31</td>
<td>7) 31</td>
<td>7) 31</td>
</tr>
<tr>
<td></td>
<td>Ensure that CDC Intellectual Property is protected from Service Providers</td>
<td>8) New KPI</td>
<td>8) 100%</td>
<td>8) 100%</td>
<td>8) 100%</td>
</tr>
<tr>
<td></td>
<td>Improve Staff Skills and Systems</td>
<td>9) New KPI</td>
<td>9) 18%</td>
<td>9) 18%</td>
<td>9) 18%</td>
</tr>
<tr>
<td><strong>Internal Processes</strong></td>
<td>Attain Environmental Sustainability for all CDC Activities</td>
<td>1) New KPI</td>
<td>1) 313.5 million</td>
<td>1) 246 million</td>
<td>1) 246 million</td>
</tr>
<tr>
<td></td>
<td>Promote Excellence in the delivery of projects at the CDC</td>
<td>2) New KPI</td>
<td>2) R441.8-million</td>
<td>2) R497.3-million</td>
<td>2) R497.3-million</td>
</tr>
<tr>
<td></td>
<td>Ensure that CDC Intellectual Property is protected from Service Providers</td>
<td>3) New KPI</td>
<td>3) R1,5 billion</td>
<td>3) R1,5 billion</td>
<td>3) R1,5 billion</td>
</tr>
<tr>
<td></td>
<td>Improve Staff Skills and Systems</td>
<td>4) New KPI</td>
<td>4) 10%</td>
<td>4) 10%</td>
<td>4) 10%</td>
</tr>
<tr>
<td><strong>Organisational Capacity</strong></td>
<td>Improve Business Processes and Systems</td>
<td>5) New KPI</td>
<td>5) 31</td>
<td>5) 31</td>
<td>5) 31</td>
</tr>
<tr>
<td></td>
<td>Ensure that CDC Intellectual Property is protected from Service Providers</td>
<td>6) New KPI</td>
<td>6) 100%</td>
<td>6) 100%</td>
<td>6) 100%</td>
</tr>
<tr>
<td></td>
<td>Improve Staff Skills and Systems</td>
<td>7) New KPI</td>
<td>7) 18%</td>
<td>7) 18%</td>
<td>7) 18%</td>
</tr>
</tbody>
</table>

DIDS/A: One of CDC’s flagship projects, the Dedisa PPP which commenced commercial operation in September 2015, created over 1,490 jobs during its construction phase.
LOOKING AHEAD

The Coega IDZ was envisioned as a project to transform the socio-economic landscape of the Eastern Cape by addressing the triple challenges of unemployment, poverty and inequality by attracting foreign and local investment. Socio-economic performance measures are as important as the provision of an attractive investment destination and value-added services in determining the success of CDC in meeting its strategic goals.

By securing investments with a value of over R26.99-billion in 2015/2016, the CDC made a significant contribution to addressing these triple challenges. The new investors signed in 2015/16 FY together contributed an estimated 889 new direct jobs, and 10 885 indirect jobs to the local economy.

The performance highlights are aligned to the CDC’s strategic objectives, illustrate the corporation’s contribution to human capital and small business development, broad-based black economic empowerment, corporate social investment and infrastructure development.

Job Creation
• In the period under review, CDC supported the South African economy and created 11 774 jobs – achieving 63% of the target of 18 711.

Human Capital Development
• In the period under review, 6 375 individuals benefited from training programmes undertaken by CDC’s Human Capital Solutions, achieving 103% of the annual target of 6 155.

Corporate Social Investment (CSI)
• In the period under review, CDC invested in excess of 1.5% of Net Profit After Tax (NPAT) in local and regional community projects, a significant share of its contribution since inception, which has benefited thousands of people in the Eastern Cape.
• The CDC Driver Training Programme assisted 2 349 learners to obtain learners licences, 685 obtained drivers licence.

Infrastructure Development Programmes
• The External Programmes business unit grew its infrastructure development projects for provincial and national government departments from eight to twelve in the year under review, securing four national government department clients and further extending the CDC’s footprint in the Western Cape.
• Achieved a 33% increase in projects from 2013/14FY to 2015/16FY.
• The CDC was involved in infrastructure development projects together valued at more than R2.3-billion per annum.

SMME Procurement
• The CDC procured 37.2% of its goods and services from SMEs in 2015/16 FY, achieving 106% of its set target of 35%.

Accreditations/certification
• Demonstrating its performance against global standards and benchmarks, the CDC achieved three new certifications in the year under review: ISO 9001:2015 (Quality Assurance), OHSAS 18001 (Occupational Health and Safety), and ISO 14001:2015 (Environmental Management).
• The CDC achieved B-BBEE Level 3 certification, and qualified as a value-adding supplier.
• The organisation won eight awards for its performance in strategically important areas including top exporter, top employer, empowerment, and job creation.

CONSTRUCTION: ID Logistics is a R30-million facility located in Zone 1 of the Coega IDZ and has created over 200 jobs.
In its first year of the new Sustainable Growth Strategy, the CDC achieved 17 new investors, with an investment value of R26,99-billion in a difficult economic environment.

The global economy expanded at its slowest pace in nearly three years, especially in quarter four as the ongoing slowdown in emerging-market nations was accompanied by deteriorating economic conditions in advanced economies. The annual average global economy growth was around 2.3% in the fourth quarter (4Q2015), which was below the 2.6% observed in the previous quarter. The world economy stumbled in 2015, amid weak aggregate demand, increasing financial market volatility in major economies and falling commodity prices. Weaknesses that negatively impacted on growth in 2015 are far from abating and seem to have carried into the first quarter of 2016.

Stronger growth in the economy worldwide remains elusive. Trade and investment are expected to be weak as sluggish growth in major economies and falling commodity prices. Weaknesses that negatively impacted on growth in 2015 are far from abating and seem to have carried into the first quarter of 2016.

In its first year of the new Sustainable Growth Strategy, the CDC achieved 17 new investors, with an investment value of R26,99-billion in a difficult economic environment.

The global economy expanded at its slowest pace in nearly three years, especially in quarter four as the ongoing slowdown in emerging-market nations was accompanied by deteriorating economic conditions in advanced economies. The annual average global economy growth was around 2.3% in the fourth quarter (4Q2015), which was below the 2.6% observed in the previous quarter. The world economy stumbled in 2015, amid weak aggregate demand, increasing financial market volatility in major economies and falling commodity prices. Weaknesses that negatively impacted on growth in 2015 are far from abating and seem to have carried into the first quarter of 2016.

In the event that CDC is not able to receive government funding or receives reduced funds, there must be alternative measures in place to mitigate the risk. The organisation’s resources should be used to generate revenue to ensure long-term financial sustainability. This will be done by one or more of the following methods:

- Ensure greater Corporate Governance
- Leverage the capital assets of the IDZ
- Obtain partners to develop the land asset and/or bring their own customers to set up in the IDZ
- Obtain funding from alternative sources.

Culture, Organisational Alignment, Leadership and Teamwork will assist the CDC to achieve its objectives. While not always easy to capture or define, culture is an observable, powerful force in any organization. Made up of its members shared values, beliefs, symbols and behaviours, culture guides individual decisions and actions at the unconscious level. As a result, it can have potent effect on a company’s wellbeing and success.

Organisational culture is the basic pattern of shared assumptions, values and beliefs that govern behaviour within a particular organization. Assumptions are the shared mental models or theories in use that people rely on to guide their perceptions and behaviours. Beliefs represent the individual’s perceptions of reality. Values are more stable, long lasting beliefs about what is important. They help us define what is right or wrong, or good or bad in the organization. Culture content refers to the relative ordering of beliefs, values and assumptions. There is a need to establish a single unifying culture to permeate throughout the organization.

The diagramme below captures the CDC’s Sustainable Growth Strategy for the next 5 years:
The economy advanced 0.6%, year-on-year, slowing from a 1% growth in the third quarter and hitting its lowest level since the 2009 recession. Considering full 2015, the GDP grew 1.3% compared to a 1.4% expansion in 2014. GDP Growth Rate in South Africa averaged 2.97% from 1993 until 2015, reaching an all-time high of 7.60% in the fourth quarter of 1994 and a record low of -6.10% in the first quarter of 2009. GDP Growth Rate in South Africa is reported by Statistics South Africa. In the face of a challenging economic and investment climate, CDC signed 17 new investors in 2015/16 FY, with a combined investment value of R26.99-billion. This translates to an additional footprint of 48.6 hectares of occupied prime industrial land in the Coega Industrial Development Zone (IDZ). This is in line with CDC’s five-year Sustainable Growth Strategy (SGS) 2015-2020, which aims to increase the number of operational investors or equivalent clients from 36 in 2015 to 98 in 2020; a target that is likely to be achieved should the assumptions made in 2015 remain unchanged. The overall pre-eminent Strategic Theme is Financial Sustainability. CDC must increase revenue to R1.4-bllion by 2020 through diversifying its customers and service offering and creating a mix that is stable and viable for the long term. This mix is set at 80% revenue from IDZ-related activities and 20% revenue from non-IDZ-related activities, with an overall year-on-year increase in revenue of ± 35%.

The operational investors originate from a range of sectors, including automotive manufacturing, services, agro-processing, chemicals, metals, logistics, maritime, trade solutions, and energy. During the period under review, most of these sectors have shown growth in terms of investors especially in the energy, chemical, metal, and agro-processing sectors. There is likely to be continuous pressure to show good results in growing these sectors given the socio-economic challenges in the NMBM and Province of the Eastern Cape. Nelson Mandela Bay, in which the CDC is situated, has a relatively stable social structure. There are however many challenges relating to poverty and unemployment; there have recently been service delivery protests in the city, but this has had no direct impact on the

CDC. However, in the short-to-medium term, the CDC could be under enormous pressure to show results/impact in terms of jobs and sustainable socio-economic development for the Eastern Cape.

In addition, the Special Economic Zone (SEZ) Act (2014), has had an immediate impact to the CDC and will bring both threats and opportunities to the organisation in the future. However, there are opportunities as the improved incentives enable the zones to attract more local and foreign direct investment. National Treasury has outlined its incentives and SEZ regulations were promulgated in 2016. The CDC needs to embrace the changes and champion some of the programmes, especially with regards to better incentives for the SEZ’s.

In the future, competition may be curtailed by the SEZ Act, and CDC must focus on the other IDZ’s in Africa and the rest of the world who continue to compete for the world market share of investments. Potential investors tend to identify countries first prior to selecting a province or state and thereafter a suitable Industrial Development Zone. Therefore, the CDC must integrate its offering with that of brand promotion agencies in the country to ensure consistency of messaging in the international markets.

The CDC operates in a growing market despite the aforementioned economic challenges. In addition to looking to the East and at Europe - Africa’s largest trading partners - CDC must also look to the African continent for investment growth. The Coega IDZ is the most respected and well-known brand in terms of expertise in IDZ infrastructure development and catalysts for the championing of socio-economic growth in South Africa.

Key Performance Indicators

The CDC has exceeded its performance targets for most of the indicators as shown on the next page:

**Province** | **Location** | **Sector- Focus**
--- | --- | ---
Limpopo | Tubatse | Platinum group metals
Musina | Petrochemicals, agro-processing, logistics
Mpumalanga | Nkomati | Agro-processing, logistics
North West | Rustenburg | Platinum beneficiation
Western Cape | Atlantis | Renewable energy
Northern Cape | Upington | Solar power
Eastern Cape | Mthata | Agro-processing, tourism
KwaZulu-Natal | Dube Trade Port | Agro-processing, electronics
Free State | Harrismith | Agro-processing, auto logistics, pharmaceutical
Gauteng | Ekurhuleni | ICT, electronics

---

DEDISA: The largest single investment in Coega IDZ, the Dedisa Peaking Power Plant was delivered on time and on budget.
Revenue generation

There is a steady increase in the amount of revenue earned by the CDC through its operations. The generation of sustainable streams of revenue in order to make the CDC and Coega IDZ sustainable is part of the strategic plan of the CDC.

Investor uptake

Investor uptake shows the number of investors signed during the period under review. Meeting the CDC’s strategic objective to ensure a diversified tenant mix, the operational investors originate from a range of sectors, including automotive manufacturing, agro-processing, chemicals, metals, logistics, and energy. Over the past three years, CDC registered a total of 17 new signed investors for 2015/16 FY, with a combined investment value of R26,99-billion. This includes lease agreements with CFR (ZacPak), a logistics operation within Zone 2 and WNS, a call centre operation within Coega’s Business Processing & Outsourcing Park that services Telkom. WNS bolstered the seats at the Coega BPO with an additional 660 jobs created, providing much needed opportunities to youth to build professional experience. A detailed investor list signed during the period under review is shown below:

<table>
<thead>
<tr>
<th>#</th>
<th>Investor</th>
<th>Nature of activity</th>
<th>Origin</th>
<th>Investment Value Rm</th>
<th>Jobs Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>WNS</td>
<td>Call Centre</td>
<td>India</td>
<td>33</td>
<td>600 0</td>
</tr>
<tr>
<td>2</td>
<td>CFR/ZacPak</td>
<td>Logistics &amp; Distribution</td>
<td>South Africa</td>
<td>5</td>
<td>20 0</td>
</tr>
<tr>
<td>3</td>
<td>Kenako Medical</td>
<td>Medical Devices</td>
<td>South Africa</td>
<td>125</td>
<td>150 300</td>
</tr>
<tr>
<td>4</td>
<td>SAFCO</td>
<td>Agro-processing</td>
<td>South Africa</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>5</td>
<td>Somlolo Investment</td>
<td>Metal Related Industry</td>
<td>China</td>
<td>580</td>
<td>580 50</td>
</tr>
<tr>
<td>6</td>
<td>Nutritech</td>
<td>Functional Food Processing</td>
<td>South Africa</td>
<td>10</td>
<td>10 0</td>
</tr>
<tr>
<td>7</td>
<td>Oystercatcher</td>
<td>Aquaculture</td>
<td>South Africa</td>
<td>3</td>
<td>3 11</td>
</tr>
<tr>
<td>8</td>
<td>Delta Natural Gas</td>
<td>LNG import, storage and distribution</td>
<td>South Africa</td>
<td>24025</td>
<td>24025 3260</td>
</tr>
<tr>
<td>9</td>
<td>Dynamic Commodities</td>
<td>Food processing and manufacturing</td>
<td>South Africa</td>
<td>121783</td>
<td>121783 5000</td>
</tr>
<tr>
<td>10</td>
<td>Sanitech</td>
<td>Waste water treatment and site</td>
<td>South Africa</td>
<td>10</td>
<td>10 0</td>
</tr>
<tr>
<td>11</td>
<td>Naledi Forging</td>
<td>Metal Related Industry</td>
<td>South Africa</td>
<td>1450</td>
<td>1450 0</td>
</tr>
<tr>
<td>12</td>
<td>Uloyiso Medical</td>
<td>Health Care Risk Waste Management</td>
<td>South Africa</td>
<td>14</td>
<td>14 68</td>
</tr>
<tr>
<td>13</td>
<td>Olympic</td>
<td>Energy and Bio Fuels</td>
<td>South Africa</td>
<td>325</td>
<td>325 0</td>
</tr>
<tr>
<td>14</td>
<td>Q-Plus (Expansion)</td>
<td>Manufacturing of Plastic Components</td>
<td>South Africa</td>
<td>33</td>
<td>33 0</td>
</tr>
<tr>
<td>15</td>
<td>New Brighton Pictures</td>
<td>Professional Services</td>
<td>South Africa</td>
<td>9</td>
<td>9 0</td>
</tr>
<tr>
<td>16</td>
<td>Granroth</td>
<td>Metal Related Industry</td>
<td>South Africa</td>
<td>1</td>
<td>1 0</td>
</tr>
<tr>
<td>17</td>
<td>Trio Energy</td>
<td>Energy Supply</td>
<td>Papua New Guinea</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>26995</td>
<td>4030 9489</td>
</tr>
</tbody>
</table>

Projects in implementation included Coega Dairy extension, Lension and the Multi-user facility. The Coega IDZ boasted 36 operational investors during the period under review. Meeting the CDC’s strategic objective to ensure a diversified tenant mix, the operational investors originate from a range of sectors, including automotive manufacturing, agro-processing, chemicals, metals, logistics, and energy. Over the past three years, CDC registered a total of 17 new signed investors, with the investment value of R26,99-billion. This includes lease agreements with CFR (ZacPak), a logistics operation within Zone 2 and WNS, a call centre operation within Coega’s Business Processing & Outsourcing Park that services Telkom. WNS bolstered the seats at the Coega BPO with an additional 660 jobs created, providing much needed opportunities to youth to build professional experience. A detailed investor list signed during the period under review is shown below:

<table>
<thead>
<tr>
<th>#</th>
<th>Investor</th>
<th>Nature of activity</th>
<th>Origin</th>
<th>Investment Value Rm</th>
<th>Jobs Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>WNS</td>
<td>Call Centre</td>
<td>India</td>
<td>33</td>
<td>600 0</td>
</tr>
<tr>
<td>2</td>
<td>CFR/ZacPak</td>
<td>Logistics &amp; Distribution</td>
<td>South Africa</td>
<td>5</td>
<td>20 0</td>
</tr>
<tr>
<td>3</td>
<td>Kenako Medical</td>
<td>Medical Devices</td>
<td>South Africa</td>
<td>125</td>
<td>150 300</td>
</tr>
<tr>
<td>4</td>
<td>SAFCO</td>
<td>Agro-processing</td>
<td>South Africa</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>5</td>
<td>Somlolo Investment</td>
<td>Metal Related Industry</td>
<td>China</td>
<td>580</td>
<td>580 50</td>
</tr>
<tr>
<td>6</td>
<td>Nutritech</td>
<td>Functional Food Processing</td>
<td>South Africa</td>
<td>10</td>
<td>10 0</td>
</tr>
<tr>
<td>7</td>
<td>Oystercatcher</td>
<td>Aquaculture</td>
<td>South Africa</td>
<td>3</td>
<td>3 11</td>
</tr>
<tr>
<td>8</td>
<td>Delta Natural Gas</td>
<td>LNG import, storage and distribution</td>
<td>South Africa</td>
<td>24025</td>
<td>24025 3260</td>
</tr>
<tr>
<td>9</td>
<td>Dynamic Commodities</td>
<td>Food processing and manufacturing</td>
<td>South Africa</td>
<td>121783</td>
<td>121783 5000</td>
</tr>
<tr>
<td>10</td>
<td>Sanitech</td>
<td>Waste water treatment and site</td>
<td>South Africa</td>
<td>10</td>
<td>10 0</td>
</tr>
<tr>
<td>11</td>
<td>Naledi Forging</td>
<td>Metal Related Industry</td>
<td>South Africa</td>
<td>1450</td>
<td>1450 0</td>
</tr>
<tr>
<td>12</td>
<td>Uloyiso Medical</td>
<td>Health Care Risk Waste Management</td>
<td>South Africa</td>
<td>14</td>
<td>14 68</td>
</tr>
<tr>
<td>13</td>
<td>Olympic</td>
<td>Energy and Bio Fuels</td>
<td>South Africa</td>
<td>325</td>
<td>325 0</td>
</tr>
<tr>
<td>14</td>
<td>Q-Plus (Expansion)</td>
<td>Manufacturing of Plastic Components</td>
<td>South Africa</td>
<td>33</td>
<td>33 0</td>
</tr>
<tr>
<td>15</td>
<td>New Brighton Pictures</td>
<td>Professional Services</td>
<td>South Africa</td>
<td>9</td>
<td>9 0</td>
</tr>
<tr>
<td>16</td>
<td>Granroth</td>
<td>Metal Related Industry</td>
<td>South Africa</td>
<td>1</td>
<td>1 0</td>
</tr>
<tr>
<td>17</td>
<td>Trio Energy</td>
<td>Energy Supply</td>
<td>Papua New Guinea</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>26995</td>
<td>4030 9489</td>
</tr>
</tbody>
</table>

Job creation

A total of 11,774 jobs were injected in the local economy during the financial year.
INVESTMENT PROMOTION

BUSINESS OVERVIEW

Coega Development Corporation’s (CDC) investment promotion strategy aims to attract a diverse range of investors to the Coega Industrial Development Zone (IDZ) and the Eastern Cape Province. It does this through the establishment of sustainable investor operations within the Coega IDZ that promote and support socio-economic transformation. This is in line with the CDC’s Sustainable Growth Strategy, which is to increase diversity in its value offering.

To this end, customer diversification becomes an important strategic objective for the CDC. During the period under review, the CDC began to implement investor projects aimed at customer diversification, i.e. the implementation of Phase I of the Multi-user facility in Zone 3, designed at a capacity of 6 200 m³ (lootable area under roof). The facility will place the CDC in a strong position to attract investors in various sectors, including food processing and packaging and light manufacturing.

Another achievement is the commissioning of the R3.5-billion Dedisa Peaking Power Plant, which was synchronised with the national grid, and has been operational since September 2015. As the largest single investment in the Coega IDZ to date, the Dedisa Peaking Power plant was delivered on time and on budget, and adds to the value proposition of the Coega IDZ by strengthening the local electricity grid and as a demonstration of the ability of the CDC to handle mega projects. Designed to be later converted from diesel to gas, the plant strengthens the rationale for the establishment of a gas terminal in the Port of Ngqura.

The strategic intent of the CDC is to achieve self-sustainability through revenue generation by 2020. At present, revenue in the IDZ is being generated through building and land rentals. The CDC’s objective is to increase revenue to R1.4 billion by 2020 through diversifying its customers and service offering in order to create a mix that is stable and viable for the long term. This mix is set at 80% revenue from IDZ-related activities and 20% revenue from non-IDZ-related activities.

Customer Diversification

This includes expanding into new markets and different sectors of the economy to pursue new products and service offerings. The organisation’s resources should be used to generate revenue to ensure future financial sustainability. This will be done by:

- Maintaining high levels of corporate governance
- Leveraging the capital assets of the IDZ
- Obtaining partners to develop the land asset and/or bring their own customers to set up in the IDZ
- Obtaining funding from alternative sources.

The CDC has launched a variety of new products and services in order to generate the additional revenue required to operate sustainably without being reliant on grants. This means modifying the current products and services to expand their market potential, while at the same time identifying new products and services that the CDC can provide.

An example of the diversification strategy in action is the building of a Multi-user facility. The CDC has lost a number of investors with smaller space requirements (<2000 m²) to other locations due to the lack of existing warehouse space catering for this type of business. This opportunity is now being catered for through the construction of a Multi-user facility Phase 2 of the four-phase development is planned for the 2016/17 financial year.

By utilising the Innovation Strategy, the organisation continually develops and leverages internal linkages and strengths that can be packaged as external value-added offerings.

Linkages to National Strategic Programmes

Core to investment promotion focus is to enable mega programmes that stem from and integrate into various national infrastructure-related programmes like the Strategic Integrated Projects.

An example is a SIP3-related project which will see the relocation of the existing manganese export terminal facilities and related rail network from the Port of Port Elizabeth to Zone 9 and Zone 11 of the IDZ.

The CDC is also represented on various workgroups stemming from Operation Phakisa, which aims to unlock the oceans economy. Maritime-related opportunities include a number of natural gas–driven projects, as well as an aquaculture complex. To date, the aquaculture programme is enjoying substantial support from Operation Phakisa.

Operation Phakisa unlocks a new sector, which will create at least 5 000 permanent jobs. The project seeks to develop the required infrastructure which will include basic infrastructure (e.g., water and electricity), investor-specific infrastructure (e.g., warehousing and processing facilities) and critical infrastructure (e.g., seawater intake and discharge outlet) to enable aquaculture development in the Coega Aquaculture Development Zone.

In 2015/16 CDC hosted several delegations from the Department of Energy (DoE), which included a visit by the Deputy Minister, Ambassador Thembaile Majola. In harmony with the national policy of a diversified energy mix, the CDC continues to work extensively towards advancing Coega IDZ readiness for gas-driven power projects within the IDZ.

These complement the expected introduction of a DoE independent gas power producer programme, which is in response to the 3126 MW ministerial determination. This ties in well with the national drive to develop a gas economy. Their own customers to set up in the IDZ and government agencies – not only as a stakeholder, but as part of a process tied to deliverables. Resources are dedicated to achieving this goal.

Some of the interventions which CDC continuously works on improving include:

- Understanding our competitors in detail
- Developing a cost competitive offer – in relation to relevant competitors
- Expanding our reach by utilising referral agencies
- Being more responsive to existing clients
- Being flexible in the solving of problems
- Integrating with other state-owned enterprises (SOEs) and government agencies – not only as a stakeholder, but as part of a process tied to deliverables. Resources are dedicated to achieving this goal.
- Continue to manage projects through an integrated approach
- Manage costs effectively
- Reviewing implications for investors – in terms of factors such as costs, regulations and ease of doing business
- Constantly improve investor management processes
- Increasing internal efficiency through a process of continuous improvement.

A H I N S I S : THE PORT OF NQURA IS AFRICA’S NEWEST DEEPWATER PORT.
BUSINESS OVERVIEW

The 2015/16 financial year is the second year that the IDZ Infrastructure Programme’s (IIP) five-year Strategy Plan for work in the Coega Industrial Development Zone (IDZ) has been implemented. Every year, the IIP Strategy Execution Plan aligns the implementation of projects and planning in the IDZ to the CDC’s five-year Sustainable Growth Strategy.

The Corporate five-year Sustainable Growth Strategy forms part of the planning activity as guided by the Department of Trade and Industry (dti) governance requirements and the National Treasury’s Public Finance Management Act (PFMA).

IIP plays a critical role in the conceptualization, planning design, construction and project management of industrial spaces for economic productivity. IIP receives its mandate based on focus areas aimed at operational alignment with the Coega Development Corporation’s (CDC) strategic objectives and is tasked with the responsibility of being the delivery arm of the organisation. IIP must provide projects with a focus on efficiency, streamlining operations, auditable Supply Chain Management, and value for money.

The Programme works in close collaboration with support functions of the organisations, such as investment promotions, operations management, and cost engineering in providing cost-effective solutions to targeted investors and ensuring that the allocated Coega IDZ sites match the spatial development plan of the IDZ. The Design Review Process for Site Development Plans (DDP) ensures that developments comply with municipal, architectural and landscaping guidelines, thereby providing the basis for expedited approvals by the Nelson Mandela Bay Municipality (NMBM).

All planning is done with the Spatial Development Unit to ensure compliance with the development vision created by the approved Package of Plans for the Coega IDZ. Planning and construction is undertaken with the view to maximising the target of 35% SMME content on each project, targeting 10% skills training, whilst driving Enterprise Development through local content.

Given the unique requirements of investors, meetings are arranged with each company to scope their needs and deliverables. These meetings, including site visits, as well as visits to sites, IDZ client facilities and investor plants.

**Operational investors at the Coega IDZ**

Over the past three years, CDC attracted 47 new investments valued at over R30,7-billion to the Eastern Cape. Of these, 4 are already operational and the rest are either under construction or are scheduled to move site within the next two years.

Of the 10 projects valued at R1,84-billion signed in the 2013/14 financial year:

- Five became operational between 2013 and 2015
- One is finalising funding with IDC and is scheduled to initiate construction in 2016/17

Of the 19 projects valued at R1,889-billion signed in the 2014/15 financial year:

- Seven became operational between 2014 and 2016
- Six started or will start construction between 2014 and the end of 2016

Of the 17 projects valued at R26,99-billion signed in the 2015/16 financial year:

- Two have become operational before the end of the financial year
- Four are in different start-up stages, with construction scheduled to start in 2016/17

Performance Review

IIP has developed specialist project management skills for the implementation of municipal infrastructure projects, top structures and assistance with provincial health projects. To enable effective management of all projects, a standardised project management system has been developed to ensure that all projects are implemented to the same standard and methodology. The implementation of projects supports the achievement of the CDC’s targets for job creation, SMME development, training and internships.

The IIP budget is divided into two sections: Multi-Year Projects and SEZ/IDZ Projects.

**Multi-Year IDZ Projects**

The multi-year Coega IDZ projects are projects for which the CDC entered into funding agreements with the dti wherein the dti undertook to provide, through the IDZ programme and in accordance with the Medium Term Expenditure Framework (MTEF), a portion of the funds to complement the CDC’s financial requirements for the development of the IDZ during the 2013/2014 and 2014/15 financial years. The 11 projects that were funded under this agreement, and could thus be completed, include:

- Laydown Area in Zone 1
- UTi Distribution Warehouse in Zone 1
- Masterplan East of the Coega River
- Business Development Consulting Services
- Fire Pump Station Design and Construction
- Commencement of the Construction Village Phase 1
- Completion of the RIC Training Workshops in Zone 4
- Electrical connection to Agri Steel in Zone 6
- Construction of Enabling Infrastructure in Zone 6
- Construction of the Coega Cheese Warehouse Phase 2 in Zone 3
- Completion of the Famous Brands Warehouse in Zone 1.

**SEZ Funding for Projects**

The SEZ fund intends providing multi-year funding for SEZ infrastructure and related operator performance improvement initiatives, aimed at accelerating growth of manufacturing and internationally traded service operations, to be located within the designated zones.

The primary objective is to provide capital that leverages investment from third parties, through foreign and local direct investment in both the operations of such enterprises and the infrastructure required. These five projects are expected to leverage FDI and private investment and to achieve:

- Increased exports of value added products
- Measurable improvement in levels of localisation and related value chains
- Increased beneficiation of mineral and agricultural resources
- Increased flow of foreign direct investment
- Increased job opportunities.

Under this model, funding applications are on a project basis, which limits the risks of budget constraints, overspending, suspension of works and the like. The CDC implemented the following 15 projects in the year under review:

**Projects (continued)**

<table>
<thead>
<tr>
<th>Projects</th>
<th>Coega IDZ Zones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs Control Area</td>
<td>Zones 1 and 2</td>
</tr>
<tr>
<td>Construction of the Lension Warehouse</td>
<td>Zone 7</td>
</tr>
<tr>
<td>Construction of the MM Engineering Warehouse</td>
<td>Zone 3</td>
</tr>
<tr>
<td>Construction of a Multi-Purpose Agro-</td>
<td>Zone 3</td>
</tr>
<tr>
<td>Processing Warehouse</td>
<td></td>
</tr>
<tr>
<td>Electrical supply upgrade</td>
<td>Zone 3</td>
</tr>
<tr>
<td>Fire Rings</td>
<td>Zone 1 and 3</td>
</tr>
<tr>
<td>Construction of the ID Logistics Warehouse</td>
<td>Zone 1</td>
</tr>
<tr>
<td>Feasibility Studies - Aquaculture</td>
<td>Zone 10</td>
</tr>
<tr>
<td>Infrastructure for the Dedisa Peaking Power</td>
<td>Zone 12</td>
</tr>
<tr>
<td>Plant</td>
<td>Zone 3</td>
</tr>
<tr>
<td>Extension of the Coega Dairy Facility</td>
<td>Zone 3</td>
</tr>
</tbody>
</table>

**PERFORMANCE & OUTLOOK**

During the period under review, work included development in the IDZ and NMBLP, and is a combination of municipal infrastructure, enabling municipal infrastructure, top structures, services and service connections to self-build investors. Through these interventions the CDC’s targets for job creation, SMME development, training and internships, have been achieved. Many projects were completed and many have been developed to such a stage that they are now being implemented.

Future planning will be concentrated around new investors and the ability to supply them with bulk and enabling infrastructure to ensure that the Coega IDZ, with world-class infrastructure, is a preferred destination. This will also ensure the achievement of CDC’s five-year Sustainable Growth Strategy.
OPERATIONS MANAGEMENT

BUSINESS OVERVIEW

The Coega Development Corporation (CDC) recognises that the Coega IDZ tenants or investors require uninterrupted provision of utilities and other amenities in terms of their lease agreements. Providing this service is CDC Operations, which is designed to provide services benchmarked against global best practice standards. Services provided to investors and tenants by the CDC include facilities management, the use of the Coega Vulindlela Accommodation and Conference Centre (VACC), one-stop-investment-shop; spatial development support; customs and logistics; zone-wide security; and assistance with one-stop-investment-shop; spatial development support; customs and logistics; zone-wide security; and assistance with safety, health, environment, and quality (SHEQ).

CDM Operational Support Functions

In addition, the CDC has been implementing programmes to promote the CCA to current and prospective investors by emphasising the benefits that accrue from being located in a CCA (a duty free zone). Coega Customs Services helps investors to complete all the necessary SARS customs registrations and permit processes in preparation for approval of facility for operational phases. CDC also provides customs control area training and process evaluation to enable new investors to comply with customs regulations. This gives them access to a duty free zone. The CDC also oversees the implementation and monitoring of cargo management in and out of the CCAs and IDZ.

From a strategic perspective, the CDC does not only focus on meeting the operational requirements of investors in the Coega IDZ, but also concentrates on ensuring the future sustainability of the organisation. Revenue generating projects flowing out of this strategy include:

- Retail Centre in Wells Estate
  - This will provide social upliftment to the local community whilst at the same time creating an estimated 1 020 operational jobs for the region, as well as 2 500 construction jobs. The centre will also provide a much-needed revenue stream to investors located within the IDZ from a lifestyle perspective. In terms of revenue, the centre will generate revenue for the CDC, making it more self-sustainable.

- Social Housing Complex in Wells Estate
  - Not only will this housing project help reduce a shortfall in social housing for low-middle income families within the region, it will also create up to 450 construction jobs.

- Bluewater Bay Hotel
  - By hiring the accommodation needs of investors and their support teams this hotel will also generate income for the CDC.

Coega Vulindlela Accommodation and Conference Centre

The Vulindlela Accommodation and Conference Centre (VACC) has a number of stakeholders, including government departments, construction companies, private companies and individuals. Government departments use the facility to host their conferences and accommodate stakeholder groups.

In addition, the VACC is utilised for accommodation. The location of VACC is convenient as it is on the boundary of the Coega IDZ. Private companies and individuals also utilise the bed and breakfast and conference facilities for long and short-term rentals.

VACC has an 8.4% market share in the Nelson Mandela Bay Municipal tourism sector as measured by annual turnover. During the 2015/2016 financial year revenue for the VACC was R43-million, which exceeded the target of R41-million by 4%. Net profit was 26% of revenue. In order to increase revenue, the CDC needs to complete the construction of Bed and Breakfast (B&B) units in the next financial year, which will provide more beds and accommodate larger numbers of clients.

Operations Auxiliary Services

The CDC’s auxiliary services to investors include a One Stop Shop and Spatial Development Support (SDU). The One Stop Shop supports investors in the IDZ and Nelson Mandela Bay Logistics Park (NMBLP) with friendly and prompt world-class service. It responds efficiently to the logging of complaints by new and existing investors in the IDZ and NMBLP.

The SDU is responsible for three broad areas, namely: Spatial Planning; Geographic Information Systems and Drawing Management. During the period under review, the SDU continued to provide specialist input on development to government departments. The assistance included GIS services, spatial planning expertise, and spatial technology training. Layout plans for the Core Development Area (Zones 1, 2, 3, 4, and 5) are well advanced, while further progress has been made on layout plans for Zones 6, 7, 10 and 11. To date, 68 Site Development Plans have been approved for the Coega IDZ and NMBLP and 256 building plans have been submitted to the NMBM for approval during 2015/16 in order to meet investor operational requirements.

Furthermore, to ensure the efficient running of operations in the Coega IDZ, an Integrated Management System (IMS) has been utilised. The purpose of the IMS is to support the operations to ensure that processes, services and systems consistently and effectively meet customer expectations, the applicable regulatory legal requirements, and provide the mechanisms for continual improvement.
Sustaining the environment

Environmental, quality and occupational health and safety management systems are fundamental tools of corporate management. The maintenance of these standards by the CDC demonstrates acceptance of responsibility, and the intention to prevent the wastage of scarce natural resources. The standards provide a solid foundation to enable the CDC to stand the test of time and the challenges of the marketplace. The principles incorporated in the standards assist in involving and uniting employees in working towards a shared goal. It is a source of employee pride and provides a competitive edge.

Key environmental focus areas include alien plant eradication, air quality management, and biodiversity protection and management. The CDC has been implementing an Alien Plant Eradication programme within the IDZ since 2004 in order to meet the conditions of the Environmental Authorisation issued to the CDC for the change in land use from agricultural to special purposes. This is an on-going programme which aims to improve the habitat within the open space system, the maintenance of operational areas within the IDZ, as well as provide jobs for local SMMEs. The benefits of the programme are adherence to the legislated requirements and actual eradication of invasive alien vegetation.

As regards the Air Quality Management, the CDC initiated an air quality monitoring programme in the IDZ in the early 2000s. Three strategically positioned air quality monitoring stations constantly monitor the ambient air quality. Readings are captured monthly on the South African Air Quality Information System. This allows the CDC to keep track of air quality in the IDZ, ensuring compliance with legislative requirements.

The CDC has also developed an Air Dispersion Model for the Coega IDZ in order to determine the cumulative impact that industrial developments within the IDZ may have on ambient air quality. This allows for the effective management of air quality in the Coega IDZ. In addition, using the dispersion model, the CDC can effectively plan which types of industry can be accommodated in future while meeting legal air quality requirements.

Biodiversity protection and management was also an important focal area for the CDC during the period under review. Important objectives are the conservation of endemic fauna and flora in order to sustain the biodiversity of the zone. The Open Space Management Plan (OSMP), together with the CDC’s Operational Safety Health and Environmental Management Plan, aim to ensure mitigation of negative impacts on biodiversity due to infrastructure development and tenants’ investor activities within the IDZ. The CDC established a plant nursery for the safekeeping of rescued plants from the IDZ, until they are required for landscaping within the IDZ. The nursery is located in the Coega IDZ.

LOOKING AHEAD

In implementing the CDC’s Five Year Sustainable Growth Strategy 2016 – 2020, the organisation will continue working with strategic partners such as Transnet, the Nelson Mandela Bay Municipality, the business community, and the Eastern Cape Provincial Government to improve the organisation’s operations and service provision to all 36 investors at the Coega IDZ. The organisation will continue to leverage such strategic relations to ensure that the Coega IDZ attracts and secures investment for the province in order to reduce unemployment and to raise the standard of living of residents in keeping with the mandate and vision of the CDC.
The organisation has achieved a Level 3 B-BBEE Certification in terms of the revised codes. For the previous two financial years under the previous codes, the Coega Development Corporation (CDC) qualified for a B-BBEE Level 1 status. This continued high rating reflects the organisation’s commitment and contribution to the empowerment of black people at all levels.

The overall score the organisation has achieved under the amended B-BBEE Codes of Good Practice is 92,09 points out of 100 points. This reflects CDC’s commitment and leading role in advancing the transformation agenda. Through its first B-BBEE journey under the amended codes of good practice, the organisation was able to put in place strategies to achieve the targets in line with the changes and ensured that the CDC continued to excel in the contributions the organisation makes towards employment of black people, enterprise and socio-economic development.

The CDC has also acquired the status of “Empowering Supplier”. Without this grading a company’s B-BBEE certificate becomes almost worthless as the organisation will not qualify as a preferred supplier to B-BBEE compliant clients. The B-BBEE Level 3 certification is an incentive for clients to do business with the CDC.

For every R1 spent with the CDC as a preferred service provider clients can claim R1,10 for preferential procurement on their own scorecard.

The CDC has been among the leaders in the implementation of both the letter and the spirit of the B-BBEE legislation since inception. In achieving the objectives of the policy, the CDC embarked on empowerment interventions to drive the participation of black people to benefit from the organisation’s economic opportunities. Support mechanisms are in place to develop and support majority black-owned entities. Wherever it operates the CDC promotes and implements socio-economic development initiatives. It has consistently received high scores for its contribution to economic transformation since its first B-BBEE verification audit.

**Target: B-BBEE Level 1 status**
- Actual 2013/14 FY: B-BBEE Level 1 status
- Actual 2014/15 FY: B-BBEE Level 1 status
- Actual 2015/16 FY: B-BBEE Level 3 status

---

**BROAD-BASED BLACK ECONOMIC EMPOWERMENT**

The CDC was measured under the Adjusted Generic Score and has achieved the following points:

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>INDICATORS</th>
<th>10% TARGET</th>
<th>CDC SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Empowerment</td>
<td>Management Control</td>
<td>% black people in management categories, executive management and Board members</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Skills Development</td>
<td>Skills development expenditure as a proportion of total payroll (black employees and disabled employees)</td>
<td>25</td>
</tr>
<tr>
<td>Indirect Empowerment</td>
<td>Enterprise and Supplier Development</td>
<td>Procurement from B-BBEE compliant supplier, black owned and black female owned suppliers as a percentage of total procurement and enterprise and supplier development programmes</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Socio-Economic Development</td>
<td>Investment disadvantaged communities as a percentage of Net Profit After Tax (1%)</td>
<td>5</td>
</tr>
<tr>
<td>Total Score</td>
<td></td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

**Performance Review**

The organisation continues to contribute significantly to economic empowerment through the purchase of goods and services from B-BBEE compliant service providers and the provision of support mechanisms to capacitate black, woman and youth-owned enterprises in order for them to successfully deliver goods and services.

As a catalyst for accelerating socio-economic development, the CDC has SMME and Enterprise Development Units specifically to facilitate enterprise and supplier development programmes. A dedicated team of staff is responsible for implementing Socio-Economic Development (SED) programmes to equip and build disadvantaged communities.

In relation to direct empowerment, the organisation supports and provides skills development for unemployed youth in the Eastern Cape and other areas in which the CDC has a presence through the Human Capital Solutions (HCS) Training Centre. The CDC exceeded its targets for the number of unemployed youth participating in training interventions and youth participating in the organisation’s internship programme. However, the B-BBEE scorecard rating for training expenditure on black employees was lower than that of previous financial years due to lack of funding and increased targets, which doubled by 50% compared to the previous B-BBEE Verification rating.

On a positive note the CDC has also maintained high levels of employment for people with disabilities.

The organisation, as a state-owned entity has a role to play in increasing the level of participation by executive black women at board level and the promotion of black women to management levels. On a target of 25% for participating black females at board level, CDC achieved 22%.

**LOOKING AHEAD**

The CDC will strive to regain and maintain its B-BBEE Level 1 Status as determined by the new B-BBEE scorecard. The organisation will continue to be a leader in and an example for effective economic transformation and the implementation of programmes guided by the amended B-BBEE Codes of Good Practice.
BUSINESS OVERVIEW

The Coega Human Capital Solutions (HCS) Business Unit was established by Coega Development Corporation (CDC) in response to investor location concerns regarding labour stability and skills shortages. It is also one of the units that are giving effect to the corporate strategy of socio-economic transformation. This is done through an extensive variety of community empowerment programmes, occupational skills training and the CDCs Socio-Economic Development (SED) outreach. The programmes are designed to address systemic issues.

Over the past six years HCS has experienced exponential growth in revenues earned, peaking at R30 810 917 in the 2014/5 financial year, from a baseline of R9 182 433 in 2011/2. This growth curve derived from a restructuring of HCS’s operations and a redesign of its business model. In 2011 HCS primarily focused on serving operations in the Coega Industrial Development Zone (IDZ). Over 60% of the unit’s income is now from external social facilitation services.

During the past five years HCS has also invested approximately R6-million in the development of custom-designed management systems that are independent of proprietary licences. The web-enabled enterprise resource planning (ERP) and knowledge management system is accessible from anywhere there is an Internet connection.

HCS is also nurturing two start-up business units, one of which is a Skills Development Centre which has a considerable way to go before break-even point is reached. It accounts for approximately 47% of the total HCS budget. The other is a Driver Training Programme. Initiated as a socio-economic development (SED) programme, it is now being made self-sustaining. This programme accounts for 26% of HCS expenditure. With the pressures of marginal returns on the social facilitation model and the requirements of the two new business combined, HCS missed its revenue target in the current financial year.

From inception, the CDC took a strategic and moral decision when positioning the Coega IDZ not to replicate the models and the requirements of the two new business combined, HCS missed its revenue target in the current financial year.

A Zone Labour Agreement, one of the first collective agreements of its kind and the longest serving in the country, has resulted in labour stability in the IDZ on a level unprecedented elsewhere. A further iteration of the highly successful labour management model designed specifically for mega-projects is being successfully implemented. The HCS Social Facilitation Model combines the elements of socio-economic research and targeted interventions, training and labour management, into a comprehensive, scalable solution backed by a well-developed suite of advanced IT applications. This includes a job seeker registration system, a labour management system, a learner management system and advanced analytics.

A specific feature of these applications is that they are web-enabled and capable of deployment anywhere. In addition, HCS is the only accredited technical skills provider with an extensive fleet of mobile training workshops. This enables HCS to train artisans in the remotest of locations. Backed by the mobile simulator fleet and mobile labour offices, HCS is able to operate anywhere as all its systems and facilities are now portable.

IDZ Projects

HCS has built and manages a massive database of Nelson Mandela Bay’s skills pool, which grew from 275 469 in the 2013/14 FY to 311 286 in 2014/15 FY and 373 122 in 2015/16 FY. The database has evolved over the past two financial years from a desktop application that provides skilled workers for construction projects in the Coega IDZ to a web-enabled Gateway to Opportunities (G2O) to recruit people with a unique set of skills for the investors operating in the Coega IDZ and beyond. During the 2015/16, G2O has been integrated with Twitter, LinkedIn and Facebook to allow job seekers to instantly access their target job opportunities.

CDC continues to deliver the portfolio of projects on behalf of the Eastern Cape Provincial Government. HCS has introduced new and innovative ways to ensure that the local community has a fair and equal chance of working on a project. The HCS Ncedo labour management system manages recruitment and skills training for local people. Ncedo has been used on multiple sites for a complete overview of labour matters in cases of large and geographically dispersed projects. It also draws from the G2O database for suitable candidates in the area.

The Ncedo System saw 3 371 employment opportunities created through the Cecilia Makwane Phase 4C project, with more than 80% of the jobs being filled from the local community. In order to ensure increased recruitment from the ranks of the unemployed in local communities, HCS continues to operate labour desks in Mdantsane, Mbashe, Queenstown, Zw idle in Port Elizabeth, Mthatha and Sipetu in Mount Frere.

Jobs Created

The Recruitment and Placement (R&P) unit of the Coega HCS has facilitated the employment on the IDZ and Department of Health (DOH) Infrastructure projects. Employment on these is outlined below, and includes the reporting of employment of 6 637 BD (IDZ), IIP (IDZ) and DOH. The R&P team has also responded to the developments in the Port of Ngqura where 637 placements have been facilitated.

Labour Stability

Since the inception of the Coega HCS, it has achieved the following results:

- A time lost due to labour action statistic of 0.15% against a South African construction industry best practice benchmark of 2.5%. What is notable is that the Coega projects and IDZ managed to retain this exceptional labour stability rate over the past 13 years, despite the national increase in both occurrence and intensity of labour instability currently plaguing the country. This is truly a world class best practice and the result of implementing and maintaining effective labour management protocols and enhanced stakeholder management, particularly with organised labour.

- In partnership with the dominant Trade Union, the National Union of Mineworkers, two successful week-long Shop Steward Capacity building workshops were conducted through the course of the past year, which directly benefited 36 participating Shop Stewards. These proactive developmental initiatives contribute to the labour stability we continue to experience at the Coega IDZ.

- In the previous financial year, limited instances of lost time through labour strike action were experienced at the Coega IDZ. Regrettably, time was lost through un-procedural strike action in the IDZ, but was limited to the Dedisa Peaking Power Plant constructed by Group Five where the largely NUMSA component of the workforce embarked on relatively short stoppages, contributing 1.4% to lost time through strike action in the Coega IDZ through the course of the past year. This was the first instance over the past five years where site-related strike action occurred in the Coega IDZ.

ADDITIONAL RECRUITMENT ACTIVITIES

Aspen Pharmaceuticals

The R&P functional unit embarked on a recruitment drive on behalf of Aspen Pharmaceuticals. After an in-depth recruitment process, 174 people were placed successfully in Aspen Pharmaceuticals in General Assistant positions. All the placements were made with young people from the Nelson Mandela Bay Metro.

Recruitment for the Apprenticeship Programme

R&P has played an integral role in ensuring that the right calibre of candidates are placed in the Coega skills development programmes. In the 2015/2016 FY, 50 learners recruited by the R&P unit were successfully trained in the following skills programmes:

- Boilermaker - 15 Learners placed in host companies
- Welding – 14 Learners placed in host companies, 1 undergoing training
- Fitting and Turning – 12 Learners placed in host companies
- Joinery – 8 Learners undergoing training


dane
**People Trained**

In order to maximise employment opportunities for the people living in the areas where the CDC operates, the HCS engages in extensive training each year. The corporate training target is an unfunded target, meaning that the CDC does not budget for training of communities out of its own resources. An annual corporate training is nevertheless set, and the HCS works extensively with SETAs and other funders to make the training target possible.

The financial provision for infrastructure training is made through the socio-economic specifications attached to construction programmes. These compel all construction contractors receiving contracts from the CDC to fund and facilitate training for local communities surrounding infrastructure projects so that they may qualify for jobs on these sites. A local placement rate in excess of 80% maintained by R&P is testament to the success of this approach. Some training in support of investment requirements is also conducted, and for these purposes funding from SETAs is sought. Over the past year HCS benefited from partnerships with the Chemical Education and Training Authority (CHIETA) and the Transport Education and Training Authority (TETA) and the Transport Education and Training Authority (TETA). HCS continues to maintain close partnerships with several public TVETs, and the Midlands College in particular. However, a lack of funding constrained training activities somewhat in the year under review, and the technical training target which includes very expensive apprenticeship and learnership training was not met. However, overall performance against target was 103%.

The 2015/2016 training performance is summarised below:

<table>
<thead>
<tr>
<th>Training Area</th>
<th>Target</th>
<th>Actual</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Training (Accredited)</td>
<td>2,647</td>
<td>1,722</td>
<td>-34%</td>
</tr>
<tr>
<td>EPWP-type Training (Non-Accredited)</td>
<td>3,508</td>
<td>4,653</td>
<td>32%</td>
</tr>
<tr>
<td>Total</td>
<td>6,155</td>
<td>6,375</td>
<td>103%</td>
</tr>
</tbody>
</table>

The cumulative training performance of HCS since 2002 is 74,320, a considerable contribution to the skills base of the EC.

**Number of People Trained**

![Graph showing the number of people trained from 2002/2003 to 2015/2016.](image)

**Driver Training**

As part of an employability programme, the CDC is offering driver training to allow young people in local communities who cannot afford driving lessons the opportunity to obtain a driving license free of charge. The programme was initially funded by the CDC as a Corporate Social Investment Programme (CSI), but given the financial constraints that the CDC is operating under, the programme had to embark on the path to self-sustainability and was integrated into the Coega HCS Business Unit. It has received full accreditation from the Transport Education and Training Authority (TETA). In the year under review, the programme managed to cover 80% of its operational costs and received support from the following donors:

- TETA for the training of beneficiaries from Rural Areas
- CHIETA for the training of unemployed youth, including people with disabilities.

The programme achieved 685 passes in the 2015/2016 financial year, while helping 2,349 people to obtain their learners licenses. Of these, 1,015 passed their learners’ tests, while a further 1,675 beneficiaries benefited from driver training in the simulator centre.

**Psychometric Testing Facility and Student Guidance Centre**

The Coega HCS established a fully operational psychometric assessment centre and student guidance facility at the Coega IDZ with the view to achieve two objectives:

1. To allow CDC’s surrounding communities the benefit of consultation and comprehensive testing with our registered psychologists prior to making a career choice or study decision. Psychometric testing is generally not something CDC’s target communities can afford, and often young people suffer the disadvantage of making the wrong career or study choice, resulting in poor performance and the misallocation of resources. The testing service has seen a good uptake and was received very positively by our youth who make extensive use of the student support and counselling services. As a result, CDC’s retention and successful completion rates on learnerships improved from 53% to 96%.

2. Coega HCS wanted to enhance its service offering to investors at the IDZ in terms of recruitment and selection services. The centre has a fully equipped computer laboratory with special touch screens allowing for rapid testing of up to 50 abled and disabled people at a time. Paper and pencil tests are offered in rural communities where network connectivity is too slow to allow for psychometric testing. Most of the tests we run are for diagnostic and explorative purposes, and not for the purposes of exclusion.

The ethos of the centre is to identify areas in which beneficiaries can benefit from further development and then tailor make the interventions required prior to the start of the learnership programmes. Explorative testing is used for the purposes of...
self-exploration and career choices in particular. The Centre also supports the Psychometric Training Programme offered by the Department of Psychology (NMMU) and there are currently two graduate interns employed at the Assessment Centre. After completion of their professional training they will qualify to register as Psychometricians with the Health Professions Council. In order to support its activities, the Centre also engages in commercial work, and offers organisational testing and interventions covering the full spectrum of organisational psychology interventions.

The unit produced 74 psychometric assessments for selection purposes, offered extensive individual counselling to eight learners, while a further 88 benefited from its student support and counselling services.

Skills Forecasting and the Eastern Cape Occupational Projection System (ECOPS)

The HCS started developing a comprehensive occupational forecasting system some years ago with the view of developing the capability to provide understandable, up-to-date and relevant labour market information to job seekers. The information systems G2O and Ncedo are the first steps in the process. While ECOPS will need more development over the next few years, in 2015/2016 the first forecasts were produced for the Office of the Premier on the Eastern Cape Strategic Infrastructure Projects (SIPs). The forecasts covered the proposed nuclear build at Thyspunt, the manganese corridor, the Wild Coast N2, and the Mzimvubu development. These forecasts were well received by the National Infrastructure Planning Committee.

In addition, the HCS ran forecasts on the labour absorption of Karoo Steel, the jobs impact of the proposed Wild Coast SEZ, and Operation Phakisa – specifically the maritime engineering and oil and gas sectors. In producing these forecasts the unit works extensively with industry associations including the Oil and Gas Alliance, SAMSA, SAIMI, NIASA and the construction works extensively with industry associations including the Oil and gas sectors. In producing these forecasts the unit works extensively with industry associations including the Oil and Gas Alliance, SAMSA, SAIMI, NIASA and the construction

HCS enabled the preparation, establishment and maintenance of an environment conducive to construction on each project, whilst also ensuring that possible local socio-economic benefits associated with each construction project was maximised.

Youth Development Initiatives and Career Days

The R&P team has participated in numerous initiatives to address youth unemployment and career guidance programmes. These include:

- Working World Exhibition which has grown from the strength over the past 16 years. In 2016 more than 15 000 learners representing about 79 Schools attended all from Sara Baartman District. This Expo assists learners in making informed career choices.
- Career Exhibition Nkonkolwe Local Municipality: The purpose of this expo was to expose scholars and unemployed youth to bursary opportunities, multiple career choices and business opportunities. The target audience was scholars and unemployed youth.
- Youth outreach program in Radway Green farm in Makana Local Municipality, Grahamstown in July 2015.
- Career Day Mthatha organised by National Youth Development Agency. The purpose was to make the unemployed graduates aware of the employment opportunities and also how to access those opportunities.

Looking Ahead

HCS is in the process of reassessing its business model. It now has the tools with which to introduce revenue streams without incurring the same level of labour costs previously associated with its portfolio. Having embedded the knowledge management component in the ERP system, it now becomes possible to provide the delivery model and systems on a user-pays basis to external clients. It is also possible to provide client social facilitation teams with management, strategic and systems support, all of which are additional income streams.

In order to introduce new revenue streams in support of the CDC strategy, HCS is making its social facilitation offering and systems available to other state-owned entities and government departments. A further development to the business model is the commercialisation of HCS’s intellectual property, including its labour forecasting and economic impact models. These services generate more value for clients if the research and data are combined with interventions and implementation.

Going forward, HCS will evolve from a social facilitation service to a fully-fledged social development agency by using its World Bank Multi-dimensional Poverty Assessment instruments to design interventions aimed at social change and economic transformation, and its labour forecasting models in the design of skills development plans on the sector level. New services will include supplier development in support of capital projects, socio-economic impact assessments and in-depth employment relations and labour management consultancy designed for mega-projects. These services will capitalise on HCS’s excellent track record in the management of labour on mega-projects.

Particular attention over the next few years will be paid to the maritime industry. HCS served on the National Task Group convened by the South African Maritime Safety Authority (SAMSA) and the Department of Higher Education and Training (DHET) to develop a Maritime Skills Strategy for South Africa. HCS continues to contribute to the National maritime Manufacturing Skills Working Group in support of Operation Phakisa.

A second sector that will be prioritised is the nuclear industry in preparation for the proposed building of a nuclear plant at Thyspunt. HCS serves on the national nuclear skills working group convened by the Nuclear Industry Association of South Africa (NIASA). It also contributes to economic studies, in particular the norming of the International Atomic Agency’s GCE Equilibrium Model and norming the model for South African standards.
SMME DEVELOPMENT

Business Overview

SMMEs in South Africa and the rest of the world are recognised as important contributors to job creation and stimulating economic growth. In South Africa, SMMEs comprise of 91% of formal businesses, contributing about 34% to the country’s GDP while employing 60% of the labour force.

There is, however, an exceptionally high failure rate of SMMEs due to a number of factors which are often experienced in combination. They include a lack of business opportunities; lack of business management knowledge and experience; lack of access to finance and markets; red tape and the costs of compliance with regulatory bodies. The National Development Plan set a target of 90% of employment opportunities being created by SMMEs by the year 2030. However, continued slow economic growth results in budget cuts which ripple down the supply chain and impact negatively on small businesses.

The CDC supports SMMEs through training, mentoring and capacity building, with the aim of ensuring that small businesses are equipped to provide support to lead contractors operating in the IDZ. Working with established companies gives the SMMEs the opportunity to develop and grow their businesses.

SMMEs create value for the CDC by contributing to its mission of enabling socio-economic development, supporting sustainable small enterprises and increasing their participation in the formal economy. This is in line with CDC’s strategic objectives and five year sustainable growth strategy.

CDC is a champion and a voice for small sub-contractors/businesses. It ensures that skills are transferred through training and mentorship, and that the SMMEs are not exploited by lead contractors/big businesses. Facilitators from the CDC visit sites weekly in order to monitor compliance and to track the development progress of SMME sub-contractors.

The CDC maintains a regularly updated database of SMMEs in order to meet the needs of the main contractors. In the 2015/2016 FY CDC facilitated accredited training for 218 small businesses throughout the Eastern Cape in the following disciplines: financial management, pricing and tendering, and health and safety.

In the year under review, the CDC again exceeded the SMME participation target of 33% on all contracts, with a total of 37.2% in 2015/2016 FY. However, this is down by 19% on the 46.17% achieved in the previous financial year.

Approximately 37 SMMEs in Nelson Mandela Bay have benefited from CDC contracts, with an estimated contract value of R66-million. In the Eastern Cape as a whole, 128 SMMEs have benefited, with an estimated contract value of R180-million in the financial year under review.

LOOKING AHEAD

The CDC’s broad dedication to sustainability is to meet the needs of the present generation while building the capabilities of future generations to meet their own needs through economic empowerment. Meaningful transformation and SMME development are integral components of this journey, and the CDC is committed to supporting and enhancing SMME participation in all its projects.

Target: 35% SMME participation
Actual 2013/14 FY: 37.92%
Actual 2014/15 FY: 46.17%
Actual 2015/16 FY: 37.2%

SMME DEVELOPMENT: CDC is actively involved in supporting sub-contractors and SMMEs through skills development.
The service delivery challenges facing all three tiers of government are well-known and make headlines almost daily. The CDC's strategic response has been to bring its expertise in project management and infrastructure development to the fore as an implementation agent for a range of infrastructure projects. This response extends the impact of the CDC's socio-economic development vision, to leave a legacy of public infrastructure, skills development and job creation.

These projects fall under the External Programme's Business Units, which play a key role in the CDC's strategy for financial self-sustainability to support the Coega IDZ through diversified income streams and reduced reliance on grant funding. These programmes significantly support CDC's value creation – not only in terms of revenue generation but also in training and skills development, job creation, and empowerment of SMMEs, women and youth. The impact of these projects is significant for the communities in which they are based, providing skills training and job opportunities in the construction phase and thereafter, improved service delivery and public infrastructure.

The External Programmes Unit deploys not only the CDC’s technical expertise in project management and infrastructure development, but also the models that it has developed and successfully implemented in the IDZ, in terms of occupational skills training, labour management, and empowerment of SMMEs, women and youth entrepreneurs. These models have been replicated and adapted for the CDC’s role as implementing agent on public sector infrastructure projects, and contribute significantly to ensuring that these projects contribute to job creation and economic empowerment in the communities wherein they are implemented.

The CDC has managed the implementation of numerous schools, hospitals and road-building projects in the Eastern Cape and KwaZulu-Natal since 2006/07 financial year. The organisation's External Programmes are managed by Programme Directors situated in Port Elizabeth, East London, Durban and Pretoria, servicing a growing range of clients on major infrastructure projects.

External Programmes established a dedicated business development unit in the last quarter of the 2013/14 financial year to grow its portfolio by expanding the client base, developing new business lines, strengthening client relationships, and assisting clients through the development of new models for infrastructure funding.

Clients served in 2015/16 FY:

**National government**
- Department of Health
- Department of Basic Education
- Department of Public Works

_KwaZulu-Natal provincial government_
- Department of Education
- Department of Cooperative Governance and Traditional Affairs
- Department of Social Development

_Eastern Cape provincial government_
- Department of Human Settlements
- Provincial Treasury/Department of Economic Development, Environmental Affairs and Tourism
- Department of Education
- Department of Sport, Arts, Recreation and Culture
- Department of Health

Performance Review & Outlook

Revenue generated: **R152-million**
Percentage of CDC total revenue: **34%**
Increase in client base: **62%**

**New business: 5 clients**

The New Business Development unit assisted in achieving a 62% increase in the number of clients compared to 2014/15 FY, from 8 programmes to 13, including:
- **National Department of Health** – planning, design, construction and commissioning of hospitals and clinics in Gauteng, Free State and Eastern Cape
- **National Department of Public Works** – facilities management for the Robben Island World Heritage Site, Prestige Projects Rehabilitation Programme at the Pretoria Minsterial Complex, Cape Town Parliamentary Village and the Union Buildings. The project includes skills development for DPW technical staff.
- **KZN Department of Co-Operative Governance and Traditional Affairs (Cogta)** – installation of solar panels and generation for royal households and community centres
- **EC Treasury** and **DEDEAT** – assisting in the implementation of social infrastructure in various municipalities, including eradication of bucket sanitation in NMB

In addition, infrastructure programmes are currently being finalised for the Western Cape and Mpumalanga provincial governments.

**Performance Highlights:**
- Through its External Programmes, CDC manages 95% of the R2-billion Eastern Cape provincial budget for health infrastructure, and effectively manages more than 1 400 health facilities, impacting on the lives of 4.5 million of the province’s citizens. The EC Health Department was assessed by National Treasury and the national Department of Health and recognised in the President’s budget speech in February 2015 as the best-performing provincial health department in terms of infrastructure delivery.
- New capital works for the EC Department of Health include the R1.4-billion Cecilia Makiwane Hospital project and the site for the NHl in Mthatha.
- The CDC further provided project management services for both the conclusion of historic projects and management of new projects.

**CDC's contract to manage the REDP concluded in March 2015 and the programme was successfully closed out with completion of all projects, handover of the project management office back to the Department, a full audit, and documentation of the lessons learned in order to support skills transfer**
- The CDC’s Implementing Agent service provision to the Eastern Cape Department of Education and its School Building Programme has included the planning, construction and provision of emergency schools, early childhood centres, technical workshops and the eradication of mud school structures in order to provide a conducive learning and teaching environment for learners and educators.
- CDC is assisting the Mpumalanga Economic Growth Agency with the designation of the Nikoma SEZ. This includes conducting various studies such as, Feasibility, Traffic Study, EIA, Financial Viability Model and others.

<table>
<thead>
<tr>
<th>2013/14 FY</th>
<th>2014/15 FY</th>
<th>2015/16 FY</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Business Unit</td>
<td>No. Current</td>
<td>No. Projects Added</td>
</tr>
<tr>
<td>1 DoE (KZN)</td>
<td>1 DoE (KZN)</td>
<td>1 Coega - KZN</td>
</tr>
<tr>
<td>2 EDU</td>
<td>2 EDU</td>
<td>2 DHS</td>
</tr>
<tr>
<td>3 DoE DSRAC</td>
<td>3 DoE DSRAC</td>
<td>3 NDoH</td>
</tr>
<tr>
<td>4 DoH</td>
<td>4 DoH</td>
<td>4 NDWP - Prestige</td>
</tr>
<tr>
<td>5 DoH Facilities</td>
<td>5 DoH Facilities</td>
<td>5 Mpumalanga Economic Growth Agency (PIEGA)</td>
</tr>
<tr>
<td>6 DRDLR</td>
<td>6 DRDLR</td>
<td></td>
</tr>
<tr>
<td>7 KZN Social</td>
<td>7 KZN Social</td>
<td></td>
</tr>
<tr>
<td>8 DBE KZN</td>
<td>8 DBE KZN</td>
<td></td>
</tr>
<tr>
<td>9 DoH Planning</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Summary

| Projects Assessed in 2013/14 FY | 9 |
| Projects Assessed in 2014/15 FY | 8 |
| Projects Assessed during 2015/16 FY | 5 |
| Total Projects in 2015/16 FY | 13 |
| % increase from 2014/15 FY | 62% |
More than 100 schools in five districts in the Eastern Cape benefited from improved sanitation, ablution facilities and rainwater tanks in the Eastern School Sanitation Programme managed by the CDC for the EC-DoE.

The school building and sanitation programmes created employment for 908 people in March/April 2016.

CDC managed the Accelerated Schools Infrastructure Delivery Initiative (ASIDI) of the national Department of Basic Education, aimed at eradication of inappropriate school structures and providing basic services (water, sanitation and electricity) to schools. The programme reflects government and the CDC’s aim of bringing all schools in the province to an adequate standard for effective teaching and learning.

Over the 2013/14, 2014/15 and 2015/16 financial year, the CDC built and managed ASIDI in 26 schools, with a total budget of R451-million and 172 people have been employed.

Looking Ahead

The current slow-down in South Africa’s economic growth has resulted in reduced expenditure by major infrastructure clients, driving the need to diversify the External Programmes client base and to explore new and further diversified income streams.

On the other hand, the National Development Plan, which is anchored by the New Growth Path and expressed in the National Infrastructure Plan (NIP), presents new opportunities in the medium- to long-term through the related Strategic Integrated Projects (SIPs) – and the CDC will, going forward, look to optimise its participation in those initiatives.

The short- to medium-term focus will continue consolidation of the existing portfolio and diversification into additional provinces.
INTRODUCTION

The CDC develops and manages a world-class IDZ/SEZ for preferred investors by implementing infrastructure projects and providing top structures to fulfill their requirements. In addition, the CDC acts as the Implementing Agent for a number of external programmes on behalf of national and provincial government. As such, the CDC, through the wide scope of its corporate strategy, enhances the socio-economic capacity of the Eastern Cape and the country as a whole, while enabling tenants to meet their economic objectives in a socially, environmentally and economically sustainable manner.

The CDC has identified the need to ensure that the current sustainability initiatives that are undertaken expand and migrate in a holistic formal manner. As such, the focus is on the triple bottom line – the socio-economic context, natural environment and financial stability. Additional sustainable practices, procedures and policies need to be adopted and integrated into the decision-making processes as the basis for all the decisions affecting inter alia, CDC tenants, suppliers, surrounding communities, local business and CDC stakeholders.

In this regard, decisions focus on long-term value and are based on prudent consideration of:

- Social sustainability: Maintaining mutually beneficial relationships with employees, customers and the community. These activities often have benefits in terms of a positive profile, customer and community support, through, for example, eradicating or alleviating poverty.

- Environmental sustainability: The impact of resource usage and the responsibility towards preserving and conserving the natural environment. These activities may have a direct benefit for a business by reducing costs.

- Economic sustainability: Business efficiency, productivity, profit by means of incorporating sustainability issues into the return on investment and operational functionality.

In summary, short- and long-term consequences will be considered in all of these areas in decision-making processes. As such, the highest level of ethics and governance in respect of all decision-making and implementation processes will be practiced. Efforts to continuously monitor and improve on the effectiveness of our sustainability management systems and positive social, economic and environmental performance will be a cornerstone for the way that the CDC conducts its business.

Energy

The CDC has adopted the objectives of ISO 50001 – Energy Efficiency. This ISO Standard outlines both short- and long-term measures that are put in place to reduce the energy use carbon footprint, with the objective of reducing the impact on global warming. The CDC is becoming more energy efficient and an added advantage has been the reduction of ever-increasing costs of primary energy and resultant increasing cost to consumers of electricity supplies. The organisation has recently implemented ISO 50001, which will allow it to do the following:

- Fix targets and objectives to meet the policy
- Use data to better understand and make decisions about energy use
- Measure the results
- Review how well the policy works
- Continuously improve energy management

Water

It is anticipated that there will be significant demand for industrial water quality water in the SEZ, as the SEZ becomes progressively populated by various industries, particularly heavy industry. The establishment of a reliable and sustainable supply of industrial quality water for the Coega SEZ is of utmost economic and environmental importance and key in attracting development and sustaining the marketability of the Coega SEZ to investors, particularly large consumers of water. As such, the use of recycled water – return effluent – is also an environmental condition prescribed by the DEDEAT to key industries within the SEZ.

The first phase of the return effluent supply is based on the NMBM providing Category 4 industrial process water at Fish Water Flats Waste Water Treatment Works in Port Elizabeth. The process of achieving Category 4 return effluent entails converting the current activated sludge process at Fish Water Flats Waste Water Treatment Works into a Membrane Biological Reactor (MBR) system. A MBR system will provide at least Category 4 industrial quality water. The value of the NMBM project will be seen through the return effluent water supply scheme and will provide a secure supply of industrial water to the Coega SEZ, thus allowing the CDC to attract new and service current investors that require Category 4 industrial water for their processes. The return effluent supply to the Coega SEZ is aligned with the organisation’s strategic objectives and will allow for the following:

- Financial sustainability and growth

The development of the return effluent supply facility will generate revenue for the Coega SEZ. This revenue will contribute towards the future financial sustainability of the organisation.

Preferred investment destination

It is considered that the return effluent water supply scheme investment will contribute to the CDC’s commercialisation initiative, by providing the required return effluent to investors. Advance socio-economic development and transformation in the Eastern Cape

It is envisaged that the investment will create an additional 180 permanent job opportunities within the return effluent water supply facility. Further jobs prospects will be forthcoming by way of attracted investors due to the availability of utilities such as the return effluent water supply.

Water quality

To minimise and mitigate impacts on the environment, the CDC monitors ground and surface water within the Coega SEZ. A water monitoring programme has been adopted and a baseline water quality study was initiated in 1999 to establish background hydro-chemical and sediment chemistry data for reference purposes. Initially, the programme was set to establish baseline concentrations for specific pollutants in surface water, groundwater and sediment quality. The work was undertaken to ensure that an essential and reliable database of background information was available for future reference if pollution should be identified.

Air quality

The CDC has three air quality monitoring stations strategically positioned in the SEZ. This allows the CDC to keep track of air quality in the SEZ thus ensuring compliance with legislative requirements.

Maintaining this monitoring programme will enable the CDC to create an air dispersion model where the cumulative impacts of emissions can be monitored. This allows for the effective management of the available air space in the Coega SEZ. In addition, the CDC can effectively plan which types of industries can be accommodated in future, using the dispersion model, without exceeding air quality requirements as legally required.

Natural environment – Open Space and Biodiversity

The Open Space Management Plan (OSMP) sets out the uses of the open space areas within the Coega SEZ. It is a mandatory requirement under the legislative framework applicable to the Coega SEZ. Since the establishment of the Coega SEZ, the OSMP has evolved, as reflected in the various studies and authorisations which have accompanied the development and planning of the zone.

The process has included consultations with institutions such as the CDC, the NMBM, WESSA, the CDC’s Environmental Control Officer, representatives of the DEA, the DEDEAT, Environmental Affairs and Tourism, TNPA, DWA and SANParks.

The primary objectives for developing an OSMP for the Coega SEZ were to:

- Promote preservation of the environment where natural systems and/or specific habitats require it
- Manage and preserve the cultural resources within the open spaces of Coega SEZ

- Manage and preserve land for its aesthetic or passive recreational value, for active recreational use, and for its contribution to the quality of life of the concessionaires, tenants and the public

- Meet recreation space demands as well as provide natural amenities for the SEZ working population

- Ensure proper management of open space areas

- Ensure that linkages to neighbouring open space areas are maintained

- Address the social and cultural needs of workers and families if and where desired

- Promote educational opportunities within the SEZ and enhance the level of environmental awareness of the workers within the SEZ

- Improve the environmental quality by means of development guidelines to ensure that the Coega SEZ can compete with other alternative locations on a global scale.

The key objectives for OSMP are:

- Develop an integrated open space system that takes account of activities and opportunities on adjacent and private properties, properties owned by NMBM, and the NMBM’s Open Spaces

- Convey information on the Management Guidelines as they affect the activities of the open space system to all contractors, concessionaires, tenants, employees and other members of the public to ensure that all comply with the OSMP principles

- Prioritise the management and removal of alien plant species within the Coega SEZ

- Promote activities likely to impact negatively on open space such as illegal dumping, bush fires and clearing of vegetation beyond approved areas

- Enforce rules and regulations governing use and protection of open space.

Biodiversity protection and management is an important focal area for the CDC and much of the local ecology, especially endemic fauna and flora, makes conservation and management of biodiversity a critically important objective. A number of policies and procedures and EIA requirements are in place to eliminate or mitigate negative impacts on biodiversity due to infrastructure development and tenant activities within the SEZ.

As such, the CDC established a plant nursery for the safekeeping of rescued plants from the SEZ until they are required for landscaping of areas within the SEZ.

The nursery is located in the Coega SEZ. The CDC’s alien vegetation clearing programme continues successfully, with numerous SMME’s employed during the programme. In excess of 650 ha was cleared of aliens in the 2013/14 FY.

Corporate Social Investment

The pillar of social sustainability is upheld through the work of the CDC CSR policy. The CSR strategy is informed by policy and the objectives outlined by the ISO 26000 objectives and
focus areas as per the NDP 2030. Accordingly, the impacts of its decisions and activities on society and the environment at large that contribute to sustainable development are also taken into consideration. Decisions are made in line with expectations of stakeholders, compliance with the law and international norms of transparent and ethical behaviour.

**Integrated Management System (IMS)**

The purpose of the CDC's IMS is to support the business so that processes, services and systems consistently and effectively meet customer expectations, applicable regulatory and legal requirements as well as the provision of mechanisms for continual improvement. The organisation is certified ISO 9001 Quality; OHSAS 18001 Health and Safety; ISO 14001 Environmental as an Integrated Management System.

Environmental, quality and occupational health and safety management systems are fundamental tools of corporate management; the maintenance of these standards by the CDC demonstrates acceptance of responsibility, and the intention to prevent the waste of resources. The standards provide a solid foundation to enable the CDC to stand the test of time and challenges of the marketplace. The principles incorporated in the standards assist in involving and uniting employees in working towards a shared goal. It is a source of employee pride and provides a competitive marketing and sales edge.

**Benefits of an Integrated Management System:**

- Facilitating better decision making by providing a more complete view of the impact of the quality, environmental and occupational health and safety programmes on business performance
- Identifying areas where there may be overlapping responsibilities or duplication of effort
- Helping to develop objectives and plans that are not competing or contradictory, and are consistent with business needs
- Allowing better planning and allocation of available resources, leading to improved work flow and operational efficiencies
- Promoting harmonized methods and processes for the overall business management system
- Reducing the amount of documentation, providing all relevant information in one place, resulting in happier employees who are not overwhelmed by multiple cross-references
- Raising awareness of and promoting the interaction and interrelation of Quality, Environmental and Health and Safety systems within the organisation’s operational and business processes
- Facilitating the development of coordinated solutions to problems identified in different work areas
- Promoting a more business focused approach to the audit process
- Consolidating audit results for all the management systems.

The CDC is not limited to these ISO standards and objectives. There are a number of additional ISO and SANS standards which CDC has adopted. These include, but are not limited to:

- SANS 16001 Wellness and Disease Management (incl. HIV & TB)
- ISO 27001 Information Security
- ISO 28000 Physical and Environmental Security

**Sustainable Building Standards**

The CDC’s Design Review Committee reviews all Site Development Plans for projects in the Coega SEZ as a means of complying with SANS 10400 – Building Regulations. As such, the CDC follows a formal approval process for meeting its legal obligations in ensuring legal requirements for building standards. In addition, the CDC subscribes to the principles of the Green Building Council of South Africa (GBCSA) which ensures that CDC’s buildings not only meet legal requirements but allows for innovative designs to be produced that improve efficiency. Through CDC’s membership of the GBCSA, the organisation can improve:

- Sustainability: Green building practices play a significant role in embedding sustainability into businesses’ strategic imperatives and long-term focus
- Competitive edge: The organisation will receive priority support in the use of Green Star SA tools and practical ways to build better and greener.

**Labour practices and decent work**

As a government entity, CDC’s labour practices are in compliance with the government regulations and guidelines, however in most instances morality and ethical principles become a guiding point. The guidelines of the Tripartite Declaration and ILO Declaration on fundamental principles and Rights at Work are embedded on the CDC’s employment practices, training, condition of work and industrial relations.

CDC’s primary mandate to attract investors to the SEZ is gaining momentum and it further extends its scope to operate in the social and economic globalised environment. International benchmarking provides a platform to assess whether the CDC’s practices compete globally. Due to the political and economic situations of the provinces in which the CDC operates, promotion of the principles of the MNE Declaration are internalised in all the processes.

**Unacceptable forms of work**

Special attention is given to unacceptable forms of work such as child labour and forced labour. The Labour Relations Act, which governs employment relations, is prescriptive on the definition of an employee and his other rights. It further stipulates the elimination of discrimination at work, both for applicants and existing employees. Such guidelines are depicted in recruitment and selection policies and practices.

**Employee participation**

There is a general culture of employee participation and consultation, with information sharing on the Company’s strategic direction and objectives. Participation of employees is promoted in various business forums where deliberations on operational and strategic issues take place. Employee opinion and ideas are taken into consideration.

**Grievance and disciplinary procedures**

Grievance and disciplinary procedures are in place to ensure that the rights of employees are protected during conflict management and disciplinary issues. The compensation structures for each job level and the determination of the level of the position results in employees being compensated for the work they do and benefits are classified according to the nature of the contract. Conditions of employment are in line with the prescripts of the basic conditions of employment act and discrimination on compensation is prohibited. Income differentials are based on different job roles as opposed to gender and race.

**Good Labour Practice (GLP)**

GLP guidelines are promoted through the accessibility of training programmes to enhance employees’ skills and knowledge. Training and development is encouraged and is compulsory for each employee through the personal development plan and non-compensation. The CDC prides itself as a learning organisation that believes in continuous improvement in as far as career development is concerned. The Skills Development Act regulates the training and development of employees and is in alignment with SAQA standards to ensure that quality and credible training is maintained.

**Employment Equity Act**

The Employment Equity Act promotes equal opportunity in terms of employment and racial and gender representation at all job levels. It further seeks to ensure that people with disabilities are integrated into the economic mainstream.

**Diversity and Equal Opportunity**

The CDC recognises that its rich diversity is its source of strength. The organisation recognises the importance of the employee aspects of diversity and is completely conscious that all employees bring their unique capabilities, experiences and characteristics to their work environment. The CDC’s commitment of complying with its legal obligations under the Employment Equity Act (1998) and the Broad-Based Black Economic Empowerment Act (2003) as well as industry commitment in the Services Sector has been maintained. The CDC further promotes the equality of opportunity and actively values diversity as a core part of its strategic aims as well as its day-to-day business management practices. The representation of females at leadership levels is improving as a result of policies that encourage and employment of people with disabilities has exceeded the target of 2%.

**CSI Projects**

The following projects represent CSI focus of IR:

- Re-establishing a CDC SEZ nursery with a Green Eco School for the local primary school youth
- Improved SEZ waste management
- Including electronic equipment waste
- Recycling

**CDC Sustainability Specifications**

These will be based on best practice, ISO standards and objectives, Corporate Governance King III, Integrated Reporting Principles, PMFA guidelines/requirements, National Development Plan, relevant Legal requirements and the Constitution of South Africa.

Coega SEZ Sustainability Reporting GRI 4

Sustainability reporting is about standard, structure and substance. A corporate sustainability report is a specific document resulting from a predetermined reporting process, which reflects on performance indicators aligned with the organisation. As such, the disclosure on economic, environmental and social performance has become as common and comparable as financial reporting as it is equally important to CDC’s corporate success. The main goal of the global reporting initiative (GRI 4) is to create conditions for the transparent and reliable exchange of sustainability information through the development and continual improvement of the sustainability reporting framework. Hence the CDC has embarked on a Sustainability Reporting System, which will be updated electronically on a monthly basis for the next financial year (2016/17). Future CDC sustainability reports will contain the categories, aspects and performance indicators of the GRI 4. The GRI 4 sustainability reporting process is an ongoing cycle of engagement to understand, debate, measure and improve internal processes and to monitor and communicate performance through the organisational sustainability report. It is a report about economic, environmental and social impacts caused by an organisation through the activities of an organisation in an attempt to reach their performance objectives.
The next financial year and four years into the future will be challenging for the CDC in terms of replicating past performance in the light of global economic prospects. According to the Bureau for Economic Research (SA), growth will be under pressure for the foreseeable future, due to fiscal consolidation, demographics; unwinding of QE programmes and China’s slowdown. Commodity prices may continue to weaken. FDI in Africa may grow in value, but the number of projects may decline. As a result, Africa’s attractiveness as a FDI destination may also dip.

Household consumption expenditure in South Africa is under pressure. The SA economy is vulnerable and the manufacturing sector is in trouble. Fixed investment spending is sluggish due to global uncertainty, domestic labour instability, poor domestic market demand conditions, surplus production capacity and policy uncertainty. Inflation is predicted to spike, the interest rate is in a moderate upward cycle and the exchange rate is volatile.

Eastern Cape business confidence is expected to drop below that of the national level. The manufacturing sector is also in trouble, as confidence is dwindling in this industry. However, building activity continues to pick up pace.

A change in strategy has resulted in the CDC developing external consultancy businesses. The Infrastructure Implementation Programme is such an example; it has supported the organisation to generate income and thus move toward sustainability.

External consultancy businesses and programmes have been the main driver in the generation of a consistent increase in revenue collection for the CDC over the past five years, with external businesses and programmes contributing 64% of the total CDC self-generated revenue. On average, the self-generated revenue has been growing at a rate of 36% year-on-year in the past four years.

The organisation defined a new five year strategy for 2014/15 - 2019/20 with three strategic pillars:

- Financial Sustainability
- Strategic Partnerships
- Business Intelligence

FINANCIAL SUSTAINABILITY

The organisation operates in a period characterised by rapid change. Internationally the dynamics of globalisation cannot be ignored, while the introduction of the SEZ Act locally will have a major impact on CDC in many ways, particularly the funding model.

The fundamental challenge is that of financial self-sustainability. By 2020, CDC must increase revenue to R1.4-billion through the diversification of clients and of its service offering. Essentially, 80% of revenue will have to come from IDZ-related activities, and 20% of revenue from other avenues.

In terms of CDC’s client diversification strategy, new markets will be explored and activated. CDC will look at different sectors of the economy to develop new products and service offerings, but this can only be done with sufficient capacity. For example, energy investment projects would play a key role in ensuring the financial sustainability of the CDC, given the country’s energy challenges. Specifically, the East Coast Corridor Strategy, discussed later in this section, would contribute towards sustainability of the CDC by increasing the revenue mix and diversifying investment portfolio.

Alternative measures are also being put in place to mitigate the risk of reduced government funding. In this regard, the organisation intends to use its resources and assets productively in order to generate revenue for its financial sustainability, through:

- Better corporate governance
- Leveraging the capital assets of the IDZ
- Obtaining partners to develop the land asset and/or bring their own customers to set up in the IDZ
- Obtaining funding from alternative sources.

This goal is directly linked to client diversification; CDC intends to offer a variety of products and services to be able to operate sustainably. This means modifying current products and services to expand the market potential. Effective product diversification requires accurate targeting and product differentiation.

The other aspect of organisational self-sustainability is to diminish the dependence on revenue from its External Programmes.

As present 70% of the organisation’s revenue resides in project income from its external programmes. The goal is to shift the balance in the future where R300-million (20%) of revenue will come from External Programmes and R1.1-billion (80%) from IDZ-related activities.

STRATEGIC PARTNERSHIPS

Strategic partnerships open up a range of benefits for CDC and are also aligned to the organisation’s goal of being a catalyst for social development and economic growth. On the one hand, CDC will benefit when specialist resourcing, capital and operational costs are reduced and when new venture project development risk is shared and distributed, while on the other, the organisation supports the broader goals that address inequality, poverty and unemployment.

The CDC’s partnership oriented strategic approach is founded on securing new funding partners and investors, building public-private partnerships (PPP), introducing concessions, exploring the use of private developers within the Coega IDZ, developing relationships with utility firms to ensure IDZ tenancies are advanced and, importantly, a commitment to civil society partnerships. CDC skills development, empowerment and transformation initiatives benefit individuals and communities.

The primary goal of industrial development and special economic zones is job creation. A strong focus will be on the promotion of incentives for both local and foreign investors in export industries as well as clients with product lines which focus on import substitution and foreign investors utilising local material for beneficiation. Attraction of local investments has also become a major goal, and the CDC acknowledges this.

Through PPPs, specific objectives and the mutual interests of the state and the commercial sector can be achieved faster and more efficiently. PPP instruments that will be introduced by CDC will ensure that capital and operational costs are outsourced and shared; accessibility to specialist skills are improved; new clients and markets are opened; special funding becomes more readily accessible, and operational efficiencies become more streamlined and honed.

Concessions have become an internationally recognised method of involving private sector operators to perform functions on behalf of state enterprises, and case studies have shown that this process can be effectively implemented in IDZ environments. Concessions will be meticulously planned, managed and monitored by CDC to mitigate the risks of failure as a result of complex issues associated with the processes.

Partnerships with private investors in the Coega IDZ offers a host of benefits, including a collaborative private sector property development relationship that will enhance the
CDC's product offering. The private sector can also undertake lease negotiation processes for potential tenants in the Coega IDZ and funding uncertainty, which jeopardises the location of projects in the IDZ, will be reduced. Possible barriers that will prohibit the entrenchment of private developers in the Coega IDZ, comprising of both generation and manufacturing projects. A prime example is the Dedisa Peaking Power Plant, which became operational in September 2015, within the projected timeframes. The IDZ has the space and the infrastructure to support nuclear, conventional and renewable energy projects. Existing facilities help the Coega IDZ to attract manufacturers by providing economies of scale. As an example, the DCD Wind tower facility in the Coega IDZ has an 80 ton crane which could be used to move other energy and advanced manufacturing-related components.

The IDZ is also at the centre of existing facilities, all of which require maintenance, as well as planned mega-projects. Within the borders of the Eastern Cape, the CDC has identified sixteen wind farms, a solar farm, several planned small-and micro-hydro power facilities, two open gas cycle turbines, at least two proposed biofuel plants, and one proposed nuclear plant at Thyspunt. Some 80 kilometres from Coega. There are also plans for a large-scale refinery in the Coega IDZ itself.

Localisation of manufacturing and the operational value chain is being supported by the CDC through six value offerings. These include component manufacturing, engaging with the industry, supplier development, human capital solution, labour management and infrastructure programme implementation. One of the most important of the value offerings is ensuring that the Eastern Cape is represented on the relevant energy committees.

CDC is a sits on various industry bodies, and plays a leading and proactive role in advancing energy project development together with private and public sector institutions. Furthermore, the Coega IDZ location is within close proximity to the Port of Ngqura, thus providing an advantages logistics network.

New entrants into the supply of components and services for the gas, renewables and nuclear power facilities are being supported by the CDC. The corporation is already assisting new entrants into the manufacturing sector, and in particular those which are black and women-owned enterprises.

BUSINESS INTELLIGENCE

CDC will develop and entrench itself in a paradigm of business intelligence over the next five years. Through the Business Intelligence Strategy, the CDC sets out to achieve even greater operational efficiencies and organisational successes through analytical software tools, business intelligence (BI) suites (SAS and Oracle) for monitoring, evaluation and performance measurement.

This will allow CDC management and senior leadership to be responsive with innovations and improvements because of new sources of information, data and intelligence. It will also increase, enhance and deepen their own understanding of the actual status of the organisation, through an objective lens.

CDC will introduce a set of technologies and processes that use data to analyse and interpret business performance. Data, statistical and quantitative analyses, explanatory and predictive models, and fact based management systems offer a new dimension to informed and intelligent decision-making. The involvement of analytics would enhance management decision-making.

The CDC is determined to take full advantage of business intelligence, and the process will be driven and adopted across the entire business.

TOWARDS AN INTEGRATED ENERGY HUB

CDC is one of the main champions of the East Coast Corridor Energy Plan, which focuses on developing a generation, manufacturing and support hub for energy projects spanning from Mossel Bay to Richards Bay. The plan is to ensure energy security and stimulate the growth of manufacturing along the East Coast Corridor, which in turn will translate into a higher and inclusive economic growth and job creation. The corridor initiative will also assist in helping South Africa to meet its commitments to a lower carbon and carbon resilient future. Establishing an energy corridor will contribute to certainty in terms of energy security, diversity and stability in gas, nuclear, renewables, including biofuel as well liquid fuels.

The foundation has been laid for the growth of manufacturing for the energy sector: Wind towers are being built in the Coega Industrial Development Zone (IDZ), and photovoltaic panels are being assembled in East London IDZ and eThekwini. A strong case is being made for the development of an integrated energy hub within the Coega IDZ, comprising of both generation and manufacturing projects. A prime example is the Dedisa Peaking Power Plant, which became operational in September 2015, within the projected timeframes. The IDZ has the space and the infrastructure to support nuclear, conventional and renewable energy projects. Existing facilities help the Coega IDZ to attract manufacturers by providing economies of scale. As an example, the DCD Wind tower facility in the Coega IDZ has an 80 ton crane which could be used to move other energy and advanced manufacturing-related components.

The IDZ is also at the centre of existing facilities, all of which require maintenance, as well as planned mega-projects. Within
COEGA’s investment value topped R26,99 billion during the 2015/16 FY.
CFO’S REVIEW

The CDC had a resilient performance in the face of a tough economic environment during the past financial year. The worsening domestic economic environment, infrastructure bottlenecks (particularly electricity supply, transport and logistics services) and concerns about economic growth globally took a toll on private sector fixed investment. Limited funding hampered CDC’s expenditure, while subdued growth of tenants in the IDZ slowed revenue growth. In the light of the aforementioned, sustaining financial liquidity to advance our mandate was thus critical for the CDC.

The revenue derived during the year increased by 7% to R529-million. The difference between the reported revenue of R529-million, per the income statement, and self-generated revenue of R488,1-million, per the performance target, is the lease smoothing provision.

Operating profit for the year improved from a loss of R27-million in 2014/15 to R301-million in 2015/16. It must be pointed out though that the true position is that the organisation sustained an operating loss of R158-million (2014/15: 154 million). This is arrived at after stripping out non-revenue related income such as capital grant funding of R322-million (2014/15: R127 million) and a fair value adjustment of investment properties of R100-million. The loss for the current year is further aggravated by the provision of doubtful debts of R47-million (2014/15: R12- million).

The organisation also implemented a cost containment strategy during the financial year aimed at ensuring enhanced efficiencies and better utilisation of all resources. This has had the effect of curtailing or deferring certain activities and initiatives planned by the CDC. The effect of this resulted in a reduction of expenditure compared to last year of R49-million before taking into account impairments.

The financial constraints due to the funding limitations have had an impact on the delivery capacity of the CDC. Whilst the efficiency ratios appear to be a positive indicator of performance, it hides the pressures that has been experienced. The level of impairments for accounts receivable increased from R14-million to R79-million; these remain high, reflecting the difficult trading conditions persisting in the South African economy.

The CDC’s balance sheet remains very strong.

CERTIFICATE BY COMPANY SECRETARY

For the year ending 31 March 2016

Declaration by Company Secretary in terms of Section 268G (D) of the Companies Act: The Company has lodged with the Registrar all such returns as required of a private company in terms of the Companies Act, and all such returns are true, correct and up-to-date.

Fezile Ndema
(Acting) Company Secretary
For the year ended 31 March 2016

The Directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the Group 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 International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the Group’s cash flow forecast for the 12 months to 31 March 2017 and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group’s consolidated annual financial statements. The consolidated annual financial statements have been examined by the Group’s external auditors and their report is presented on page 104.

The consolidated annual financial statements set out on pages 102 to 153, which have been prepared on the going concern basis, were approved by the board of directors on 31 May 2016 and, as authorised, are signed on their behalf by:

Dr P Jourdan
Chairperson

Mr P Silinga
Chief Executive Officer
1. I have audited the consolidated and separate financial statements of the Coega Development Corporation set out on pages 98 to 153 which comprise the consolidated and separate statement of financial position as at 31 March 2016, the consolidated and separate statement of profit or loss, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY’S RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS), 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), and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR-GENERAL’S RESPONSIBILITY

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

OPINION

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Coega Development Corporation and its subsidiary as at 31 March 2016 and their financial performance and cash flows for the year then ended, in accordance with IFRS and the requirements of the PFMA and the Companies Act.

EMPHASIS OF MATTERS

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

Changes in legislation

8. As disclosed in note 34.1 to the consolidated and separate financial statements, the introduction of the special economic zone (SEZ) legislation in May 2014 brought changes to the way that funding to the industrial development zones (IDZs), and therefore the group, is allocated. This moved from medium industrial development zones (IDZ) and sustained operations from external revenue generated by the group.

In addition, the actions taken by management to mitigate the impact of these risks are disclosed in this note.

Financial sustainability

9. As disclosed in note 34.2 to the consolidated and separate financial statements, the company is facing a number of financial risks that cast doubt on its ability to sustain its current level of operations in the near future. The key financial risks identified include: 
- an inability to pay creditors within due dates
- negative key financial ratios
- the group operating without receiving the full amount of requisite funding for operational expenditure and sustained operations from external revenue generated by the group.

In addition, the actions taken by management to mitigate the impact of these risks are disclosed in this note.

Frivots and wasteful expenditure

10. As disclosed in note 35 to the consolidated and separate financial statements, the company incurred fruitless and wasteful expenditure relating to SARS interest and penalties and interest on overdue trade and other payables as a result of funding pressures that the company experienced during the year.

Restatement of corresponding figures

11. As disclosed in note 36 to the consolidated and separate financial statements, the corresponding figures for 31 March 2014 and 31 March 2015 have been restated as a result of errors discovered during 2016 in the financial statements of the Coega Development Corporation and, for the year ended, 31 March 2014 and 31 March 2015.

ADDITIONAL MATER

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

Other reports required by the Companies Act

13. As part of the audit of the consolidated and separate financial statements for the year ended 31 March 2016, I have read the directors’ report, the audit committee’s report and the company secretary’s certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed an unqualified opinion. I have not audited the reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the Coega Development Corporation for the year ended 31 March 2016:
- Promote small medium and micro enterprise (SMME) development on page 59
- Improve contribution to EC GGP on page 59
- Increase job creation on page 59
- Improve skills development on page 59
- Increase alternative funding sources on page 59
- Achieve independence from government funding on page 59
- Attain diversification of customers and/or products on page 59
- Increase growth of operational tenants on page 59
- Attain environmental sustainability for all CDC activities on page 59
- Promote excellence in the delivery of projects at the CDC on page 59
- Ensure that CDC intellectual property is protected from service providers and other third parties on page 59

16. I evaluated the usefulness of the reported performance information to determine whether it was presented
in accordance with the National Treasury’s annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury’s Framework for Managing Programme Performance Information (FMPPi).

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

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Promote small medium and micro enterprise (SMME) development
- Improve contribution to EC GGP
- Increase job creation
- Improve skills development
- Increase alternative funding sources
- Achieve independence from government funding
- Attain diversification of customers and/or products
- Increase growth of operational tenants
- Attain environmental sustainability for all CDC activities
- Promote excellence in the delivery of projects at the CDC
- Ensure that CDC intellectual property is protected from service providers and other third parties.

ADDITIONAL MATTERS

19. I draw attention to the following matters:

Achievement of planned targets

20. Refer to the annual performance report on page 59 for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the objectives to promote small medium and micro enterprise (SMME) development and improve contribution to EC GGP objectives. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

COMPLIANCE WITH LEGISLATION

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

ANNUAL FINANCIAL STATEMENTS AND ANNUAL REPORTS

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1) (a) and (b) of the PFMA and section 29(1)(a) of the Companies Act. Material misstatements of non-current assets, current assets, non current liabilities, current liabilities, fair value adjustments, taxation, other income, operating expenses and disclosures identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, resulting in the financial statements receiving an unqualified audit opinion.

INTERNAL CONTROL

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

LEADERSHIP

25. The accounting authority did not exercise adequate oversight to ensure that the annual financial statements and performance information were free from material misstatements. This was a result of not adequately monitoring the internal control functions and in-year reporting.

FINANCIAL AND PERFORMANCE MANAGEMENT

26. The financial statements and performance information submitted for audit were not credible and contained material misstatements that were subsequently corrected. The financial controls for preparing the financial statements were not adequately implemented to ensure that all transactions and balances were accounted for accurately and completely. The controls over daily and monthly processing of transactions, and the reconciliations between the subsidiary ledgers and control accounts were not adequately monitored during the year. These control deficiencies resulted in material misstatements in the financial statements and performance reports being identified during the audit process.
COEGA DEVELOPMENT CORPORATION (PTY) LIMITED DIRECTORS’ REPORT

The Directors have pleasure in submitting their report on the consolidated annual financial statements of Coega Development Corporation Proprietary Limited for the year ended 31 March 2016.

Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year. The accounting policies have been applied consistently compared to the prior year with the exception of property, plant and equipment for which the depreciated replacement cost model has been adopted for furniture and fittings.

The Group recorded a net profit after tax for the year ended 31 March 2016 of R262.5-million. This represented an increase of +100% from the net profit after tax of the prior year of R2.8-million.

Group revenue increased by 6% from R494.4-million in the prior year to R529.3-million for the year ended 31 March 2016.

Events after the reporting period

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

Going concern

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

Litigation statement

The group becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. Other than the matters set out in note 27, the group is not currently involved in any other claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

Auditors

The Auditor-General of South Africa continued in office as auditors for the Group for the 2016/17 financial year.

Secretary

The Group secretary is Mr F Ndema.

Business address

Corner Alcyon Road & Zibuko Street, Zone 1, Coega IDZ, Port Elizabeth, 6000

<table>
<thead>
<tr>
<th>Share capital</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Class “A” ordinary shares</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Issued</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>683,733</td>
<td>683,733</td>
</tr>
<tr>
<td>Class “A” ordinary shares</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

There have been no changes to the authorised or issued share capital during the year under review.
## Statement of Financial Position as at 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>3</td>
<td>560,491</td>
<td>503,489</td>
</tr>
<tr>
<td>Investment properties</td>
<td>4</td>
<td>4,877,340</td>
<td>4,464,375</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>5</td>
<td>1,756</td>
<td>3,122</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,439,587</td>
<td>4,970,986</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>10</td>
<td>342,084</td>
<td>307,574</td>
</tr>
<tr>
<td>Prepayments</td>
<td></td>
<td>175</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>9</td>
<td>9,148</td>
<td>1,146</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>11</td>
<td>286,589</td>
<td>505,732</td>
</tr>
<tr>
<td></td>
<td></td>
<td>637,996</td>
<td>814,452</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>6,077,583</td>
<td>5,785,438</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>12</td>
<td>1,264,558</td>
<td>1,264,558</td>
</tr>
<tr>
<td>Retained income</td>
<td></td>
<td>3,474,765</td>
<td>3,212,266</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,739,323</td>
<td>4,476,824</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income</td>
<td>17</td>
<td>215,747</td>
<td>218,011</td>
</tr>
<tr>
<td>Deferred income tax</td>
<td>8</td>
<td>515,685</td>
<td>504,356</td>
</tr>
<tr>
<td>Income received in advance</td>
<td>15</td>
<td>99,199</td>
<td>113,482</td>
</tr>
<tr>
<td></td>
<td></td>
<td>830,631</td>
<td>835,849</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>16</td>
<td>490,344</td>
<td>430,330</td>
</tr>
<tr>
<td>Current tax payable</td>
<td></td>
<td>945</td>
<td>-</td>
</tr>
<tr>
<td>Provisions</td>
<td>13</td>
<td>16,340</td>
<td>42,435</td>
</tr>
<tr>
<td></td>
<td></td>
<td>507,629</td>
<td>472,765</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>1,338,260</td>
<td>1,308,614</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td></td>
<td>6,077,583</td>
<td>5,785,438</td>
</tr>
</tbody>
</table>

## Statement of Profit or Loss for the year ended 31 March 2016

<table>
<thead>
<tr>
<th>Notes</th>
<th>31-Mar 2016</th>
<th>31-Mar 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>529,352</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>19</td>
<td>342,606</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>(696,377)</td>
<td>(669,839)</td>
</tr>
<tr>
<td><strong>Operating profit / (loss)</strong></td>
<td>20</td>
<td>175,581</td>
</tr>
<tr>
<td><strong>Investment revenue</strong></td>
<td></td>
<td>23</td>
</tr>
<tr>
<td><strong>Fair value adjustments</strong></td>
<td></td>
<td>24</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(3,009)</td>
<td>(421)</td>
</tr>
<tr>
<td><strong>Profit / (loss) before taxation</strong></td>
<td>273,965</td>
<td>(27,211)</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>25</td>
<td>262,499</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Statement of Changes in Equity as at 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th>Share Capital</th>
<th>Share Premium</th>
<th>Retained Earnings / (Accumulated Loss)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>7</td>
<td>1,264,551</td>
<td>3,124,864</td>
<td>4,389,422</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior period error</td>
<td>-</td>
<td>-</td>
<td>84,655</td>
<td>84,655</td>
</tr>
<tr>
<td>Balance at 1 April 2014 as restated</td>
<td>7</td>
<td>1,264,551</td>
<td>3,209,519</td>
<td>4,474,077</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>2,747</td>
<td>2,747</td>
</tr>
<tr>
<td>Balance at 1 April 2015</td>
<td>7</td>
<td>1,264,551</td>
<td>3,212,266</td>
<td>4,476,824</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>262,499</td>
<td>262,499</td>
</tr>
<tr>
<td>Balance at 31 March 2016</td>
<td>7</td>
<td>1,264,551</td>
<td>3,474,765</td>
<td>4,739,323</td>
</tr>
</tbody>
</table>

Notes 12 12

Statement of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>31-Mar 2016</th>
<th>31-Mar 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash generated from (used in) operations</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>1,323</td>
<td>7,078</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(3,009)</td>
<td>(421)</td>
</tr>
<tr>
<td>Tax received</td>
<td>808</td>
<td></td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>(145,688)</td>
<td>(9,928)</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Purchase of investment property</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Sale of investment property</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Purchase of other intangible assets</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Net cash from investing activities</td>
<td>(402,445)</td>
<td>(195,864)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government grants received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest earned on deferred income funds</td>
<td>8,497</td>
<td></td>
</tr>
<tr>
<td>Net cash from financing activities</td>
<td>328,990</td>
<td>335,947</td>
</tr>
<tr>
<td>Total cash movement for the year</td>
<td>(219,143)</td>
<td>130,155</td>
</tr>
<tr>
<td>Cash at the beginning of the year</td>
<td>505,732</td>
<td>375,577</td>
</tr>
<tr>
<td>Total cash at end of the year</td>
<td>286,589</td>
<td>505,732</td>
</tr>
</tbody>
</table>
the principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below and are consistent with those applied in the previous year. Amounts included in these annual financial statements are rounded to K’000.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), the Public Finance Management Act (PFMA) and the Companies Act of South Africa No. 71 of 2008. The annual financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property, which is carried at fair value. The annual financial statements are prepared on the accruals basis except for cash flow information.

These accounting policies are consistent with the previous year with the exception of property, plant and equipment where the depreciated replacement cost model has been applied to furniture and fittings.

1. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

**Trade and other receivables**

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

**Impairment testing**

The Group 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.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

**Expected manner of realisation for deferred tax**

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 8 – Deferred tax.

**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 Group recognises liabilities for anticipated tax audit issues based on estimates of additional taxes which 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 Group 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 Group 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. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

**Capitalisation of infrastructure costs**

Management applies judgment in assessing whether infrastructure will be controlled by the Group and whether future economic benefits are expected to flow to the Group in determining whether costs incurred on infrastructure should be capitalised as assets.

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 enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

**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.

1.3 **Property, plant and equipment**

Property, plant and equipment are tangible assets which the Group holds for its own use 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 Group, 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 and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Other than furniture and fittings, property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Furniture and fittings are subsequently stated at depreciated replacement cost less any subsequent accumulated depreciation or 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 Group. 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:
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. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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 derecognisation 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 derecognisation 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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
• it is technically feasible to complete the asset so that it will be available for use or sale;
• there is an intention to complete and use or sell it;
• there is an ability to use or sell it;
• it will generate probable future economic benefits;
• there are available technical, financial and other resources to complete the development and to use or sell the asset;
• the expenditure attributable to the asset during its development can be measured reliably.

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:

<table>
<thead>
<tr>
<th>Item</th>
<th>Useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software, other</td>
<td>2 - 5 years</td>
</tr>
</tbody>
</table>

1.5 Financial instruments
Classification
The Group classifies financial assets and financial liabilities into the following categories:
• Loans and receivables

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 Group becomes a party to the contractual provisions of the instruments.

The Group 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.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

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.

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

Fair value determination
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets
At each reporting date the Group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Group, significant financial difficulties of the debtor; probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

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

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.
Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs. Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

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.

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 and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

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

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 lease – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating lease – lessee

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

Any contingent rents are expensed in the period they are incurred.

1.8 Impairment of assets

The Group 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 Group estimates the recoverable amount of the asset.

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

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

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

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

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

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

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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 any non-monetary benefits), 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 performance 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 Group’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 Group 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 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.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

**1.12 Government grants**

Government grants are recognised when there is reasonable assurance that:

- the Group 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.

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.

**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 Group;
- 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.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

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 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.
FINANCIAL RISK MANAGEMENT

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group’s accounting periods beginning on or after 01 April 2016 or later periods:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include amendments for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.
- The effective date of the standard is for years beginning on or after 01 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2017.

The Group expects to adopt the standard for the first time in the 2017 consolidated annual financial statements. It is unlikely that the amendment will have a material impact on the Group’s consolidated annual financial statements.

Amendments to IFRS 10, 12 and IAS 28: Investment Entities.

The amendment clarifies the consolidation exemption for investment entities. It further specifies that an investment entity which measures all of its subsidiaries at fair value is required to comply with the “investment entity” disclosures provided in IFRS 12.

The amendment also specifies that if an entity is itself not an investment entity and it has an investment in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement applied by such associate or joint venture to any of their subsidiaries.

The effective date of the Group is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 consolidated annual financial statements. It is unlikely that the amendment will have a material impact on the Group’s consolidated annual financial statements.

The aggregate impact of the initial application of the standards and interpretations on the Group’s consolidated annual financial statements is expected to be as follows:

- Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendment adds the equity method to the methods of accounting for investments in subsidiaries, associates and joint ventures in the separate consolidated annual financial statements of an entity.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 consolidated annual financial statements.
Changes in estimates

The Group reassesses the useful lives and residual values of items of property, plant and equipment at the end of each end of the reporting period, in line with the accounting policy and IAS 16 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

Details of properties

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company.

Reconciliation of property, plant and equipment - 2015

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Additions</th>
<th>CWIP transfers</th>
<th>Depreciation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
</tr>
<tr>
<td>Land</td>
<td>28,550</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,550</td>
</tr>
<tr>
<td>Buildings</td>
<td>209,471</td>
<td>1,089</td>
<td>(160)</td>
<td>(9,725)</td>
<td>200,675</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>2,132</td>
<td>7,434</td>
<td>-</td>
<td>-</td>
<td>8,566</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>24,324</td>
<td>1,176</td>
<td>-</td>
<td>(6,004)</td>
<td>18,696</td>
</tr>
<tr>
<td>Office equipment</td>
<td>421</td>
<td>1,000</td>
<td>-</td>
<td>(848)</td>
<td>573</td>
</tr>
<tr>
<td>IT equipment</td>
<td>13,918</td>
<td>2,796</td>
<td>-</td>
<td>(2,287)</td>
<td>14,427</td>
</tr>
<tr>
<td>Other property, plant and equipment</td>
<td>1,614</td>
<td>630</td>
<td>-</td>
<td>(1,570)</td>
<td>674</td>
</tr>
<tr>
<td>Capital - Work in progress</td>
<td>166,549</td>
<td>90,319</td>
<td>(25,644)</td>
<td>337</td>
<td>231,561</td>
</tr>
<tr>
<td>Total</td>
<td>446,979</td>
<td>104,444</td>
<td>(25,644)</td>
<td>177</td>
<td>503,489</td>
</tr>
</tbody>
</table>
The company’s investment properties, comprising the Construction Village, Commercial Centre, tenanted properties, Developed Zones and Logistics Park, were last valued on 31 March 2016 by independent external valuers, Marsh (Pty) Limited, who are registered as Professional Valuers in terms of Section 22 of the Property Valuers Profession Act, 2000 (No. 47 of 2000). Management has reviewed the valuation for the current year and has taken into consideration the valuation that took place in the prior year in arriving at the fair value for investment property.

The individual land components within Zones 1 to 5 have been based on fully serviced land and leasehold improvements. Zone 6 was valued based on partially serviced land. Zones 7-14 were based on bulk land except for improvements to Cerebos and Electrawinds.

The Logistics Park was valued as leasehold land. The Construction Village valuations were based on fully serviced land and improvements.

Tenanted properties were valued in terms of the investment method/income approach or using a discounted cash flow. The Construction Village has been valued using the comparable sales approach and the commercial centre on the depreciated replacement cost method. Serviced and bulk land were valued using the comparable sales approach.

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.

Reconciliation of investment property - 2016

<table>
<thead>
<tr>
<th>Opening balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>CW/IP</th>
<th>Transfers</th>
<th>Fair value adjustments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
</tr>
<tr>
<td>Investment property</td>
<td>4,464,375</td>
<td>248,553</td>
<td>(32,600)</td>
<td>96,942</td>
<td>100,070</td>
<td>4,877,340</td>
</tr>
</tbody>
</table>

Reconciliation of investment property - 2015

<table>
<thead>
<tr>
<th>Opening balance</th>
<th>Additions</th>
<th>Transfers</th>
<th>Transfers out</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
</tr>
<tr>
<td>Investment property</td>
<td>4,349,287</td>
<td>89,621</td>
<td>25,644</td>
<td>(177)</td>
</tr>
</tbody>
</table>

Reconciliation of investment property - 2014

<table>
<thead>
<tr>
<th>Opening balance</th>
<th>Additions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R'000</td>
<td>R'000</td>
<td>R'000</td>
</tr>
<tr>
<td>Investment property</td>
<td>4,011,826</td>
<td>337,461</td>
</tr>
</tbody>
</table>
6. INTERESTS IN SUBSIDIARIES

<table>
<thead>
<tr>
<th>Held by</th>
<th>% voting power 2016</th>
<th>% voting power 2015</th>
<th>Carrying amount 2016</th>
<th>Carrying amount 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid Infrastructure Development Agency (Pty) Ltd</td>
<td>100%</td>
<td>100%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>COEGA Development Corporation (Pty) Ltd</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

7. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and receivables</td>
<td>Loans and receivables</td>
<td>Loans and receivables</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>9,148</td>
<td>1,146</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>342,084</td>
<td>307,574</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>286,589</td>
<td>505,732</td>
</tr>
<tr>
<td>Total</td>
<td>637,821</td>
<td>814,452</td>
</tr>
</tbody>
</table>

8. DEFERRED TAX

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary differences</td>
<td>(515,685)</td>
<td>(504,466)</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>(515,685)</td>
<td>(504,466)</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>-</td>
<td>110</td>
</tr>
<tr>
<td>Total net deferred tax liability</td>
<td>(515,685)</td>
<td>(504,356)</td>
</tr>
<tr>
<td>Reconciliation of deferred tax asset / (liability)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At beginning of year</td>
<td>(504,356)</td>
<td>(534,314)</td>
</tr>
<tr>
<td>Taxable / (deductible) temporary difference movements</td>
<td>(11,329)</td>
<td>29,958</td>
</tr>
<tr>
<td>(515,685)</td>
<td>(504,356)</td>
<td>(534,314)</td>
</tr>
</tbody>
</table>

9. LOANS AND ADVANCES

The Group provides finance to small businesses that are contracted within the Development Zone to enable them to run their businesses. These loans are for variable amounts and finance terms and bear interest at 3.5% per month. All debtors in terms of the loan book are currently meeting the terms of their loan agreements and thus no provision for impairment has been recognised.

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances</td>
<td>9,148</td>
<td>1,146</td>
</tr>
</tbody>
</table>

10. TRADE AND OTHER RECEIVABLES

Credit quality of trade and other receivables

The Group’s customers included in trade and other receivables comprise amounts due from tenants and state funded entities and other related parties. In determining the recoverability of trade receivables, the CDC considers any change in the credit quality of trade receivables from the date credit was initially granted up to the end of the reporting period.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 31 March 2016, R18.1-million (2015: R- ; 2014: R26.9-million ) of trade and other receivables were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 3 months</td>
<td>18,172</td>
<td>-</td>
</tr>
</tbody>
</table>
Trade and other receivables impaired

As of 31 March 2016, trade and other receivables of R139,5-million (2015: R- ; 2014: R-) were impaired and provided for.

The amount of the provision was R78,7-million as of 31 March 2016 (2015: R13,8-million; 2014: R35,3-million).

The ageing of these loans is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 3 months</td>
<td>40,858</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3 to 6 months</td>
<td>43,481</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>over 6 months</td>
<td>55,191</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Reconciliation of provision for impairment of trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>13,825</td>
<td>35,311</td>
<td>20,289</td>
</tr>
<tr>
<td>Provision for impairment</td>
<td>64,872</td>
<td>(21,486)</td>
<td>15,022</td>
</tr>
<tr>
<td>Total</td>
<td>78,697</td>
<td>13,825</td>
<td>35,311</td>
</tr>
</tbody>
</table>

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss (note 19). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The Group holds cash deposits from tenants in the IDZ as security for rental amounts due.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>141</td>
<td>568</td>
<td>33</td>
</tr>
<tr>
<td>Bank balances</td>
<td>139,282</td>
<td>301,815</td>
<td>331,586</td>
</tr>
<tr>
<td>Short-term deposits</td>
<td>147,166</td>
<td>203,349</td>
<td>43,958</td>
</tr>
<tr>
<td>Total</td>
<td>286,589</td>
<td>505,732</td>
<td>375,577</td>
</tr>
</tbody>
</table>

The bank and cash balances above include funds held which is not available to the CDC amounting to R262-million (2015: R220-million). R134-million (2015: R208-million) of this is the SEZ Funds earmarked for special projects, and of which the corresponding liability is disclosed as deferred grant income. It should further be noted, to reconcile the deferred income of R215-million to the SEZ Fund cognisance should be taken that R30-million was paid as input VAT and R51-million has been paid out to creditors based on judgments issued against the CDC.
### 15. Income Received in Advance

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
</tr>
<tr>
<td>Trade payables</td>
<td>234,579</td>
<td>133,039</td>
<td>145,643</td>
</tr>
<tr>
<td>VAT</td>
<td>7,803</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other payables - projects</td>
<td>215,618</td>
<td>271,769</td>
<td>102,035</td>
</tr>
<tr>
<td>Deposits received</td>
<td>15,123</td>
<td>34</td>
<td>37</td>
</tr>
<tr>
<td>Other payables</td>
<td>17,221</td>
<td>25,488</td>
<td>83,176</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>490,344</strong></td>
<td><strong>430,330</strong></td>
<td><strong>330,891</strong></td>
</tr>
</tbody>
</table>

On the 8th of December 2010, CDC concluded a 12 year agreement with Souvaris in respect of the General Motors South Africa property. Effectively CDC has ceded and assigned its rights, title and obligations in the GMSA lease to Souvaris. Souvaris in return paid an amount of R125-million to CDC which represents future rentals.

On the 1st February 2015, CDC concluded a 50 year agreement with MSC, who made an upfront payment of R19.8-million for the lease contract.

### 16. Trade and Other Payables

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
</tr>
<tr>
<td>Trade payables</td>
<td>79,861</td>
<td>93,748</td>
<td>100,694</td>
</tr>
<tr>
<td>VAT</td>
<td>19,338</td>
<td>19,734</td>
<td>-</td>
</tr>
<tr>
<td>Other payables - projects</td>
<td>99,199</td>
<td>113,482</td>
<td>100,694</td>
</tr>
</tbody>
</table>

### 17. Deferred Income

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
</tr>
<tr>
<td>Sundry income</td>
<td>10,496</td>
<td>14,631</td>
<td>-</td>
</tr>
<tr>
<td>Government grants</td>
<td>332,110</td>
<td>126,930</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>342,606</strong></td>
<td><strong>141,561</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

Funding of R273.7-million was received from the SEZ Fund and R238.3-million was utilised / paid out during the year to date. The unused portion of R215.8-million is deferred to the next financial year as the funding is ringfenced for specific projects. The CDC may not use the funding other than as directed in the approvals.

### 18. Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>R’000</td>
<td>R’000</td>
<td></td>
</tr>
<tr>
<td>Rendering of services</td>
<td>200</td>
<td>458</td>
</tr>
<tr>
<td>Rental income</td>
<td>229,138</td>
<td>213,885</td>
</tr>
<tr>
<td>Interest received (trading)</td>
<td>3,494</td>
<td>178</td>
</tr>
<tr>
<td>Management fees</td>
<td>286,520</td>
<td>279,889</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>529,352</strong></td>
<td><strong>494,410</strong></td>
</tr>
</tbody>
</table>

Revenue from continuing operations is earned through rentals from investment properties (disclosed in note 4), interest resulting from the provision of working capital loans to SMMEs as well as fees from provisioning of management services. Revenue from management services includes fees from travel management services, infrastructure programme management services and other consulting services.

### 19. Other Income

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>R’000</td>
<td>R’000</td>
<td></td>
</tr>
<tr>
<td>Sundry income</td>
<td>10,496</td>
<td>14,631</td>
</tr>
<tr>
<td>Government grants</td>
<td>332,110</td>
<td>126,930</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>342,606</strong></td>
<td><strong>141,561</strong></td>
</tr>
</tbody>
</table>

Further information regarding government grants can be found in note 17.

### 20. Operating Profit / (Loss)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>R’000</td>
<td>R’000</td>
<td></td>
</tr>
<tr>
<td>Operating lease charges</td>
<td>4,838</td>
<td>3,745</td>
</tr>
<tr>
<td>Lease rentals on operating lease - Contractual amounts</td>
<td>290</td>
<td>971</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,128</strong></td>
<td><strong>4,716</strong></td>
</tr>
<tr>
<td>Investment property</td>
<td>(11,130)</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation on property, plant and equipment</td>
<td>23,728</td>
<td>22,467</td>
</tr>
<tr>
<td>Employee costs</td>
<td>276,527</td>
<td>269,086</td>
</tr>
<tr>
<td>Research and development costs</td>
<td>1,191</td>
<td>1,474</td>
</tr>
</tbody>
</table>

Operating profit / (loss) for the year is stated after accounting for the following:
### 21. Employee Cost

The following items are included within employee costs:

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>241,371</td>
<td>214,752</td>
</tr>
<tr>
<td>Bonus</td>
<td>3,378</td>
<td>22,916</td>
</tr>
<tr>
<td>Medical aid - group contributions</td>
<td>6,582</td>
<td>5,318</td>
</tr>
<tr>
<td>UIF</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>WCA</td>
<td>2,873</td>
<td>5,298</td>
</tr>
<tr>
<td>SDL</td>
<td>2,618</td>
<td>2,390</td>
</tr>
<tr>
<td>Leave pay provision charge</td>
<td>(4,924)</td>
<td>7,316</td>
</tr>
<tr>
<td>Funeral benefit</td>
<td>53</td>
<td>48</td>
</tr>
<tr>
<td>Short term benefits</td>
<td>42</td>
<td>13</td>
</tr>
<tr>
<td>Other short term costs</td>
<td>6,650</td>
<td>5,604</td>
</tr>
<tr>
<td>Contributions to defined contribution schemes</td>
<td>17,875</td>
<td>16,023</td>
</tr>
<tr>
<td>Total employee costs</td>
<td>276,527</td>
<td>269,086</td>
</tr>
<tr>
<td>Indirect employee costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Direct employee costs</td>
<td>276,527</td>
<td>269,086</td>
</tr>
</tbody>
</table>

#### Analysis of Employee Costs

<table>
<thead>
<tr>
<th>Salary, Other Short Term Benefits, Performance Incentive Paid, Total Cost to Company, Total Cost to Company</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive management and programme directors</td>
<td>30,493</td>
<td>3,952</td>
</tr>
<tr>
<td>Other employees</td>
<td>209,571</td>
<td>29,279</td>
</tr>
<tr>
<td></td>
<td>240,064</td>
<td>33,231</td>
</tr>
</tbody>
</table>

#### Average number of persons employed during the year was:

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed term contract employees</td>
<td>426</td>
<td>372</td>
</tr>
<tr>
<td>Permanent employees</td>
<td>187</td>
<td>192</td>
</tr>
<tr>
<td>Total</td>
<td>613</td>
<td>564</td>
</tr>
</tbody>
</table>

### 22. Depreciation, Amortisation and Impairments

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

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>23,728</td>
<td>22,467</td>
</tr>
<tr>
<td>Total depreciation, amortisation and impairments</td>
<td>23,728</td>
<td>22,467</td>
</tr>
</tbody>
</table>

#### Insurance

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortisation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>23,728</td>
<td>22,467</td>
</tr>
</tbody>
</table>

### 23. Investment Revenue

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>1,323</td>
<td>7,078</td>
</tr>
</tbody>
</table>

### 24. Finance Costs

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>3,009</td>
<td>421</td>
</tr>
</tbody>
</table>
25. TAXATION

Major components of the tax expense

<table>
<thead>
<tr>
<th></th>
<th>2016  R’000</th>
<th>2015  R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local income tax - current period</td>
<td>137</td>
<td>-</td>
</tr>
<tr>
<td>Deferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Originating and reversing temporary differences</td>
<td>11,029 (29,958)</td>
<td>-</td>
</tr>
<tr>
<td>Arising from prior period adjustments</td>
<td>300</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>11,329 (29,958)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11,466 (29,958)</td>
<td></td>
</tr>
</tbody>
</table>

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

<table>
<thead>
<tr>
<th></th>
<th>2016  R’000</th>
<th>2015  R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting profit</td>
<td>273,965</td>
<td>(27,211)</td>
</tr>
<tr>
<td>Tax at the applicable tax rate of 28% (2015: 28%)</td>
<td>76,710</td>
<td>(7,619)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax effect of adjustments on taxable income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-temporary timing differences</td>
<td>(69,543)</td>
<td>10,885</td>
</tr>
<tr>
<td>Capital gain</td>
<td>3,999</td>
<td>-</td>
</tr>
<tr>
<td>Prior year adjustment</td>
<td>300</td>
<td>(33,224)</td>
</tr>
<tr>
<td></td>
<td>11,466 (29,958)</td>
<td></td>
</tr>
</tbody>
</table>

No provision has been made for 2016 tax as the Group has no taxable income. The estimated tax loss available for set off against future taxable income is R101,3-million (2015: R47,4-million).

26. CASH GENERATED FROM / (USED IN) OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>2016  R’000</th>
<th>2015  R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>273,965</td>
<td>(27,211)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>22,784</td>
<td>25,246</td>
</tr>
<tr>
<td>Net profit on disposal of investment property</td>
<td>11,130</td>
<td>-</td>
</tr>
<tr>
<td>Interest received - investment</td>
<td>(1,323)</td>
<td>(7,078)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>3,009</td>
<td>421</td>
</tr>
<tr>
<td>Government grants released to income</td>
<td>(331,254)</td>
<td>(126,929)</td>
</tr>
<tr>
<td>Fair value adjustments</td>
<td>(100,070)</td>
<td>-</td>
</tr>
<tr>
<td>Movements in provisions</td>
<td>(26,095)</td>
<td>(3,256)</td>
</tr>
<tr>
<td>Changes in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>(34,510)</td>
<td>11,145</td>
</tr>
<tr>
<td>Prepayments</td>
<td>(175)</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>(8,002)</td>
<td>(1,146)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>60,014</td>
<td>99,435</td>
</tr>
<tr>
<td>Income received in advance released to income</td>
<td>(14,283)</td>
<td>12,788</td>
</tr>
<tr>
<td></td>
<td>(144,810)</td>
<td>(16,585)</td>
</tr>
</tbody>
</table>
27. COMMITMENTS

Authorised capital expenditure

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Already contracted for but not provided for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment property</td>
<td>240,770</td>
<td>235,712</td>
</tr>
<tr>
<td>Not yet contracted for and authorised by directors</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Minimum lease payments due

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>within one year</td>
<td>3,799</td>
<td>1,931</td>
</tr>
<tr>
<td>in second to fifth year inclusive</td>
<td>2,513</td>
<td>800</td>
</tr>
<tr>
<td>later than five years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>6,312</td>
<td>2,731</td>
</tr>
</tbody>
</table>

This committed expenditure will be financed by grant funding, existing cash resources and other internally generated funds.

Investment properties

Operating leases – as lessee (expense)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>within one year</td>
<td>110,647</td>
<td>78,989</td>
</tr>
<tr>
<td>in second to fifth year inclusive</td>
<td>458,148</td>
<td>337,910</td>
</tr>
<tr>
<td>later than five years</td>
<td>1,224,014</td>
<td>998,188</td>
</tr>
<tr>
<td></td>
<td>1,792,809</td>
<td>1,415,087</td>
</tr>
</tbody>
</table>

28. CONTINGENCIES

The CDC had claims by various third parties arising from contractual disputes which are still unresolved, and the outcome of these claims cannot be reliably assessed at year end. The total value of such potential claims is estimated at R58,150,000 (2015: R23,500,000).

Land Arbitrations:

The price of certain land which has been acquired in the Coega Industrial Development Zone is subject to arbitration. The dispute is between Ntinga Property Investment (Pty) Ltd and CDC. The dispute arises out of a sale agreement entered into between Ntinga (the seller) and Coega (the purchaser) in respect of certain immovable property as well as the purchase and sale of mineral rights on the property and the mining license in relation to such mining rights. The matter was referred to arbitration as provided by the sale agreement. The claimant has not taken any further steps to pursue the matter. The matter is therefore dormant at this stage. Management’s assessment of the case is that the matter will not have an impact on the annual financial statements.

SARS Income Tax:

An audit of Income Tax was conducted by SARS during the 2013 financial year, which concluded that the treatment of government grants received by the CDC as exempt from Income Tax was incorrect. Assessments were issued for the financial year of 2007 to 2011 for additional tax of R322-million and imposed interest and penalties. The CDC objected to the appeal during May 2014, the objection was concluded favourably, and the previous assessments were revised and the liability claimed was reduced to R18-million and penalties and interests were waived. The CDC accepted the decision by SARS but appealed against computation errors on the revised assessment which result from incorrect treatment of certain expenses. The CDC awaits the outcome of this appeal, and the resultant refund of the R15-million paid in March 2013 on initial conclusion of the audit which is yet to be refunded by SARS.

Following an audit, SARS raised an assessment requiring payment of tax of R53-million on the basis that the transaction expenses. The CDC awaits the outcome of this appeal, and the resultant refund of the R15-million paid in March 2013 on initial conclusion of the audit which is yet to be refunded by SARS.

Guarantees and other credit facilities:

The CDC holds guarantees amounting to R765,000 with First National Bank, issued in favour of International Air Transport Association, the licensing authority for the Company’s travel licence. The guarantees do not have a maturity date. In addition, the CDC has credit card facilities with a combined limit of R350,000, petrol cards to the value of R520,000 held with Wesbank.

Claim against the Department of Trade & Industry:

The CDC submitted a claim of R156,34-million against the dti for projects that the CDC contended were approved prior to the 2014/15 financial year. The dti disputed the claim and subsequently appointed Ernst Young (EY) to conduct an audit verification of the said expenditure. The EY’s Final Report found that R130,52-million was valid, disputing the DCD Building claim of R19,78-million, which determination the CDC accepted, as the dti had ruled on the matter in February 2014 already.

The CDC received R52,99-million during the financial year and are continuing to engage the dti on the remainder being R77,04-million which is constituted by projects found to have been duly approved including costs to completions of abandoned projects to be submitted to the SEZ Fund panel by the dti SEZ Team, without any additional submission required from the CDC.

Had these funds been received the CDC would have been able to meet the obligations which resulted in the judgements referred to in note 11 and the utilisation of the SEZ Fund bank account.
29. RELATED PARTIES

The Department of Trade and Industry is the Executive Authority in terms of the PFMA based on the A class share which confers majority voting control. All issued ordinary shares are held by the Eastern Cape Provincial Government through the Eastern Cape Development Corporation. Grants received from government during the year are fully disclosed in note 17. There were no further transactions with related parties during the year other than those disclosed in this note. Details regarding directors’ emoluments and key/executive management compensation are disclosed in note 30 as well as note 31.

Relationships:

Holding group: Eastern Cape Development Corporation
Subsidiaries: Rapid Infrastructure Development Agency Proprietary Limited. Refer to Note 6
Members of key management:

- M. Silinga
- L. Billings
- D. Lebufo
- C. Mashigo
- B. Mthembu
- Z. Mapoma (resigned wef 31 May 2015)
- M. Mawasha
- R. Temmers
- C. Mbande
- T. Koza
- B. Jojo (resigned wef 31 Dec 2015)

Related party balances

<table>
<thead>
<tr>
<th>Loans to Group Companies:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid Infrastructure Development Agency (Pty) Ltd</td>
<td>10,665</td>
<td>3,890</td>
</tr>
</tbody>
</table>

Included in above related party balances are transactions in respect of:

<table>
<thead>
<tr>
<th>Expenses paid by the Company on behalf of Rapid Infrastructure Development agency (Pty) Ltd</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,520</td>
<td>901</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net amounts advanced to Rapid Infrastructure Development Agency (Pty) Ltd under loan agreement</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,145</td>
<td>2,989</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts owing to the Company by Related Parties:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Economic Development, Environment and Tourism</td>
<td>1,679</td>
<td>1,854</td>
</tr>
</tbody>
</table>

Grants received:

<table>
<thead>
<tr>
<th>Department of Trade and Industry</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>273,698</td>
<td>250,857</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Department of Economic Affairs, Environment &amp; Tourism</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>46,491</td>
<td>85,088</td>
</tr>
</tbody>
</table>

30. DIRECTORS’ EMOLUMENTS

Executive

<table>
<thead>
<tr>
<th>Salary</th>
<th>Performance incentive</th>
<th>Total Cost to Company</th>
<th>Salary</th>
<th>Performance incentive</th>
<th>Total Cost to Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 R’000</td>
<td>2016 R’000</td>
<td>2016 R’000</td>
<td>2015 R’000</td>
<td>2015 R’000</td>
<td>2015 R’000</td>
</tr>
<tr>
<td>M.P. Silinga</td>
<td></td>
<td></td>
<td>M.P. Silinga</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,276</td>
<td>2,803</td>
<td>7,079</td>
<td>3,885</td>
<td></td>
<td>3,885</td>
</tr>
</tbody>
</table>

Non-executive

<table>
<thead>
<tr>
<th>Directors’ Fees</th>
<th>Total Cost to Company</th>
<th>Directors’ Fees</th>
<th>Total Cost to Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 R’000</td>
<td>2016 R’000</td>
<td>2016 R’000</td>
<td>2015 R’000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr P. Jourdan</td>
<td>113</td>
<td>113</td>
<td>184</td>
</tr>
<tr>
<td>P. S. Ndoni</td>
<td>14</td>
<td>14</td>
<td>207</td>
</tr>
<tr>
<td>J.J de Bruyn</td>
<td>141</td>
<td>141</td>
<td>200</td>
</tr>
<tr>
<td>S.T. Zakuza</td>
<td>15</td>
<td>15</td>
<td>80</td>
</tr>
<tr>
<td>S. Liebenberg</td>
<td>119</td>
<td>119</td>
<td>138</td>
</tr>
<tr>
<td>Adv. T. Norman</td>
<td>43</td>
<td>43</td>
<td>29</td>
</tr>
<tr>
<td>N.V. Qangule</td>
<td>76</td>
<td>76</td>
<td>53</td>
</tr>
<tr>
<td>A. Mjekula</td>
<td>94</td>
<td>94</td>
<td>145</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>615</td>
<td>615</td>
<td>1,036</td>
</tr>
</tbody>
</table>
31. CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of financial instruments - 2016

<table>
<thead>
<tr>
<th>Debt instruments at amortised cost</th>
<th>Financial liabilities at amortised cost</th>
<th>Leases</th>
<th>Equity and non-financial assets and liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes</td>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
</tr>
</tbody>
</table>

**ASSETS**

Non-current assets

Property, plant and equipment 3 - - 560,491 560,491
Investment property 4 - - 4,877,340 4,877,340
Intangible assets 5 - - 1,756 1,756

Current assets

Trade and other receivables 10 342,084 - - - 342,084
Prepayments - - - 175 175

Loans and advances 9 9,148 - - - 9,148
Cash and cash equivalents 11 286,589 - - - 286,589

Total assets 637,821 - - 5,439,587 6,077,408

**EQUITY**

Equity Attributable to Equity Holders of Parent

Share capital 12 - - - 1,264,558 1,264,558
Retained income 12 - - - 3,474,765 3,474,765

Total Equity - - - 4,739,323 4,739,323

**LIABILITIES**

Non-current liabilities

Deferred income 17 - - - 215,747 215,747
Deferred tax 8 - - - 515,685 515,685
Income received in advance 15 - - - 99,199 99,199

Current liabilities

Trade and other payables 16 - 498,150 (7,803) - 490,347
Current tax payable - 808 - 137 945
Provisions 13 - - - 16,340 16,340

Total liabilities - 498,958 (7,803) 16,477 507,632

Total equity and liabilities - 498,958 (7,803) 847,108 1,338,263

Categories of financial instruments - 2015

<table>
<thead>
<tr>
<th>Debt instruments at amortised cost</th>
<th>Financial liabilities at amortised cost</th>
<th>Leases</th>
<th>Equity and non-financial assets and liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes</td>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
<td>R’000</td>
</tr>
</tbody>
</table>

**ASSETS**

Non-current assets

Property, plant and equipment 3 - - - 503,489 503,489
Investment property 4 - - - 4,464,375 4,464,375
Intangible assets 5 - - - 3,122 3,122

Current assets

Trade and other receivables 10 307,574 - - - 307,574
Prepayments - - - 175 175

Loans and advances 9 1,146 - - - 1,146
Cash and cash equivalents 11 305,732 - - - 305,732

Total assets 814,452 - - - 814,452

**EQUITY**

Equity Attributable to Equity Holders of Parent

Share capital 12 - - - 1,264,558 1,264,558
Retained income 12 - - - 3,212,266 3,212,266

Total Equity - - - 4,476,824 4,476,824

**LIABILITIES**

Non-current liabilities

Deferred income 17 - - - 218,011 218,011
Deferred tax 8 - - - 504,356 504,356
Income received in advance 15 - - - 113,482 113,482

Current liabilities

Trade and other payables 16 - 430,329 - - 430,329
Provisions 13 - - - 42,435 42,435

Total liabilities - 430,329 - 42,435 472,764

Total equity and liabilities - 430,329 - 878,284 1,308,613

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Notes</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Categories of financial instruments - 2014

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
<th>R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td></td>
<td>446,979</td>
<td>446,979</td>
</tr>
<tr>
<td>Investment property</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td></td>
<td>4,349,287</td>
<td>4,349,287</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td></td>
<td>4,100</td>
<td>4,100</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>10</td>
<td>304,973</td>
<td>-</td>
<td></td>
<td>13,746</td>
<td>318,719</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>11</td>
<td>375,577</td>
<td>-</td>
<td></td>
<td>13,746</td>
<td>694,296</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>680,550</td>
<td>-</td>
<td></td>
<td>4,814,112</td>
<td>5,494,662</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Attributable to Equity Holders of Parent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td></td>
<td>1,264,558</td>
<td>1,264,558</td>
</tr>
<tr>
<td>Retained income</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td></td>
<td>3,209,519</td>
<td>3,209,519</td>
</tr>
<tr>
<td>Total Equity</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
<td>4,474,077</td>
<td>4,474,077</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td></td>
<td>8,995</td>
<td>8,995</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td></td>
<td>534,314</td>
<td>534,314</td>
</tr>
<tr>
<td>Income received in advance</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td></td>
<td>100,694</td>
<td>100,694</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
<td>644,003</td>
<td>644,003</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>16</td>
<td>330,891</td>
<td>-</td>
<td></td>
<td>330,891</td>
<td>330,891</td>
</tr>
<tr>
<td>Provisions</td>
<td>13</td>
<td>-</td>
<td>-</td>
<td></td>
<td>45,691</td>
<td>45,691</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>330,891</td>
<td>-</td>
<td></td>
<td>45,691</td>
<td>376,582</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td></td>
<td>330,891</td>
<td>689,694</td>
<td>1,020,585</td>
<td>5,163,771</td>
<td>5,494,662</td>
</tr>
</tbody>
</table>

32. RISK MANAGEMENT

Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group’s risk is liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through continuous monitoring of forecast and actual cash flows. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the Group’s financial assets and liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2016

<table>
<thead>
<tr>
<th></th>
<th>Less than 1 year</th>
<th>Between 1 and 2 years</th>
<th>Between 2 and 5 years</th>
<th>Over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>342,084</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>9,148</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>351,232</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Trade liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>490,344</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current tax payable</td>
<td>945</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>491,289</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net position</strong></td>
<td>(140,057)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Interest rate risk

The Group’s interest bearing assets are included under cash and cash equivalents. The Group’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 Group’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 rate sensitivity analysis

The sensitivity analysis below has been determined based on the Group’s 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 profit or loss before taxation. 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 profit or loss before taxation and therefore has not been separately disclosed below. The disclosure only indicates the effect of the change in interest rate on profit or loss before taxation.

<table>
<thead>
<tr>
<th>At 31 March 2015</th>
<th>Less than 1 year</th>
<th>Between 1 and 2 years</th>
<th>Between 2 and 5 years</th>
<th>Over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>307,574</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>1,146</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>308,720</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>430,330</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current tax payable</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net position</td>
<td>(1,21,610)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Credit risk

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

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The carrying amounts of financial assets, represent the entity’s maximum exposure to credit risk in relation to these assets. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise mainly of amounts owing from tenants. Management evaluated credit risk relating to tenants before they were incorporated into the zone. Management also evaluates credit risk relating to customers on an ongoing basis.

Management assessed the credit quality of the customer, taking into account its financial position, past experience and other factors.

Tenants pay a deposit at the beginning of their lease terms.

Refer to note 31 for the Group’s exposure to credit risk by class of financial asset.

33. FAIR VALUE INFORMATION

Fair value hierarchy

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

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group 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 or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 2

Recurring fair value measurements

<table>
<thead>
<tr>
<th>Notes</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment property</td>
<td>4</td>
<td>4,877,340</td>
<td>4,464,375</td>
</tr>
<tr>
<td>Total</td>
<td>4,877,340</td>
<td>4,464,375</td>
<td>4,349,287</td>
</tr>
</tbody>
</table>

Valuation processes applied by the Group

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation provides the fair value of the Group’s investment portfolio every three years.
34. GOING CONCERN

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

The ability of the Group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the Group.

34.1 Changes to legislation

The introduction of the SEZ Legislation in May 2014 brought changes in the way that funding to the IDZs, and therefore the Group, is allocated – from that of MTEF allocations to specific project-based approvals, which will be given from time to time. Further, the Act states that the funding of the operations of the IDZs / SEZs will be the responsibility of the Provincial Government and no longer that of the dti. At the moment, the amount of further contribution to the Group’s operations to be made by Provincial Government in terms of this requirement for the 2016/17 financial year is yet to be determined.

34.2 Financial sustainability

As a result of the changes in the funding arrangements, some of the Group’s key financial ratios have deteriorated in comparison to the previous year’s. These include the Group’s cash flows from operations, as well as creditors’ payment days and available cash balances. During 2015/16 the Group operated without receiving the full amount of requisite funding for operational expenditure but was able to sustain operations from external revenues generated by the Group. Management maintains detailed financial plans and forecasting processes and manages working capital elements as necessary to ensure that key operations of the business are fully delivered. The provision of the necessary additional funding required for the Group has been discussed with the shareholders and is receiving attention at the highest level.

35. FRUITLESS AND WASTEFUL EXPENDITURE


<table>
<thead>
<tr>
<th></th>
<th>2016 R’000</th>
<th>2015 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>SARS penalties and interest</td>
<td>11,377</td>
<td>-</td>
</tr>
<tr>
<td>Interest on overdue trade and other payables</td>
<td>2,158</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>13,535</td>
<td>-</td>
</tr>
</tbody>
</table>

All of the above expenditure was incurred as a result of the funding pressures the Company experienced during the financial year.

36. PRIOR PERIOD ADJUSTMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year. Where adjustments were done in the current annual financial statements, management considered the impact on the opening balances of the earliest comparative figures and these were adjusted accordingly. The aggregate effect of the prior period adjustments on the financial statements for the year ended 31 March 2016 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015 R’000</th>
<th>2014 R’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables Balance before restatement</td>
<td>465,129</td>
<td>414,431</td>
</tr>
<tr>
<td>Adjustment</td>
<td>48,741</td>
<td>(83,540)</td>
</tr>
<tr>
<td>Effect of prior year adjustment</td>
<td>(330,330)</td>
<td>-</td>
</tr>
<tr>
<td>Trade and receivables Balance before restatement</td>
<td>140,369</td>
<td>175,524</td>
</tr>
<tr>
<td>Adjustment</td>
<td>24,010</td>
<td>143,195</td>
</tr>
<tr>
<td>Effect of prior year adjustment</td>
<td>143,195</td>
<td>-</td>
</tr>
<tr>
<td>Property, plant and equipment Balance before restatement</td>
<td>265,823</td>
<td>264,684</td>
</tr>
<tr>
<td>Adjustment</td>
<td>55,371</td>
<td>182,295</td>
</tr>
<tr>
<td>Effect of prior year adjustment</td>
<td>182,295</td>
<td>-</td>
</tr>
</tbody>
</table>

Management identified various adjustments relating to items carried in trade and other payables that were either incorrectly classified or which were not or which could not be substantiated as a valid liability. These included certain year end accruals from prior periods which were not reversed in the following year upon settlement of the invoices concerned. Furthermore, amounts comprising a number of journals (spanning multiple prior financial years) which had been passed to the trade and other payables control accounts without a corresponding entry in the subsidiary ledger were written off.

Management identified various adjustments relating to items in trade and other receivables including errors in the lease smoothing calculations, differences between the VAT control accounts and the corresponding SARS statement, items that were incorrectly classified as receivables and amounts which could not be substantiated as valid receivables. Furthermore, amounts comprising a number of journals (spanning multiple prior financial years) which had been passed to the trade receivables control accounts without a corresponding entry in the subsidiary ledger were written off.

Management identified various adjustments relating to property, plant and equipment (PPE) including computer software which had been incorrectly classified as PPE, capital expenditure work in progress which should have been classified as PPE (previously classified as investment property), errors in the calculation of depreciation, minor assets which had been incorrectly capitalised, immovable property which had been incorrectly classified as investment property as well as immovable property which had been incorrectly classified as PPE instead of Investment Property. In addition the accounting policy for furniture & fittings and office equipment was changed from historical cost to depreciated replacement cost. Moreover, the estimated useful lives of furniture & fittings, ICT equipment and motor vehicles was corrected to appropriate timelines. In terms of the latter two adjustments, it was not practical to split out and separately disclose the effects of the change in accounting policy and the retrospective correction of useful lives as these changes were conducted simultaneously.
Management identified various adjustments relating to investment property including capital expenditure work in progress which should have been classified as PPE (previously classified as investment property), immovable property which had been incorrectly classified as investment property instead of property, plant and equipment (PPE), immovable property which had been incorrectly expensed as well as immovable property which had been incorrectly classified as PPE instead of investment Property.

Previously computer software and ICT systems were disclosed as a component of PPE. IFRS requires that stand alone computer software be treated and disclosed as intangible assets.

Certain general ledger account balances from prior periods, previously classified as bank and cash reflected minor balances which could not be substantiated. These were written off.

Management identified an oversight in the calculation of deferred income as at 31 March 2014. Certain amounts could not be substantiated as valid deferred income and were released to income. Furthermore an error was identified in the calculation of the release of deferred income in the 2014/15 financial year.

The deferred tax impact of the above-mentioned prior period adjustments is set out above.

Management identified certain adjustments to the leave pay provision for the 2015 financial year required to adjust the balance to the correct accrual amount.

Other than prior period adjustments which affected other line items in the Statement of Financial Position, the majority of the adjustments set out above affected profit and loss in the respective years. The scope of the adjustments affecting retained income include asset and liability items on general ledger reconciliations carried forward from prior years which could not be substantiated and were written off, errors in calculations (especially depreciation and lease smoothing) in prior years, errors in classification (e.g. minor assets which should have been expensed instead of being capitalised) as well as amounts comprising a number of journals (spanning multiple prior financial years) which had been passed to the trade receivables and trade payables control accounts without a corresponding entry in the subsidiary ledger were written off.
DETAILED INCOME STATEMENT

<table>
<thead>
<tr>
<th>REVENUE</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rendering of services</td>
<td>200</td>
<td>458</td>
</tr>
<tr>
<td>Rental income</td>
<td>239,138</td>
<td>213,885</td>
</tr>
<tr>
<td>Interest received (trading)</td>
<td>3,494</td>
<td>178</td>
</tr>
<tr>
<td>Management fees</td>
<td>286,520</td>
<td>279,889</td>
</tr>
<tr>
<td>Other income</td>
<td>529,352</td>
<td>494,410</td>
</tr>
</tbody>
</table>

| Other income                |       |      |
| Sundry income               | 10,496 | 14,631 |
| Interest received           | 1,323  | 7,078 |
| Government grants           | 332,110 | 126,930 |
| Fair value adjustments      | 100,070 |       |
| Total income                | 443,999 | 148,639 |

| EXPENDITURE (refer to next page) | (676,377) | (669,839) |
| Operating profit (loss)        | 276,974  | 26,790 |
| Finance costs                 | (3,009)  | (421)  |
| Profit (loss) before taxation  | 273,965  | (27,211)|
| Taxation                      | (11,466) | 29,958 |
| Profit for the year            | 262,499  | 2,747  |

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

WON NINE HIGH-PROFILE AWARDS

37.2%

CDC SMME PROCUREMENT
INCREASED SMME SHARE OF OVERALL PROCUREMENT
CONSTRUCTION AND COMPLETION OF MAJOR WAREHOUSES IN ZONES 1 AND 3

The following projects were completed and commissioned:

- The UTI Warehouse in Zone 1 is a 3,000 m³ distribution warehouse. This building was custom-built for UTI to assist with easy vehicle movement, deliveries, conveyor systems, personnel requirements and mess and ablution facilities for the drivers.
- ID Logistics is responsible for the distribution of yogurt products within the Eastern Cape. The ID Logistics project entailed the construction of a 3,200 m² refrigerated warehouse with office portion and outside hardstands for the vehicles.
- The Tank Farm access Road for TNPA was the construction of a single carriageway road, with services, to enable Transnet to access their property located on the Eastern side of the Coega River.
- The Wind Farm access Road in Zone 1 was designed and constructed to enhance the municipal water firefighting system. It entailed the construction of a communal fire ring, as well as storage tanks, pumps and internal reticulation to existing Tenants in Zone 1 where the firefighting water flowing and pressure are dependent on the height of storages and the combustibility of the product being stored.
- Vector Logistics Cold Storage Warehouse is an 8,300 m³ cold storage facility on a 49,000 m² of land. Vector Logistics specialize in frozen third-party logistics solutions for the food industry in Southern Africa providing integrated logistics services to the retail, wholesale and food service sectors.
- The Extension to the Coega Cheese Facility commenced as Coega Dairy required expansion of its current facility. The project entails the construction of a 1,332 m² cheese production facility, 550 m² stand-alone warehouse facility and 500 m² new stand-alone office space.
- The Laydown area in Zone 1 of the Coega IDZ is complete. The project came about as the Port of Ngqura required a 12 ha partly-prepared laydown area for the storage of all imported wind turbine components. It is anticipated that a total of over 207 wind turbines will enter through the Port of Ngqura (PoN). Each turbine requires close to 10 abnormal road vehicle loads to transport the components to the specific project site.
- The Digistics Logistics Warehouse project is an expansion of their current facilities by 4,038 m² in Zone 1 of the IDZ. Digistics will utilise the facility to store and distribute dry and cold food products for its various clients in the Eastern Cape.

PROJECTS THAT COMMENCED CONSTRUCTION IN THE 2014/15 FY

The other projects that commenced construction in the 2014/15 FY:

- Fibre Optic Backbone: The project entails the construction of a fibre optic network within the IDZ and will connect investors East of the Coega River as well as investors in the Core Development Area with the required network. The sections in Zone 1 to Zone 3 have been completed and commissioned and the connection to the areas and Investors East of the Coega River has been finalised. The connection to Zone 7 are currently under construction and the overall completion date is August 2016.
- Feasibility Studies and Environmental Impact Assessment - Aqua-culture: The project entails various studies required for the implementation of project or for the planning of future projects. This includes a technical feasibility study for an abalone farm; an Environmental Impact Assessment for the Aquaculture Development Zone; a technical study and cost estimation of the seawater abstraction and discharge pipeline East of the Coega River and the compilation of the terms of reference (ToR) for a 30 Mega litre per day (ML/d) pipeline. The CDC is currently also drawing up the ToR for a study to determine how to mitigate against red tide. All these studies and assessments will be completed by September 2016.
- Customs Control Zone 1 and 2: Coega Development Corporation (CDC) is the licensed operator of the Coega Industrial Development Zone (IDZ) and is mandated (amongst others) to control any Customs Controlled Areas (CCAs) established in the IDZ. The project entails the establishment of a secure area as per SARS requirements and the construction of controlled entrances. The purpose of the entrance buildings are to monitor all vehicles, goods and persons travelling in and out of the CCA. The project also includes the construction of a state warehouse for the safeguarding of goods which have not been released due to detention and or seizure. The state warehouse will have sufficient space and facilities to conduct examination and for the opening, unpacking and re-packing of goods. The Fire Ring in Zone 3 was designed and constructed to enhance the municipal water firefighting system, and entailed the construction of a communal fire ring as well as storage tanks, pumps and internal reticulation to existing Tenants in Zone 3. The project is near completion and will be commissioned in June 2016.

- The Multi-user facility is a complex of various smaller warehouses that is practical, flexible, and able to adapt to any possible requirements. The warehouse has various compartments which are serviced individually. The establishment of this Multi-user facility will allow smaller players and entrepreneurs to establish their businesses within the Coega IDZ. The facility is the first of a cluster and has an overall aim to support smaller investors, to provide significant economic benefits to the local community through job opportunities and regional economic diversification.
- The construction of a 10,000 m³ facility for MM Engineering, in Zone 6 of the Coega IDZ. The facility will include the office area, laboratory, warehouse area, factory, plant rooms and substation. The objective of this project is to manufacture LP Gas Cylinders and distribute the finished products locally (80%) and internationally (20%).
- Spiral Wrap is a warehouse in the Chemical Cluster that will be used to manufacture spiral protective wrapping products. The product is designed to protect the external covering of hydraulic hose and cables which is generally used in the mining and construction industry. The development of the plastic industry meets CDC's two criteria stipulated for potential investments in the Coega IDZ; namely, the factory is economically feasible within a steadily growing industry and it is potentially compatible with other clusters. The plastic industry is a large contributor to the GDP of South Africa as well as a contributor to the trade deficit.
- The Lension project is the construction of a 3,000 m³ manufacturing facility in the IDZ on approximately 5,000 m² of land. The project entails the construction of the warehouse as well as enabling infrastructure to the plant which will include the construction of an access road and service connections. The warehouse will be used to manufacture biodegradable plastic bags and food packaging.
- Bulk sewer and return effluent projects – these were delayed by labour unrest, SMME demands and payment delays. Both projects will recommence as soon as the Multi-Year Budget has been approved.
- Construction Village – a number of units were upgraded from single to double storey, using SMME contractors. It is anticipated that the overall project will be completed in the 2016/17 FY.
AWARDS 2015/16 FY

The great strides made by the CDC in 2015/16 FY were reflected in the organisation receiving nine high-profile awards. These awards were made by diverse, credible organisations with varied constituencies, and they recognised the CDC’s performance in a range of areas.

Environmental Sustainability

The CDC and Port of Ngqura jointly received a Gold Award for “Medium Organisation with a High Environmental Impact” in the Eastern Cape Top Green Organisation Awards. The competition was coordinated and sponsored by the Eastern Cape Development Corporation (ECDC) and the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) in partnership with the Institute of Waste Management of Southern Africa (IWMSA). The Top Green Organisation Awards recognise the achievements of organisations that comply with legislation, environmental management principles, and green economy initiatives such as waste management, biodiversity and air quality.

Performance and Leadership

The CDC won the National Business Awards in the categories of Infrastructure Development and Top Performing Public Service, along with Marketing & Communications head Dr Ayanda Vilakazi, who was named the country’s 2014/15 Top Young Business Executive of the Year (under 40 years).

The CDC won the Top Performing Public Service Award for the second year in a row. The Infrastructure Development Award is awarded to an organisation with an annual turnover over R35-million, and recognises sustainable and efficient infrastructure development. The Top Young Business Executive award highlights the achievement of a young business executive who has contributed to the positive success and performance of an organisation through innovative strategies and solutions that deliver customer and shareholder value.

Employer of Choice

The CDC was the only government organisation to be certified as a Top Employer in the Public Sector in 2014/15 FY. The certification is based on international research conducted by the Top Employers Institute globally, and independently audited, to recognise leading employers around the world that provide excellent employee conditions, nurture and develop talent throughout all levels of the organisation, and which strive to continuously optimise employment practices.

CDC Achievements and Best Practices to date:

<table>
<thead>
<tr>
<th>Period</th>
<th>Award Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Big-news National Enterprise Development Award</td>
</tr>
<tr>
<td>2004</td>
<td>Best Company with Most Jobs Created</td>
</tr>
<tr>
<td>2006</td>
<td>Best Performing Parastatal</td>
</tr>
<tr>
<td>2009</td>
<td>Kamoso Award: State Enterprise Supporting EPWP</td>
</tr>
<tr>
<td>2010</td>
<td>Transport Africa Award: The Best Leading Contractor</td>
</tr>
<tr>
<td>2011</td>
<td>Development Programme</td>
</tr>
<tr>
<td>2012</td>
<td>Enterprise Development Awards: Best Company with Most</td>
</tr>
<tr>
<td>2013</td>
<td>Jobs Created</td>
</tr>
<tr>
<td>2014</td>
<td>CDC Achievements and Best Practices to date:</td>
</tr>
<tr>
<td></td>
<td>Legends of Empowerment &amp; Transformation</td>
</tr>
<tr>
<td></td>
<td>Top Empowered-Vision 2030</td>
</tr>
<tr>
<td></td>
<td>Top Empowered: Job Creation Award</td>
</tr>
<tr>
<td></td>
<td>Employer of Choice</td>
</tr>
<tr>
<td></td>
<td>Top 50 Companies in NMB</td>
</tr>
<tr>
<td></td>
<td>Eastern Cape Top Green Organization Awards: Gold</td>
</tr>
<tr>
<td></td>
<td>National Business Awards: Infrastructure Development</td>
</tr>
<tr>
<td></td>
<td>Top Employer in Public Sector</td>
</tr>
<tr>
<td></td>
<td>Best Provider of Services to Exporters</td>
</tr>
<tr>
<td></td>
<td>Most Empowered Enterprise</td>
</tr>
<tr>
<td></td>
<td>Job Creation Award</td>
</tr>
<tr>
<td></td>
<td>B-BBEE Level 1 Accreditation</td>
</tr>
<tr>
<td></td>
<td>Customs Control Area Zone 2</td>
</tr>
<tr>
<td></td>
<td>Top Employer of Choice South Africa</td>
</tr>
<tr>
<td></td>
<td>Job Creation Award</td>
</tr>
<tr>
<td></td>
<td>Top Performing Parastatal/Agency of the Year</td>
</tr>
<tr>
<td></td>
<td>Merit Awards: Major Accomplishment</td>
</tr>
<tr>
<td></td>
<td>BEE Certification Programme</td>
</tr>
<tr>
<td></td>
<td>Best Performing Parastatal</td>
</tr>
<tr>
<td></td>
<td>Enterprise Development Awards: Best Company with Most</td>
</tr>
<tr>
<td></td>
<td>Jobs Created</td>
</tr>
<tr>
<td></td>
<td>Transport Africa Award: The Best Leading Contractor</td>
</tr>
<tr>
<td></td>
<td>Development Programme</td>
</tr>
<tr>
<td></td>
<td>Kamoso Award: State Enterprise Supporting EPWP</td>
</tr>
<tr>
<td></td>
<td>Big-news National Enterprise Development Award</td>
</tr>
<tr>
<td></td>
<td>Unqualified (Clean Audits) Audit Opinions since</td>
</tr>
<tr>
<td></td>
<td>establishment</td>
</tr>
<tr>
<td></td>
<td>ISO Certifications: 9001; 14001; 18001</td>
</tr>
</tbody>
</table>

Customer Service

The Eastern Cape Exporters’ Club recognised the CDC as the Best Provider of Services to Exporters in its sought-after annual awards.

Empowerment

The CDC won the Most Empowered Enterprise category in the SA Premier Business Awards 2014. The award encourages and promotes compliance with Broad-Based Black Economic Empowerment (B-BBEE) and speaks to the development of small, micro and medium enterprises (SMMEs), promoting adherence to the codes of good practice, socio-economic development as well as adherence to procurement codes and policies.

Job Creation

The Oliver Empowerment Awards recognised CDC’s contribution to poverty alleviation through creation of sustainable, meaningful employment with a Job Creation Award. The CDC was also one of four recipients of a RAIZCORP bursary to the value of R250 000, to be awarded to a black business owner from the CDC’s supply chain.

Visionary Leadership

CDC CEO Mninawe “Pepi” Silinga’s visionary leadership of the CDC since its founding in 1999 was recognised by the NMMU Council with its Prestige Award at the end of 2014. The award is reserved for individuals whose distinguished service has made a significant impact on society in any field that supports the social or educational mission of the University. One of the longest-serving chief executives of a public sector organisation, Silinga was acknowledged for his commitment to social equality and justice, and the formidable leadership that has contributed to vibrant socio-economic growth in the Eastern Cape.

CELEBRATIONS: CDC won nine high-profile awards in the last financial year.
BAIC VISIT TO COEGA: BAIC committee after discussions with CDC members over a possible future investment.
PORT ELIZABETH HEAD OFFICE:
Physical Address:
Coega Development Corporation, Coega IDZ Business Centre
Corner Alycon Road & Zibuko Street, Zone 1, Coega IDZ, Port Elizabeth, 6100
Tel: +27 (0)41 403 0400

EAST LONDON OFFICE:
Physical Address:
Haraway House, 12 Pearce Street, Berea, East London, 5241
Tel: +27 (0)43 711 1600

DURBAN OFFICE:
Physical Address:
1st Floor, Mayfair on the Lake, 19 The High Street, Parkside, Umhlanga, 4000
Tel: +27 (0)31 584 1760

PRETORIA OFFICE:
Physical Address:
145 Herbert Road, East Wood, Arcadia, Pretoria, 0083
Tel: +27 (0)12 451 8300

CAPE TOWN OFFICE:
Physical Address:
1101, 11th Floor, South African Reserve Building, Cape Town, 8001
Tel: +27 (0)21 481 9960

MTHATHA OFFICE:
Physical Address:
60 Wesley Street, Umtatha, 5099
Tel: +27 (0)47 531 1245

E-mail: contact.centre@coega.co.za | Website: www.coega.co.za