

# **CONTENTS**

Orga	inisational insight	3
	Mandate from the Act	
	Vision	
	Mission	
	Values	
State	ements & Foreword	5
	MEC's Foreword	6
	Chairperson's Review	7
	Chief Executive Officer's Review	9
Busii	ness Units Reports	15
	Financial Support	17
	Regional Operations	26
	Enterprise Support	32
	Marketing & Communications	36
	Human Resources	39
	Information Technology & Facilities	44
	Chief Financial Officer's Report	46
Corn	orate Governance Report	48
	t Committee Report	59
	ncials	63
i iiiai	Auditor - General's Report	67
	Directors' Report	74
	Financial Statements	74
		82
	Accounting Policies	
	Notes to the Financial Statements	90





Organisational insight

# **MANDATE**

To promote, foster and develop small enterprises in Gauteng, thereby implementing the policy of the Gauteng Provincial Government for small enterprise development.

The mandate includes the design and implementation of small enterprise development support programmes in Gauteng, to strengthen the enterprises' capacity to compete successfully domestically and internationally. The mandate includes promotion of a support network to increase small enterprises' contribution to the economy, which will in turn contribute to economic growth, job creation and equity.

## **VISION**

To be Africa's leading enterprise development and business support agency

## **MISSION**

To enable entrepreneurs

## **VALUES**

Professional - Efficient, Knowledgeable, Full spectrum service
 Accountable - Responsive, Reliable, Work with integrity
 Focused - SMME Sector, Sector Specialists, Trained staff
 Accessible - Location, Language, Customer Service

## GOAL

To facilitate increased SMMEs' participation in mainstream economy, and SMME's contribution to economic growth, development and employment in Gauteng.



**Statements & Foreword** 



# MEC's FOREWORD



MEC: Firoz Cachalia

As we review the Gauteng Growth and Development Strategy (GDS) in light of the governing party's manifesto, small business development is certain to remain a fundamental pillar of our strategy to position Gauteng on a trajectory of inclusive growth.

In the year under review, the Gauteng Enterprise Propeller (GEP) funded 36 Small Micro and Medium Enterprises (SMMEs) to the tune of R37 million. Of this total, R16,6 million was allocated to businesses owned by women and R19.5 million to businesses owned by young people. The agency provided non financial support to 884 SMMEs and training to 2631 SMMEs. Another R2,5 million was contributed to SMME development as part of the Gauteng Provincial Government's (GPG) 20 prioritised townships programme.

There are two areas which I would like to identify for further consideration. The first arises from GEP's limited budget and the need to address the challenges of scale

to promote small business development as a fundamental pillar of our strategy to address the problem of unemployment. The finance available for small business development has to be significantly increased and this has to be achieved through partnerships. The second challenge arises from the ruling party's commitment to promote cooperatives. GEP has already established a cooperatives unit. But if we are not to repeat the experience that we have had with small business development, then the institutional arrangements, which are appropriate to implementing the strategy, not only in the Department but in GPG, have to be addressed. In this regard, fragmentation will surely guarantee nonperformance.

In the year ahead, GEP management and its Board will have to address issues of financial management with serious commitment. The Auditor General (AG) has qualified its accounts and indicated instances of wasteful expenditure. It has also come to my attention that there appear to be inadequate controls with respect to foreign travel and credit card expenses.

I will work with the GEPs management and the Board to implement its substantive mandate as well as to address its internal organisational challenges.

Firoz Cachalia

Gauteng MEC for Economic Development



I am delighted to present to stakeholders yet another report as Chairman of the Gauteng Enterprise Propeller. The 2008/9 financial year was characterized by great commitment and enterprise, particularly in view of budget constraints. The Board of Directors and management of GEP have had to work extremely hard in their respective roles to deliver the non-financial and financial support services to our SMMEs throughout the province's Metro cities and district municipalities despite the budgetary constraints.

## **CORPORATE GOVERNANCE**

The Board ensured that GEP's activities are aligned with its statutory role and that it fulfils its public mandate efficiently and effectively. The biggest challenge in the year was that GEP had its budget reduced by more than R50 million compared to the preceding year. Targets set for management were reduced considerably in the quest to tailor programmes and activities to the limited resources allocated. The strategic plan and the annual business plan were signed off later than the required date due to protracted discussions

with the Executive Authority to secure increased funding in line with the original business plan. We have worked hard with the Executive Authority to improve our relationship and keep reporting measures and strategic plan submissions in line with treasury regulations. These deliberations culminated in a Shareholders' Compact that will hopefully better regulate the relationship and related responsibilities.

During the year, the Board's performance and effectiveness were evaluated formally through individual questionnaires prepared separately and completed individually by each Board member. All responses were treated confidentially. The Institute of Directors (IOD) collated results and reported findings to the Chairperson of the Board. The exercise demonstrated members' unity of purpose to ensure that the Board remains effective and relevant to the agency's overall objectives. Although recognising the process made, the Board will continue to strive to adopt measures that will enhance its effectiveness.

Board Chairperson Linda Mngomezulu



I am pleased to report that in spite of the challenges encountered, GEP managed to secure the required listing by the National Treasury as a Schedule 3C provincial public entity and was registered with the National Credit Regulator as a recognized financial service provider.

#### **PROSPECTS**

Given the increasing need for all government programmes to contribute towards job creation, it is important to note that SMMEs and co-operatives constitute a large and growing share of employment in South Africa and are generally labour intensive.

The growth of our SMME market is very much dependent on the birth and death rates of enterprises, and, of course, the state of our economy, particularly in these recessionary times.

GEP's role is to focus on enterprise development and self-employment opportunities ensuring their increased participation in mainstream economic activities. A natural spin-off is this markets' potential to create work opportunities in the rural, peri-urban and urban areas of Gauteng.

#### **APPRECIATION**

I thank senior management and the entire staff for their loyalty and dedication to GEP and its mandate. Fiscal 2008/9 was a challenging year and our management conducted themselves with true professionalism, accountability and integrity.

Finally, I thank the board of directors for their dedication and interest in GEP's affairs; their valued contribution; their availability at all times; and for their quidance and wisdom in all our meetings and deliberations.

Mr. Linda Mngomezulu Chairperson of the Board



financial year.

Consequently, the Financial Support unit approved funding of R37 million to 36 SMMEs, an average loan of R1 million per SMME. Of the approvals, R16.6 million (45%) went to women-led businesses and R19.5 million (52%) to youth-led businesses. These businesses directly created 402 jobs, contributing towards GPG's goal of reducing unemployment and poverty.

renewal needs to the tune of R2.5 million.

The Enterprise Support unit, which completed its first financial year in operation, made great strides in research, policy development and the development of a cooperative support programme. Most notably, the Aftercare Sub-Unit was started and had within the year increased capacity to improve debt collection. The Cooperatives sub-unit finalized a cooperation agreement with the DTI as



part of the greater Cooperative Support programme and is left with minor changes before it is ready for implementation. The unit also took part in the Gauteng Plato Project conception and, with the provincial department of Local Government, the JCCI and Gauteng municipalities, will play a key role in taking the project forward. The Product Development & Capacity Building Sub-unit was included in the initial project training hosted in Leuven, Belgium in the fourth quarter of the year. The Research Sub-unit concluded several field and desktop research reports, most notably the Customer Survey Report, which focused primarily on non-financial support recipients.

The Marketing and Communications unit finalized the communication strategy that will guide the agency's efforts to improve its brand. Through this unit of our community outreach programme, GEP participated in the Economic Opportunities roadshows of the GPG, held in various communities in Gauteng. The unit was also responsible for the launch of the Mohlakeng Satellite Office and the 20 PTP Business Renewal Project reported earlier. The unit hosted, or was involved in, organizing the GEP Women in Business Breakfast; the Passing of the Torch awards; and the BWASA Business Woman of the Year Awards; and it co-sponsored the Business Women's Association Annual Women in Corporate Leadership census in with Nedbank. The unit organized several information sessions, such as the Automotive Industry Information Session

and the Disability Month Information Sharing Session, and arranged for selected SMMEs to exhibit their wares at an exhibition of GEP's product offering at SoccerEx 2008. Arising from this, the unit attended a Soccer Business Exhibition in Brazil during the last quarter of the year. The unit also completed the Internet update and a study of key statistics of the GEP website and finalized the database clean up. This unit embarked on an intense media campaign that covered radio, print, television and billboards and, while most of this coverage was paid for, free coverage was worth more than R1.3 million.

With additional resources acquired, the Human Resources unit was able to function optimally and deliver, amongst other things, on the development and finalization of job profiles and performance contracts for all employees. The unit was at the forefront of the change management necessitated by the migration of the financial support function to the regional offices. In a related exercise, the unit has began an organization wide skills audit to ensure that positions are matched with the available skills and identify individuals needing additional skills. The Performance Management System continues to be used regularly by all business units. The unit facilitated a Voluntary Counseling and Testing (VCT) session in December 2008 to observe the World Aids day on 1 December.

Although budget cuts affected the extent to which GEP could create an enabling environment for SMMEs through network



sessions, summits and sponsorship to interest groups, the agency:

- · Approved funding of R37m, bringing total financial support approvals to R120m;
- Created 400 jobs through funded SMMEs, bringing the total to 1200 over the last 2 years;
- Provided tailored business development support to 884 SMMEs leading to sustainment of 800 jobs;
- Trained 2631 existing and potential entrepreneurs in various disciplines;
- Launched the 20 Prioritized Township Renewal programme in Ekurhuleni;
- · Developed a comprehensive support programme for co-operatives;
- Concluded partnerships with strategic stakeholders such as MAFISA and G-Fleet;
- Enabled SMMEs to showcase their wares at the Soccerex 2008;

- Secured listing by National Treasury as a Schedule 3C provincial public entity; and
- Was registered by the National Credit Regulator as a recognized financial service provider.

Management thanks the Department of Economic Development, the Board of Directors and staff on the continued support and commitment.

Mr. David Morobe Chief Executive Office

# **BOARD** MEMBERS









**Business Units Reports** 



# **BUSINESS UNIT HEADS**



Chief Financial Officer: Mr. Phumlani Zwane



GM: Financial Support Mr. Percy Sithole



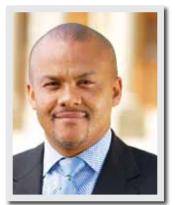
GM: Regional Operations Mr. Dan Mogami



GM: Enterprise Support Ms Christel Potgieter



GM: Marketing & Communications Ms Ntsoaki Tsokolibane



GM: Information Technology & Facilities Mr. Tshepo Shuenyane



# **FINANCIAL SUPPORT**

## STRATEGIC OBJECTIVES OF THE BUSINESS UNIT

- 1. Provide accessible financial support through Captive and Leverage Financial Support Programmes.
- 2. Continuously research, explore and design relevant funding packages and information booklets.
- 3. Improved turnaround times in terms of deals assessment and provide feedback.

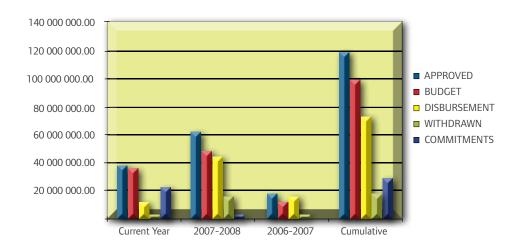
Strategic Objective	Targets 2008/09	Actuals 2008/09	Comment on the Variances
Provide accessible financial support through Captive and Leverage Financial Support Programmes.	36 Deals Approved R36m approved 40% Approved to Women led bus. 30% Approved to Youth led bus.	27 Deals Approved R37. 1m approved 46% Approved to Women led businesses 54% Approved to Youth led businesses	Number of deals approved is based on an average of R1m per deal, therefore the number is affected by the bigger deals.  The transversal targets were exceeded. This is reflective of the fact that the bulk (> 90%) of the FS applications are from this group.
Continuously research, explore and design relevant funding packages and information booklets.	Design and price 1 additional product packages	Designed 1 product package for Micro-Finance	
Improved turnaround times in terms of deals assessment and provide feedback.	Implement tracking system for applications in-progress  Applications distributed within 2 days	Tracking System implemented  All applications received directly at H/O are distributed to BRMs within 2 days.	

The Financial Support unit's R36 million budget was allocated entirely to the Captive Financial Support Programme for the in-house financial support programme that provides debt funding (short and long term) through four products: Start-up, Expansion, Contract and Franchise finance. Approved funds are used to acquire assets and/or working capital.

Twenty-seven projects were paid during the year at an average R1,37 million each in different sectors. Of the R37 million approved projects, 45% of the funding was awarded to women-owned and managed businesses and 53% to youth owned businesses. It led to the creation of 402 direct employment opportunities.



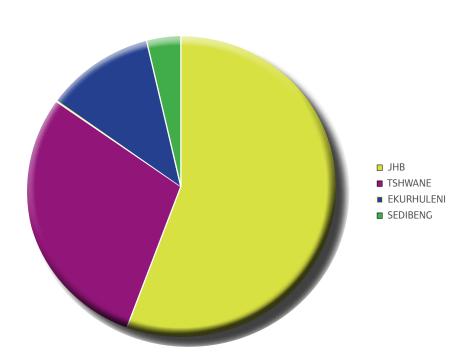
	CURRENT YEAR	2007 - 2008	2007 - 2006	CUMULATIVE
APPROVED	37,067,198.00	64,682,169.00	18,400,000.00	120,149,367.00
BUDGET	36,000,000.00	50,000,000.00	15,000,000.00	101,000,000.00
DISBURSEMENT	24,282,710.00	51,150,276.00	15,915,020.00	91,348,006.00
WITHDRAWN	5,500,025.00	12,843,058.00	2,484,980.00	20,828,063.00
COMMITMENTS	7,284,463.00	688,835.00	0.00	7,973,298.00





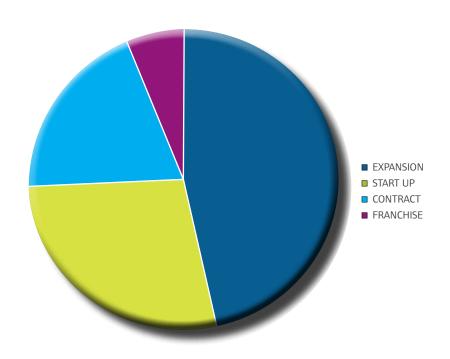
# APPROVAL BY REGION

REGION	
JHB	20,364,923.00
TSHWANE	11,282,275.00
EKURHULENI	3,500,000.00
SEDIBENG	1,920,000.00
TOTAL	37,067,198.00





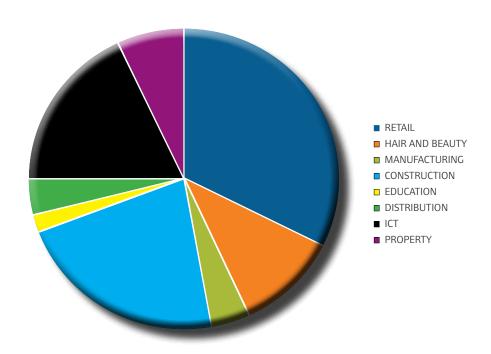
PRODUCTS	
EXPANSION	21,284,633.00
START UP	8,110,614.00
CONTRACT	6,598,927.00
FRANCHISE	1,073,024.00
TOTAL	37,067,198.00





## SECTOR

Retail	11,063,957.00
Hair & Beauty	3,673,049.00
Manufacturing	1,100,000.00
Construction	9,297,942.00
Education	500,000.00
Distribution	1,932,250.00
ICT	6,500,000.00
Property	3,000,000.00
Total	37,067,198.00



# **SUMMARY OF PROJECTS**

SUMMARY		
	Annual Budget	Actual (YTD)
Total Amount of Funding approved	R 36 mil	R 37.1 mil
Women Owned Business (40%)	R 14.4 mil	R 16.6 mil (46%)
Youth Owned Business (30%)	R 10.8 mil	R 19.5 mil (54%)
People with Disabilities Owned Business		R3. 2 mill (8.6%)
Actual and Potential Employment Created	360	402



## **SUCCESS STORIES**

## TMI DYNAMATICS

With a GEP financial support loan, and a range of GEP business development interventions as part of the Innovation Hub's incubation programme, TMI Dynamatics is set to start work on two major contracts for the country's aerospace industry.

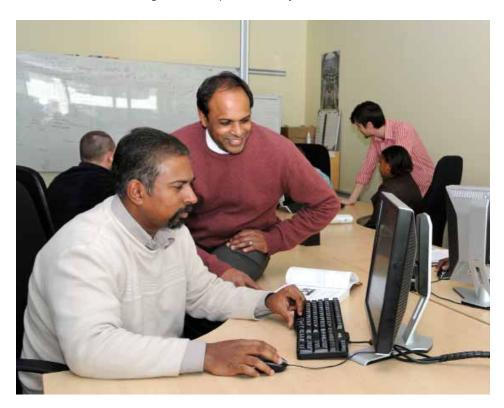
It has been awarded deals worth R1.9million by SAAB Aerosystems and Denel Aviation for work on flight test analyses.

The small but high-tech company is owned by a young entrepreneur, Thivash Moodley, who holds an Honours Degree in Aerospace Engineering and has extensive experience in the aerospace industry.

The contracts required working capital and Thivash was given a R500 000 GEP loan to execute the projects.

Thivash has expressed his gratitude to GEP for the financial and business development support he has had since 2006.

"TMI's vision of becoming a globally preferred partner for aeronautical modelling and stimulation can be realized only with the assistance of organizations like GEP," he says.



TMI DYNAMATICS' Thivash Moodley modelling aeronautical systems



## **SUCCESS STORIES**



Frans Segogela (left) inspecting compressor maintenance process

## SOLOJO SA (PTY) LTD

Frans Segogela, owner of Solojo SA, obtained a contract funding loan from GEP to service his Eskom and Transnet contracts which are worth more than R6 million. The contracts involve installing of compressors at some of these parastatals power plants.

Segogela who started his business in 2002 after working in the compressors installations and maintenance industry for twenty years, has grown from strength to strength for the past seven years. Solojo SA started its operations in Segogela's house in the township of Vosloorus. He has now moved to the industrial heart of Gauteng, Germiston, to operate in a much bigger workshop.

After receiving a licence to distribute, maintain and service compressors from a UK based company Fluidair, Segogela started winning big contracts from large corperations. Due to insufficient funds to

execute contracts received from companies, he approached GEP for a contract funding loan. GEP has assisted and funded the business with an amount exceeding R4 million and the money was for his major contracts with Eskom and Transnet.

Solojo SA (Pty) Ltd is a 100% black owned company which specialises in compressor repairs, maintenance, sales and distributions. The company has another workshop in Pietermaritzburg due to the demand in KZN province. A total of ten people have been employed in the company and they range from technical staff to administrators.

"I am proud to be the first of the few black people to enter this industry that is still white-male dominated" said Segogela. He added that, "Though there are lots of challenges we are working hard towards achieving our vision of servicing the entire country and SADC region"

# **REGIONAL OPERATIONS MANAGERS**







## STRATEGIC OBJECTIVES OF THE BUSINESS UNIT:

- 1. Provide quality non-financial support services to SMMEs and cooperatives.
- 2. Effective and efficient management of regional operations

Strategic Objective	Targets 2008/09	Actuals 2008/09	Comment on the Variances
Provide quality non-financial support services to SMMEs	1600 SMME Assessed per annum	1245 SMMEs Assessed	The reason why some of the targets have not been achieved is firstly due to low capacity in some of the regions.
and co-operatives	1600 Projects Awarded per annum	884 Projects Awarded	Generally, targets for projects awarded and SMMEs trained have not been reached due to the moratorium placed
	4620 SMMEs Trained per annum	2631 SMMEs Trained	on projects as influenced by budgetary constraints
	Make inputs into the various and relevant activities of ES	Inputs into the manual diagnostic tool was submitted to Enterprise Support during January and February 2009	
	Collect and submit from regions inputs into policies/ strategies impacting on SMME/ coops environment	Inputs given on Proposed GEP Co-operatives Support Programme	Ongoing activity and as per request
Effective and efficient management of regional operations	Monthly and quarterly; Both reports are prepared and submitted not later than 5 <sup>th</sup> of the month	Monthly and quarterly reports were prepared and submitted on time.	



The Regional Operations unit, whose core responsibility is the implementation of GEP's Strategic Objective "to effectively and efficiently provide business development support and training to SMMEs", provided a range of Business Development Support (BDS) interventions and capacity-building programmes to SMMEs and co-operatives through the five regional offices and their satellite offices.

## **SUMMARY OF PERFORMANCE:**

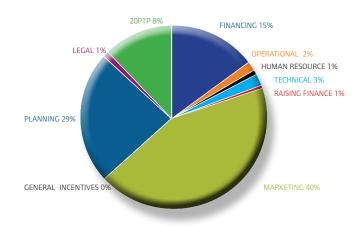
In the 2008/2009 financial year, the regional operational performance was:

**SMMEs assessed:** 1245 **Projects awarded:** 884 **SMMEs trained:** 2631 **Budget spent:** R 15 386 927

#### **BDS INTERVENTIONS PROVIDED:**

Below is a list of the interventions used:

## PROJECT CATEGORIES- ANNUAL REPORT APRIL 2008-MAR 2009 (884)



# CAPACITY BUILDING (TRAINING) PROVIDED:

A total of R 3 997 676 was spent on training 2631 SMMEs. Training courses offered by the five regional offices included:

- Marketing management
- Customer service for taxi operators
- Microsoft Word Level 1,2 and 3
- Costing, pricing and tendering
- Entrepreneurship promotion

- Financial management
- Project management
- Basic bookkeeping
- Basic business skills
- Business start-up
- Human resources management
- Tendering skills
- Business plan Writing
- Quality management
- Production management



## 20 TOWNSHIP BUSINESS RENEWAL PROJECT:

As part of the Gauteng 20 Priority Townships Programme, GEP launched its 20 Townships Business Renewal Project in Ekurhuleni on 16 January 2009 to give meaningful business development support to at least 3 businesses in each of the 22 townships identified. The project will be rolled out in phases, of which phase 1 was piloted in Ekurhuleni. Twenty-one SMMEs were assisted in:

- Daveyton
- Duduza
- Katlehong
- Kwa Thema
- Thembisa
- Tsakane
- Wattville

## GEP spent R 2 518 130 on:

- Marketing tools and signage
- Equipment
- **Building** repairs
- Installation of shelving

Phases 2 and 3, involving 14 townships in the other four regions where GEP has regional offices, will begin in the new financial year.

#### **SUCCESS STORY**

Khuphukani Bakery & Confectionery cc is owned equally by Melta Ubisi, Phumzile Maseko, Jeanette Dhlamini and Agnes Ndlangamandla.

Melta previously worked at a restaurant and bakery, Phumzile studied home

economics at school, and both Jeanette and Agnes taught themselves how to bake.

The women ran a stokvel that enabled them to save R97 000 that they invested in baking equipment, a corrugated structure for their business and a three-phase electrical connection.

#### CO-OPERATIVES SUPPORTED:

Assistance provided to co-operatives during the financial year:

- · Number of co-operatives assessed - 33
- Number of co-operatives trained - 37
- Number of co-ops receiving BDS - 28

The Ekurhuleni and Sedibeng regions were the leading offices in terms of the target versus actual performance.

#### **BLACK-OWNED BUSINESSES SUPPORTED:**

	ACTUAL
SMMEs ASSESSED	1127
PROJECTS AWARDED	659
SMMEs TRAINED	1819

The target of Black-owned businesses supported was exceeded for assessments done, but not for projects awarded and SMMEs trained. No interventions or training took place after December 2008 because of the moratorium. There is, however, no doubt that these targets would have been achieved if GEP was fully operational for the entire financial year.



## WOMEN-OWNED BUSINESSES SUPPORTED:

	ACTUAL
SMMEs ASSESSED	424
PROJECTS AWARDED	276
SMMEs TRAINED	926

The target of women-owned businesses supported was nearly achieved for assessments done, but not achieved for projects awarded and SMMEs trained. No interventions or training took place after December 2008 because of the moratorium. This is a target usually exceeded in past financial years, and would probably have been achieved in normal circumstances.

# YOUTH-OWNED BUSINESSES SUPPORTED:

	ACTUAL
SMMEs ASSESSED	471
PROJECTS AWARDED	273
SMMEs TRAINED	700

The target of youth-owned businesses supported was well exceeded for assessments done, but not achieved for projects awarded or SMMEs trained because of the moratorium.

#### PEOPLE WITH DISABILITIES SUPPORTED:

	ACTUAL
SMMEs ASSESSED	2
PROJECTS AWARDED	8
SMMEs TRAINED	8

Businesses owned by people with disabilities were short of the target. This transversal group has always been difficult to reach.



## REGIONAL OPERATIONS SUCCESS STORIES



## Buthina Borona Co-operative showcasing some of their product range

## **Buthina Borona Household**

Co-operative is growing steadily, increasing its sales and widening its product range, thanks to GEP intervention and assistance.

Development of a business plan and SABS specification testing on its core products dishwashing detergent, fabric softeners and cream cleaners have set it on the road to success.

The co-operative was created four years ago by five members of the community of Vosloorus through the Ekhuruleni Metro Municipality's training programme for cooperatives.

It operates at the Vosloorus Customer Care Centre.

It approached GEP for developmental intervention when the business faltered primarily because products were unable to gain ISO 9001: 2000 certificates.

GEP assessed its operations and recommended development of a business plan and SABS specification testing on its key detergents.

The interventions were implemented and all but one product passed the test. (The business is still working on specifications for its bleach).

GEP also helped the co-operative to acquire R270 000 from The Department of Trade and Industry to buy manufacturing equipment.

Buthi Borona's Managing Director, Henrietta Dlamini, says demand for products is growing and the range has been enlarged.

"We have now started manufacturing diapers and ladies' sanitary products," she says.



# REGIONAL OPERATIONS SUCCESS STORIES



## Nonhlanhla Ngwenya with her creative art products

# NHLANHLA AFRICAN DEVINE ART **DESIGN CC**

A GEP business plan and sponsorship have helped to establish Nhlanhla African Devine Art Design firmly in the arts sector, and its owner, Nonhlanhla Ngwenya, to satisfy a lifelong passion.

Nonhlanhla quit a teaching career three years ago to start a business that focuses on painting and sewing fabrics to produce designer bed covers, cushions, wall paintings and clothes.

A lack of business skills made the transition difficult, but GEP intervention and business development help enabled Nonhlanhla to draw up a business plan, and attend regular GEP business training sessions on financial management, business marketing and planning.

GEP also sponsored the enterprise's participation at the Decorex exhibition showcasing home décor and accessories.

The exposure enabled Nonhlanhla not only to expand her client base but to make sales exceeding R 15 000 at the three-day show.

Nonhlanhla, who operates from home, is studying advanced techniques in art and fabric, and hopes to apply for GEP financial support to open a workshop where she can employ and teach community youth.



## STRATEGIC OBJECTIVES OF THE BUSINESS UNIT:

- 1. To research relevant information in order to improve GEP's service delivery.
- 2. To review, develop and implement quality support services for SMMEs and co-operatives in Gauteng.
- 3. To provide aftercare support to SMMEs and co-operatives assisted by GEP

Strategic Objective	Targets 2008/09	Actuals 2008/09	Comment on the Variances
To research relevant information in order to improve GEP's service delivery	Develop Research Policy  Timely and efficiently conduct research projects	The policy has been finalised and is ready for approval  All research projects commenced as commissioned	Some research projects extend beyond the duration of the financial year and as such were not completed as at the time of reporting
To review, develop and implement quality support services for SMMEs and co-operatives in Gauteng	Review and improve current BDS procedures, systems and processes.  Maintain a database of accredited and potential service providers and mentors  Develop and implement a Cooperatives Development and Support Programme.	The operating procedures for the regional operations were ready for approval at the time of reporting.  Ongoing administration is in process.  The draft GEP co-operative strategy is nearly completed and will be submitted for comments	The service provider agreement has been enhanced and will be re-circulated to accredited service providers  Partnership with DTI on their incentive scheme will augment internal programme.
To provide aftercare support to SMMEs and co-operatives assisted by GEP	Develop, pilot and implement a GEP Aftercare support programme to SMMEs funded by GEP.	Service Provider is currently in the process of developing the processes and workflows  A total of 12 SMMEs have been supported by the division in the period under review	This is a newly created function and has been in operation for under a year, this unit will be further developed in the 2009/10 financial year.



The Enterprise Support unit was established on 1 May 2008 to give product development, capacity building, research and aftercare support to both the Financial Support and Non-Financial Support units in GEP. Most activities for project development and capacity building were previously the responsibility of the Regional Operations unit, and research activities the responsibility of the Marketing and Research unit. The Aftercare division is a new unit established to support SMMEs that received funding from GEP to ensure loan repayments. From 1 June 2008, the functions of business incubation and co-operatives were transferred from the Department of Economic Development to GEP, and formed part of the Enterprise Support unit.

## **UNIT GOAL:**

The goal of the Enterprise Support Business unit is "To provide effective and efficient business development, capacity building and aftercare service to SMMEs and co-operatives in Gauteng".

## STRATEGIC OBJECTIVES OF THE UNIT:

The unit developed three strategic objectives:

- 1. To research relevant information to improve GEPs service delivery;
- 2. To review, develop and implement quality support services for SMMEs and co-operatives in Gauteng; and
- 3. To provide aftercare support to SMMEs and co-operatives assisted by GEP. To achieve these goals, activities identified in the Enterprise Support unit's workplan for the 2008/2009 financial year included:

#### SOCCEREX 2008:

#### **BACKGROUND:**

With an eye towards the FIFA 2010 World Cup, the Gauteng Provincial Government (GPG) secured the hosting rights of SoccerEx 2008.

It hosted this, the world's largest soccer exhibition, from 23 to 26 November 2008 at the Sandton Convention Centre in Johannesburg to provide the perfect platform for event, media and sports management companies, soccer goods manufacturers, soccer clubs and organisations, agents from the accommodation and transport industries and other areas of tourism, to promote their brands to the soccer world. GEP committed to support a number of relevant and qualifying SMMEs to participate in this world-class event where SMMEs who form part of this industry positioned and profiled themselves. SMME participation through GEP also allowed GEP clients to network the various representatives of the global soccer fraternity.

### **OUTCOME**:

GEP created the platform where 15 SMMEs were subsidized to exhibit and profile their products and services to delegates. Each was assigned a six square metre exhibition stand subsidized at 80%. They also had access to GEP's marketing package, which included listing of the company in the event magazine, access to the delegate database and subscription to the SoccerEx Business News publication. In addition, 40 more tickets were procured



for SMMEs interested in attending the 2008 SoccerEx Conference.



## GEP exhibition stand at SOCCEREX 2008

# **GEP COOPERATIVES SUPPORT** PROGRAMME:

In line with the GEP's mandate to provide both financial and non-financial support to SMMEs and co-operatives in Gauteng, a strategic decision was taken to develop a programme focused on supporting cooperatives in Gauteng.

(The decision followed development in 2006 of the Department of Economic Development (DED) Co-operatives Development Policy for the Gauteng Province, approved by the Gauteng Executive Council in November 2007. In July 2008, the MEC of the Department of Economic Development (DED) took a policy decision to have the role of Cooperatives Support transferred to the Gauteng Enterprise Propeller (GEP), as a provincially established Agency for SMME development and support).

The programme, developed and approved during the 2008/2009 financial year, consists of a combination of:

- 1. Financial support (loans);
- 2. Non-financial support (business development support);
- 3. Capacity-building support (training);
- 4. Access to other forms of support. The programme will be implemented through GEPs regional offices during the 2009/2010 financial year.

# **CUSTOMER SATISFACTION SURVEY BACKGROUND**

GEP identified a need to conduct a customer satisfaction survey focused on SMMEs it had assisted, and where specific projects were identified and offered as interventions, to determine the SMMEs' understanding

- · of the general assistance by GEP, and their satisfaction with the assistance and the roles played by all GEP staff involved;
- of the roles of the GEP's advisors and service providers, and their satisfaction with the assistance and the general business advice offered by the GEP's advisor and the service provider;
- of intervention(s) identified and completed and their satisfaction with the intervention; and
- of GEP's mandate and their satisfaction with the GEP service offerings.



#### **OUTCOME**

Researchers interviewed 1006 SMMEs, evenly distributed through the five regions of Gauteng where GEP has regional offices, which GEP had assisted with non-financial support.

Of these, the most dominant industry sectors were the manufacturing industry (23%), community, social and personal services (21%), catering and accommodation (13%), retail (13%) and construction (12%).

It should be noted that 70% of SMMEs interviewees had an annual turnover of R1,000 to R150,000. Only 5% had annual turnover of more than R1 million. Of the interviewees, 68% indicated only one owner of the business, and 21% two owners. Only 1% of respondents reported having more than five owners.

#### THE SURVEY FOUND

- · Customer perceptions of overall satisfaction with GEP were 83%. To retain the high levels of customer satisfaction GEP has to maintain this score between 80% and 83%.
- SMMEs viewed GEP very positively. All scores were high.
- Eighty one percent of GEP's customers were satisfied or very satisfied (4 and 5 ratings) with their overall experience with GEP. Of those, 35% give the agency a 5 rating. This group of SMMEs is likely to remain very positive about, and loyal to, the agency.
- Only 2% of SMMEs were dissatisfied with their overall experience.
- Service providers were not as well regarded by SMMEs as GEP. SP

scores on all attributes were lower than GEP's scores. It is interesting to note that SMMEs could not rate the image, quality of intervention or service quality of SPs separate from GEP. They regarded the SPs as being GEP.

The quality of GEP's products/ interventions rated 83%. Bearing in mind that this component of satisfaction is also a driver, this score should be maintained and improved.

GEP's corporate image was excellent, with a score of 84%. Being committed to customer satisfaction had a high performance score of 87%. It is very positive that GEP was viewed by SMMEs as being customer-driven. A customerorientated culture appeared to have been instilled, and all employees understood the value of each customer. It is up to all customer support staff, in particular the BRMs, Information Officers and the Service Providers to continue to deliver good service. This has had a positive effect on the agency's commitment to customer satisfaction.

It is seen as essential to ensure that customers believe the project cost is justified by the quality of the intervention they receive. GEP is perceived as having an average to low project cost. SMMEs believe they do not pay a high price for GEP's interventions probably because they pay less than a full price. Assistance for SMMEs is hugely appreciated and the funding scale/matrix currently used by GEP can be said to be seen as fair.



## STRATEGIC OBJECTIVES OF THE BUSINESS UNIT:

- 1. To increase awareness of GEP, its products and services;
- 2. To improve the image of the GEP brand;
- 3. To increase client loyalty;
- 4. To provide in-depth knowledge and support to GEP and its stakeholders, through innovation and understanding of the SMME sector;
- 5. To inculcate the culture of entrepreneurship in Gauteng;

Strategic Objective	Targets 2008/09	Actuals 2008/09	Comment on the Variances
To increase awareness of GEP, its products and services	Conduct 4 media briefing sessions; Host 3 Information Sessions and participate in Community Outreach Programmes as per MEC's programme	1 Session coinciding with 20 PTP launch 9 Info Sessions Hosted Participated in all Out- reach events and Izimbizo as invited by DED	Although a target is set for such briefings, however they should be linked to developments/ specific announcements within the programmes as such the 20 PTP launch was used as a media briefing, Information sessions were reduced due to a reduced budget
To improve the image of the GEP brand	Development and implementation of the Communications Strategy	Draft Strategy in Place	A Draft Strategy is in place. This will be circulated to the Executive Management for input and later to the CEO for approval, by 30 April 2009.
To increase client loyalty	Host 4 Business to Business Network sessions  Develop the SMME Excellence awards programme	4 Sessions Held and/or sponsored  Awards not held	Event has been placed on hold due to budgetary constraints, the unit is still negotiating with other stakeholders for possible sponsorships. Included in 2009/10 Business Plan
To provide in-depth knowledge and support to GEP and its stakeholders, through innovation and understanding of the SMME sector	Host Gauteng SMME Summit	Summit cancelled	The Summit could not be hosted due to budgetary constraints. It will be included in the next financial year's plan.
To inculcate the culture of entrepreneurship in Gauteng	Launch of Young Entrepreneurs' programme through Provincial Schools Competition	Competition not held	The Schools Competition has been put on hold due to budgetary constraints. However, GEP maximizes on its relationships with other relevant stakeholders to engage in initiatives that strive towards inculcating the culture of entrepreneurship.



The Marketing and Communications unit has a mandate to create and maintain awareness of the organization and its products, and to build and maintain a two-way relationship with its stakeholders. In its undertaking to achieve its mandate and goals, the unit conducted various campaigns to position GEP as Africa's leading enterprise agency.

Campaigns included public relations, advertising and sector groups seminars, and generated free publicity.

# LAUNCH OF THE MOHLAKENG SATELLITE **OFFICE**

The Mohlakeng satellite office and small business centre was officially launched in April 2008. The event was coordinated and managed with the Randfontein Local Municipality (RLM) and attended by some 300 people. The COO and the Chairperson of the Board, Mr. Linda Mngomezulu, were among the speakers and the Mayor gave the keynote address.

# **SPECIAL PROJECTS SOCCEREX**

GEP again participated in the SoccerEx exhibition, this year held from November 23 to 25 at the Sandton Convention Centre, to honour its commitment to support an increasing number of relevant and qualifying SMME companies over the life of SoccerEx Gauteng. Thirty SMMEs exhibited their products and services to more than 4 000 delegates from 96 countries. Exhibitors were able not only to interact with the delegates but gain

exposure to new and potential business opportunities. (One, 1PAL Ikasi Sports, was invited by Fulham Football Club in London to explore business opportunities). The event enjoyed extensive media coverage.

During August, GEP partnered GEDA and the Department of Trade and Industry in hosting SoccerEx business forums in three municipal areas in Gauteng to engage businesses throughout the province. GEP tabled presentations to the forum.



Former sports and recreation MEC Barbara Creecy with GEP sponsored SMME's

#### TWENTY PTP LAUNCH

The Twenty Townships business renewal project, a programme established by Gauteng Provincial Government where departments and agencies design and implement programmes to develop 20 prioritised townships in and around Gauteng, was launched in Daveyton in January 2009 to give meaningful business development support to at least five businesses in each of the 20 townships.



In attendance were the MEC for Public Works, Mr Ignatius Jacobs, Ekhurhuleni Mayor, Ms Ntombi Maseko, GEP Board members and members of management.

The event was publicized broadly before and afterwards.

#### **GEP INFORMATION SESSIONS**

During the year, GEP again hosted successful monthly information-sharing sessions.

SMMEs are invited to the workshops to engage with GEP and industry specialists to network and gather information from sector and industry experts on developments, challenges and opportunities to benefit the SMMEs.

The GEP's annual business breakfast in Sandton in August, intended to drive business-to-business networking sessions, gave women in business and industry the opportunity to interact with counterparts from the GEP client base, partners and service providers.

Advocate Brenda Madumise gave the keynote address and Sowetan Business Women of the Year 2006/7 Agnes Malebane was a speaker.

In October, identified as 'Transport Month', GEP hosted an information-sharing session in Tshwane for SMMEs in the automotive industry. The sector was identified as one of the 'Smart industries' in the Gauteng Growth and Development Strategy and has the potential to facilitate and/or enable job creation.

The event took place on October 28, 2008 and delegates included representatives of the Automotive Industry Development Centre, Efitlhile Training Academy -Sponsored by the DED, Retail Motor Industry, SEDA Automotive Technology Centre and NAASP.

Both Quality and Assurance and Disability month were incorporated in one information sharing session, in Tshwane on November 29, focused on bringing disabled business people together to explore business development opportunities available in GEP and other organizations.



Dominic Souchon at the GEP Disabled Entrepreneurs workshop

# MEDIA AND PUBLICITY

The publicity campaign throughout the year, aligned to GEP marketing strategic objectives to increase awareness of GEP and its product and services, included exposure on radio, television and billboards, and in print.



# STRATEGIC OBJECTIVES OF THE BUSINESS UNIT:

- 1. Create a working environment that is characterized by high performance and professionalism.
- 2. Create and sustain a fair and equitable HR environment in GEP
- 3. Continuously develop employees' abilities so as to enhance the efficient achievement of GEP's core objectives
- 4. Continuously enhance employee wellness in GEP
- 5. Build and sustain a progressive and unified organizational culture in GEP

Strategic Objective	Targets 2008/09	Actuals 2008/09	Comment on the Variances
Create a working environment that is characterized by high performance and	Implement Performance Management System	PMS fully implemented	
professionalism	Implementation of a Comprehensive Remuneration Strategy	33% towards Implementation of Strategy	Phased implementation of Remuneration Strategy
Create and sustain a fair and equitable HR environment in GEP	Implementation of HR Policies	80% implementation level	Some policies have to be updated to accommodate the presence of a Union which was not in existence at the time the policies were drafted. There are some new policies that were brought about by the ORA.
Continuously develop employees' abilities so as to enhance the efficient achievement of GEP's core objectives	Develop Training matrix and calendar.	Training matrix and calendar developed for all courses related to Soft skills training.	All planned training for period under review has been successfully completed.
Continuously enhance employee wellness in GEP	Continuously assess the effectiveness of the EWP Programme.	100% implemented	Well received by employees. Utilization is increasing, with a year to date figure of 29% which is significantly higher than national standard of 10 to 11% (As per Careways Group analysis)
	Introduce 'Lets meet and Greet' road shows with CEO and COO throughout GEP	Partially implemented	The CEO had visited some regions and outstanding regions will be visited early in the financial year.
Build and sustain a progressive and unified organizational culture in GEP	Develop a program of Team- building that is continuously applied throughout the year	Programme fully implemented	



For the Human Resource unit, the year was characterised by defining the HR function within GEP, finalizing job profiles across all levels and implementing the 360-degree performance system.

Although the unit functioned with limited capacity for three quarters, its administrative ability was never compromised.

With the appointment of the HR Executive at the end of the third quarter, the unit adopted a strategic approach ultimately

to have the FS function at regional level and ensure that every employee has a skills assessment report and individual development plan.

From November 2008, NEHAWU became the officially recognized GEP union and marked its involvement with successful salary negotiations in the last quarter

1.Staff Movements and Demographics (Appointments, Terminations, Dismissals & Retrenchments)

## Recruitment

Occupancy Levels		Male			Female				TOTAL
Occupancy Levels	African	Coloured	Indian	White	African	Coloured	Indian	White	IUIAL
Top Management (Executive)									
Senior Management (Technical/Professional)					1				
Professionally qualified and experienced specialists and middle management	3	2	1		3				
Skilled technical and academically qualified workers, junior managers and supervisors	2				2				
Skilled and discretionary decision making					1				
Semi skilled and discretionary decision making	2				10	1			
Unskilled and defined decision making					2				
Employees with disabilities									
TOTAL PERMANENT	7	2	1	0	19	1			30



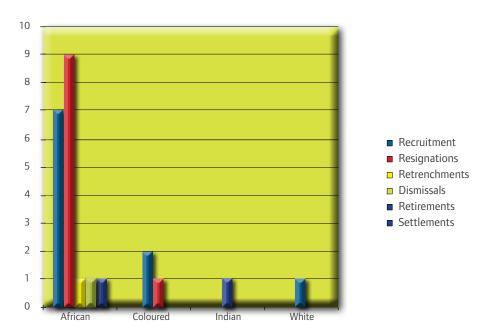
**Terminations (Resignations, dismissals and retrenchments)** 

		Male				Fema	le		
Occupancy Levels	African	Coloured	Indian	White	African	Coloured	Indian	White	TOTAL
Top Management (Executive)	1 Settlement								
Senior Management (Technical/ Professional)	1								
Professionally qualified and experienced specialists and middle management	3	1 Settlement			1 Dismissal				
Skilled technical and academically qualified workers, junior managers and supervisors	3				1				
Skilled and discretionary decision making	1				1 End of Contract				
Semi skilled and discretionary decision making									
Unskilled and defined decision making									
Employees with disabilities									
TOTAL PERMANENT	9	1	0	0	3	0	0	0	13

# **Overall staff movements**

	African	Coloured	Indian	White	Total
Recruitment	7	2	1	0	10
Resignations	7	1	0	0	8
Retrenchments	1	0	0	0	1
Contract Ended	1	0	0	0	1
Dismissals	1	0	0	0	1
Retirements	1	0	0	0	1
Settlements	1	1	0	0	2
Deceased	1	0	0	0	1
Total					25





# PERFORMANCE MANAGEMENT

The year was positively characterised by the organization embracing a performancebased culture. The 360-degree system was implemented and appraisals are done quarterly. The current system is paper based and HR is implementing a suitable electronic system to support it.

# LABOUR RELATIONS

NEHAWU is the officially recognised union, with a membership of 58%. The signed Organisational Rights Agreement (ORA)

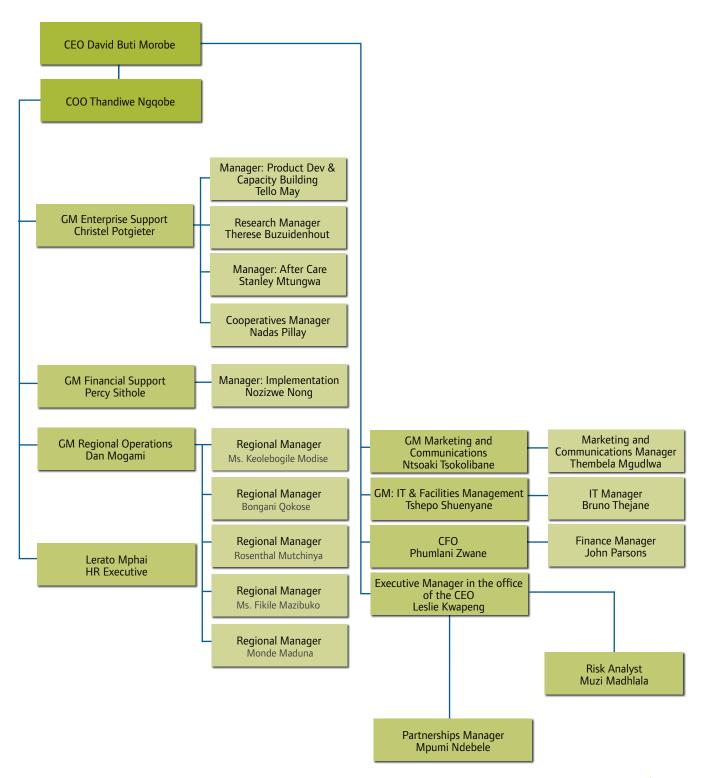
regulates the relationship between the GEP and NEHAWU. Bilateral meetings are held on a monthly basis. The salary negotiations for the 2009/10 financial year were successfully concluded.

# CONCLUSION

The 2008/9 financial year has been relatively busy for a short-staffed HR unit. The unit was primarily administratively focused, but is positioning itself as a strategic partner to other business units.



# **EXECUTIVES AND SENIOR MANAGERS**





# STRATEGIC OBJECTIVES OF THE BUSINESS UNIT

- 1. Provide a stable and reliable IT platform
- 2. Manage IT related Risk.
- 3. Facilitate and implement increased automation and cost reductions.
- 4. Provide for GEP's physical working environment in line with set GEP standards.
- 5. Oversee shared resources and facilities

Strategic Objective	Targets 2008/09	Actuals 2008/09	Comment on the Variances
Provide a stable and reliable IT platform	Maintain 99% uptime	99% achieved, very minimal downtime	
	Perform Software Licensing and IT Assets Audit	Software licensing and audit was completed	
	Develop preventative maintenance plan	Preventative maintenance plan was completed and implemented	
Manage IT related Risk	Test DRP & Business Continuity Plan	The DRP was completed and approved. The DRP Implementation Plan has been developed for the 2009-10 financial year	
Facilitate and implement increased automation and cost reductions	Improve Portal Functionality to meet requirements of Enterprise Support	Not done	The project was put on hold due to budgetary constraints, will be carried through to the 2009/10 financial year.
Provide for GEP's physical working environment in line with set GEP standards	Refurbish GEP offices including GEP's new Head Office	GEP HO relocated and refurbished and branded	
Standards	Maintain existing GEP offices	All sites maintained per schedule and ad hoc requests completed	
Oversee shared resources and facilities	Zero incidents / complaints	'After the expiry of the rental contract that covers most of GEP's photocopiers, a new contract was negotiated with Merchant West whereby GEP would continue to continue to rent all the equipment at a discount of 50%	



## **DISASTER RECOVERY PLAN**

GEP's Disaster Recovery Plan (DRP), the most crucial risk activity for the IT & Facilities unit for the year, was successfully developed and approved, and its implementation, testing and training began. It was formulated to ensure a faster and easier drafting of a Business Continuity Plan in the 2009/10 financial year.

HEAD OFFICE RELOCATION AND BRANCH **REVAMPS** 

The unit coordinated the search for new premises for GEP's Head Office and the refurbishment of the new space to meet GEP's requirements and comply with GEP's new branding. The GEP had outgrown its

offices in Newtown, additional space in the building could not be found and the Head Office relocated to new premises in Craighall, Johannesburg. Space was doubled allowing for more offices, work areas, training/workshop rooms and meeting rooms. Budget constraints prevented installation of CCTV cameras but required cabling is in place.

The Ekurhuleni regional office was refurbished in Q4 and is now in line with GEP's new branding. In the process, additional office space was created for three additional employees. Maintenance is carried out at GEP offices as and when required.



GEP Head office relocation to Craighall



# CHIFF FINANCIAL OFFICER'S REPORT

#### **OVERVIEW**

The GEP's role is to bridge, or at least reduce, the gap between the first and second economies in South Africa. The start of a recession this year made our mandate all the more difficult to achieve as many small businesses battled to survive, with turnovers shrinking and costs still rising, making it difficult to keep their payments up to date.

The difficult economic conditions increased both our credit risk (considerably) and the level of overdue accounts, which curtailed our ability to lend at the level we had planned to do. The situation is being closely monitored and steps are being taken to improve our collections from loan debtors.

#### FINANCIAL PERFORMANCE

A reduction of 48% in the budget allocation from Treasury required us to restrict new loans, business development support and expenditure wherever possible.

Projects in hand at the previous year-end, amounting to R65 million, were carried forward and all concluded during the year, causing a deficit of R37 million for the year. Projects in hand at the end of March this year were considerably lower at R18.6 million due to the budget constraints.

The difficult trading environment raised a need to provide for R2.1 million in bad debts and R5.6 million for doubtful accounts for the year.

Despite our reduced activities, we increased business development support by almost

61% more than the previous year.

Interest earned on loans, debtors and bank balances amounted to R12.3 million for the year compared with R8.3 million last year, partly due to the higher average rates in force during the period.

#### **BALANCE SHEET AND CASH FLOW**

Loans advanced increased from R25.8 million on the 2007/8 financial year to R38.2 million this year. The gross outstanding amount at year-end was close to double that of last year, at R49.3 million.

The reduction in funding for the year, and the deficit arising as a result, caused the bank balances to drop to R20.3 million at year-end. This figure includes R10 million received from the Department of Agriculture for the Mafisa lending programme, which will be used to assist small-scale farmers.

Cash flow showed a large drop on the previous year as the deficit resulted in a change from a positive to a negative flow and reduction in the bank balances mentioned above.

#### THE YEAR AHEAD

Our budget for the new year has been restored to normal levels and we will be able to step up the level of loan advances and business development support.

Steps are being taken to improve the level of debt collection a major concern by strengthening the debt collection department.



**Corporate Governance Report** 



The Gauteng Enterprise Propeller (GEP) is a provincial public entity as defined in Section 1 of the PFMA. It was established by the Gauteng Provincial Government (GPG) as one of its socio-economic growth and development mechanisms. Its main purpose is to provide financial and non-financial business development support to SMMEs in the province to enhance their growth and sustainability.

GEP derives its mandate from The Constitution of the Republic of South Africa, Act 108 of 1996, the Gauteng Enterprise Propeller Act No 5 of 2005, GPG Priorities (which are informed by National Priorities), Gauteng's GDS, the Department of Economic Development's Strategic Plan and all national and provincial policies, quidelines and frameworks on support to SMMEs and co-ops.

## **BOARD OF DIRECTORS**

The Executive Authority appoints the GEP Board of Directors in a selection process involving consideration of the existing balance of skills and experience, continual assessment of the needs of the agency and consideration of potential candidates' other significant personal or business attributes. The Board endorses the good corporate governance practice recommendations established by the King II Governance Report, is committed to high standards of legislative compliance and financial

and ethical behaviour, and is accountable to the Executive Authority through the MEC of Gauteng Provincial Department of Economic Development. In discharging its duties and overall responsibilities, the Board has also adopted a Charter and a Code of Conduct, both of which are consistent with the principles of the King II Report on Corporate Governance. GEP subscribes to a unitary Board comprising executives and non-executives.

#### THE BOARD CHARTER

The Board's responsibility is stewardship of GEP activities to ensure their alignment with its statutory role and fulfilment of its public policy mandate ethically, efficiently and effectively. Primarily the Charter sets out Directors' responsibilities, roles, functions and powers. The segregated roles and responsibilities of the Chairperson and the Chief Executive Officer reflect the current best practice.

The responsibilities of the Board are to:

- Approve the strategic plan and the annual business plan;
- Set out objectives and review key risk and performance areas;
- Monitor the implementation of Board plans and strategies against a background of issues relevant to the agency;
- Mitigate management risks;
- Maintain a succession plan; and
- Determine overall policies and processes to ensure the integrity of the agency's management of risks and internal control.



#### **BOARD COMPOSITION**

After considerable thought about its balance and composition, the Board collectively believes that the current mix of skills and knowledge meets present requirements to lead the agency effectively, provide diversity and complement existing strengths and experience. For most of the year under review, the Board comprised ten Non-Executive directors including the Chairperson, Deputy Chairperson and Executives. Mr Enos Banda resigned from the Board during the year and a new member, Mr Sipho Majombozi, was appointed. The non-executive Directors are considered to have the skill and experience to bring balanced and independent judgement to bear on GEP's business.

#### **BOARD INDEPENDENCE**

Mechanisms put in place to minimise or avoid potential conflicts of interest that may exist, range from the composition of the Board to appointments to committees of the Board to external parties such as auditors. Most decisions made, and internal processes established, are objective and allow no undue influences. Board members are also constantly reminded to declare financial and personal interests that could present a real or apparent conflict with their fiduciary duties. Possible conflicts of interest, if any, are disclosed by a Declaration of Interest implemented by the Board.

#### **BOARD MEETINGS AND ATTENDANCE**

Board meetings are held to assist the Chief Executive Officer to guide and control the overall direction of GEP business, monitor business performance and facilitate communication and coordination between the Board and its business units. Meetings convened by a formal notice incorporating a detailed agenda and the relevant papers and reports, are held quarterly, and information is distributed timeously before meetings to facilitate adequate preparation for thorough discussion. A number of decisions taken between Board meetings were by written resolutions in accordance with the King II report on Corporate Governance

Evaluation and effectiveness of the Board During the year, the Board's performance and effectiveness were evaluated formally through individual questionnaires prepared separately and completed individually by each Board member. All responses were treated confidentially. The Institute of Directors (IOD) collated results and reported findings to the Chairperson of the Board. The exercise demonstrated members' unity of purpose to ensure that the Board remains effective and relevant to the agency's overall objectives. Although recognising the progress made, the Board will continue to strive to adopt measures that will enhance its effectiveness.



# ATTENDANCE AT THESE MEETINGS IS SHOWN BELOW:

MEMBER	DESIGNATION	DATE OF MEETING			
		28/05/08	20/08/08	26/11/08	27/02/09
1. Mr Linda Mngomezulu	Chairperson	Attended	Attended	Attended	Attended
2. Mrs Pamela Mgulwa	Deputy Chairperson		Attended	Attended	Attended
3. Adv. Brenda Madumise	Member	Attended	Attended	Attended	Apology
4. Adv. Josephine Ralefatane	Member	Attended	Attended	Attended	Attended
5. Mrs Mumsey Mokoena	Member	Attended	Attended	Attended	Attended
6. Miss Khunjulwa Sigenu	Member	Attended	Attended	Attended	Attended
7. Mr Mxolisi Zwane	Member	Apology	Attended	Apology	Apology
8. Mr Lebogang Maile	Member	Attended	Apology	Attended	Attended
		Had not been ap-			
9. Mr Sipho Majombozi	Member	pointed yet	Attended	Attended	Attended
10.Mr Dawood Coovadia	Member	Attended	Attended	Attended	Attended
11. Dr Enos Banda	Member	Apology			

<sup>\*</sup> Resignations from the Board

<sup>\*\*</sup> Term Expired



#### **BOARD COMMITTEES**

The Board has four Sub-Committees to assist it discharge its responsibilities and allow detailed consideration of various issues. These committees, listed below, play a pivotal role in improving good corporate governance, internal controls and overall GEP performance. Each Sub-Committee acts according to written Terms of Reference that set out the authority the Board has delegated to it including, among others, the purpose, membership requirements and reporting procedures, and all matters determined by these Sub-Committees are submitted to the full Board for ratification. The Sub-Committees may take independent professional advice at the agency's expense.

The Sub-Committees are:

- (ii) HR & Remuneration Committee
- (iii) Investment Committee

# A. RISK & AUDIT COMMITTEE

The Risk & Audit Committee provides the Board with the assurance that internal controls are appropriate and effective. It regularly receives reports on the key risks to the business and the steps being taken to manage them, and determines whether the significant risks the agency

faces are being identified, evaluated and appropriately managed, having regard to the balance of risk. The committee also meets both the internal and external auditors to satisfy itself as to the adequacy of the agency's internal control system. The committee chairperson reports to the Board on all significant issues the committee considers, and minutes of its meetings are circulated to all Directors.

The committee's terms of reference include, inter alia, considering the independence of the external auditors and making recommendations to the Board on the appointment and dismissal of the internal auditors. The committee also advises all Board members to help them declare and manage any conflicts of interest in carrying out their duties.

## **B. INVESTMENT COMMITTEE**

The Investment Committee monitors investments to provide the Board with recommendations on investment policy and guidelines, measure overall investment performance to ensure fulfilment of GEP investment objectives, and advise the Board on the best strategy for funding SMMEs and other investments, taking into consideration changes in the financial sector.



## C. HR & REMUNERATION COMMITTEE

The HR & Remuneration Committee ensures that remuneration policies and practices are consistent with the agency's strategic goals and annually reviews executives' remuneration.

Salient features of the agency's remuneration principles and practices are highlighted below.

# NON-EXECUTIVE DIRECTORS' **REMUNERATION**

The Board fixes the remuneration of non-executive directors on the HR & Remuneration Committee's recommendation. The structure, based on a comparison with other agencies' compensation practices and their sizes and complexity, was approved by the Executive Authority prior to implementation and payment, and is intended to attract and retain the right mix of skills, experience and other qualities to ensure the Board's effectiveness. Board members receive a retainer fee and a sitting allowance for each meeting attended. The payment policy is aligned to the achievement of the company's medium and long-term objectives.

DESIGNATION		RETAINER FEE	SITTING ALLOWANCE	
1.	Chairperson of the Board	R12 500	R3 600	
2.	Individual Member(s)	R10 000	R3 250	

# **EXECUTIVE DIRECTORS' REMUNERATION**

The Chief Executive Officer regularly evaluates the performance of senior executives and makes recommendations to the Remuneration Committee, and thereafter to the Board, on the appropriate levels of remuneration based on executives' performance against budgeted targets and

achievement of individual business units' objectives.

The remuneration of both the CEO and COO is controlled through the Executive Authority. Achieving the agency's strategic objectives is key to the total reward policy.





COMMITTEE NAME	NUMBER OF MEETINGS	EXAMPLES OF MAJOR ISSUES
Risk and Audit Committee	6	Ensured that GEP had appropriate risk management and compliance frameworks, including an enterprise risk-management plan
		Recommended the selection of internal auditors
		Recommended the creation of fraud prevention mechanisms
Investment Committee	3	Reviewed the investment policy
		Reviewed the delegation of authority to increase management authority while enhancing the strategic role of the Investment Committee
		Reviewed performance and trends in the portfolios and discussed action plans
Business Development Committee	3	Recommended the business development policy
		Recommended that an analysis of the economic landscape for SMMEs be conducted
		Recommended that an impact analysis of GEP's interventions on SMMEs be conducted
		Recommended that a customer satisfaction survey be conducted on all projects since GEP's inception
HR & Remuneration Committee	2	Reviewed the HR strategy and plan
		Recommended the approval of human resource policies and ensured that such are in line with applicable labour legislation
		Evaluated the senior management and organisational performance and compensation
		Recommends the bonus payments to staff

<sup>\*\*\*</sup>Not appointed yet



MEMBERSHIP (as at 31 March 2008)	MEETINGS ATTENDED					
	16/04/08	19/05/08	23/07/08	29/07/08	10/11/08	4/2/09
Adv. B. Madumise (Chairperson)	√	√	√	√	√	√
C. Coovadia	√	√	<b>√</b>	√	√	√
H. Moolla	***	***	** *	* **	* **	√
T. Moja	***	***	** *	* **	* **	√
	19/08/08	12/11/08	11/2/09			
M. Zwane (Chairperson)	√	√	<b>√</b>			
M. Mokoena	√	√	apology			
S.L.M. Majombozi	***	<b>√</b>	<b>√</b>			
	9/6/08	9/7/08	11/3/09			
L. Maile (Chairperson)	√	√	apology			
P. Mgulwa	√	√	√			
K. Sigenu	√	√	√			
J. Ralefatane	√	√	<b>√</b>			
	6/5/08	21/01/09				
L. Mngomezulu (Chairperson)	√	√				
M. Mokoena	√	√				
Adv. J. Ralefatane	apology	√				



#### **ENTERPRISE RISK MANAGEMENT (ERM)**

As GEP focuses on entrepreneur needs not easily fulfilled in the market, invariably with higher-risk projects and investments, satisfying its mandate unavoidably entails risk. It thus identifies and manages the principal risks to the business so that it can deliver on its higher-risk mandate while sustaining sufficient capital and growth. Risk management, a key part of corporate governance as prescribed in the King II Report on Corporate Governance, enables it to strike this balance. During the 2008/2009 financial year, the Board approved establishment of the Enterprise Risk Management (ERM), a framework policy for risk management that involves identifying risks and assessing and mitigating their magnitude and impact.

# RISK MANAGEMENT COMMITTEE

The Management Committee (Manco) serves as the Risk Committee of GEP and reviews the organisation' strategic risks in line with the Enterprise Risk Management quidelines.

GEP views enterprise risk management as crucial for the successful fulfilment of its mandate and its obligation to deliver value to stakeholders, and the ERM provides the organisation with leadership, guidance and support in identifying and managing risks. It reports quarterly to the Risk and Audit Committee on the status and effectiveness of ERM.

During the year, GEP made significant progress towards risk management, including:

- The development, approval and implementation of a detailed policy governing ERM within GEP;
- Risk assessments to identify strategic and operational risks;
- The evaluation, selection and approval of a suitable, fully integrated risk management implementation tool, called BarnOwl, to enable management to deliver its responsibilities in support of identifying, assessing and managing risks:
- The launch of Vuvuzela Hotline for fraud and corruption reporting; and
- The development, approval and commencement of the process of implementing a disaster recovery plan.

#### **CONCLUSION**

The Board of Directors has a reasonable expectation that the agency has adequate resources to continue operating for the foreseeable future. For this reason, it continues to adopt the 'going concern' basis in preparing the financial statements. Therefore, during the period under review, GEP complied with the provisions set out in the King II Corporate Governance Report.



# **GOVERNANCE & EXECUTIVE SUPPORT UNIT**

# STRATEGIC OBJECTIVES OF THE BUSINESS UNIT:

- 1. Establish and manage Partnerships.
- 2. Implement and manage GEP Strategic Planning Mechanisms.
- 3. Manage GEP internal and external reporting processes.
- 4. Manage GEP Governance Structures.
- 5. Implement and manage risk management practices in GEP.
- 6. Render general assistance to the Chief Executive Officer.

Strategic Objective	Targets 2008/09	Actuals 2008/09	Comment on the Variances
Establish and manage Partnerships.	Initiate & establish networks with development finance institutions; private sector institutions and other government institutions.	Concluded partnership agreements with 8 Institutions for various areas of Cooperation and funding.	The institutions are IDC; G-Fleet; UTF; Arcellor Mittal; SABC; Dti; AIDC and GSSC.
Implement and manage GEP Strategic Planning Mechanisms.	Develop and implement GEP Strategic Planning Calendar and guide preparation and submission of Strat. Plan and Business Plans	Planning Calendar implemented and still running, Final Business Plan for 2009/10 submitted on 30 September 08. Redrafted Business Plan i.t.o the new M & E framework implemented by DED	
Manage GEP internal and external reporting processes.	Prepare compliance calendar to steer the reporting cycle, consolidate and ensure the integrity of all reports submitted.	Done.	
Manage GEP Governance Structures.	GEP Listed the PFMA schedules  GEP Listed with the NCR  Seamless Board Operations	Done  Done, albeit with a few cancellations	
Implement and manage risk management practices in GEP.	Analysis of all Risks to GEP through its operations, facilitate the compilation of Risk mitigation plans and Monitor GEP Management implementation of mitigation plans	Risk assessments facilitated ERM Software implemented (Barn-owl) Fraud-Prevention Plan & Hotline implemented	
Render general assistance to the Chief Executive Officer.	Assist in the periodic strategic and operational alignment processes of the entity and advise the CEO as and when required	Carried Out	





**Audit Committee Report** 



# AUDIT COMMITTEE REPORT



We are pleased to present our report for the financial year ended 31 March, 2009.

## **AUDIT COMMITTEE RESPONSIBILITY**

The Audit Committee states that it has complied with its responsibilities as outlined in section 51(1) (a) of the PFMA and National Treasury Regulations 3.1.13 and 27(1). The Audit Committee also reports that it has appropriate Terms of Reference as its charter, which have been duly adopted by the Board. We have regulated our affairs in compliance with this charter and have discharged all responsibilities contained therein.

## EFFECTIVENESS OF INTERNAL CONTROL

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed. In line with the PFMA and King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee with assurance that the internal controls are adequate and effective.

This is achieved by means of the Risk Management process, as well as the identification of corrective actions and suggested enhancements to the controls, procedures and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Management letter of the Auditor-General, it was noted that there have been instances of non-compliance with prescribed policies and procedures. It should also be noted that management is giving serious attention to this matter.

The system of internal control for the past financial year was adequate and partially effective due to reported weaknesses in the control environment and information systems environment. Management is giving the necessary attention to these issues.

## QUALITY OF MANAGEMENT REPORTS

The Audit Committee expressed satisfaction with the financial management reports submitted by the Chief Financial Officer to the Audit Committee during the past financial year.

# RISK MANAGEMENT AND FRAUD **PREVENTION**

During the year a Risk Manager was appointed. An Enterprise Risk Management framework and strategy were developed, seeking to ensure that GEP's strategic objectives were achieved, while identifying and managing potential risks which may impact on the company.

A Fraud Prevention Policy has been set in place and access has been given for all



# **EVALUATION OF THE FINANCIAL STATEMENTS**

RISK & A						
MEMBER	APPOINTMENT	RAC MEETING	RAC MEETING	RAC MEETING	RAC MEETING	RAC MEETING
		16/04/08	19/05/08	29/07/08	10/11/08	04/02/09
Adv. Brenda Madumise	Chairperson of the Committee	Attended Attended		Attended	Attended	Attended
Mr Dawood Coovadia	Member	Attended	Attended	Attended	Attended	Attended
Miss Thebi Moja	New Member (Co-opted)	NOT YET APPOINTED				Attended
Mr Haroun Moolla	New Member (Co-opted)	NOT YET AF	PPOINTED			Attended

staff to use a hotline to an outside party through which fraudulent activities may be reported. To date, nothing of significance has been reported.

The Audit and Risk Committee has:

- · Reviewed the audited annual financial statements to be included in the annual report with the external auditor and the **Accounting Officer**
- · Reviewed the external auditor's management letter and management's response thereto
- Reviewed significant adjustments resulting from the audit

The Audit and Risk Committee, concurs with and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

The company has experienced difficulties with debt collection and to overcome the problems found, the company has taken

steps to provide additional resources to strengthen the after care unit and appoint a credit controller to improve the debt collection process of the company.

### **OUTLOOK**

With the appointment of the Risk Officer, the strengthening of the After Care unit and the establishment of a Credit Control unit, we anticipate a substantial improvement in those areas, where performance has not been as good as we had planned, in the future.

Brenda Madumise

Chairperson of the Audit Committee





**Financials** 



GAUTENG ENTERPRISE PROPELLER (Registration number: 2004/031868/08)

Incorporated in terms of the Gauteng Enterprise Propeller Act No. 5 of 2005  $\,$ 

CONSOLIDATED

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009



# GAUTENG ENTERPRISE PROPELLER CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

# CONTENTS

Approval of the consolidated annual financial statements	66
Report of the Auditor - General	67
Directors' Report	74
Statement of Consolidated Financial Position	76
Statement of Consolidated Financial Performance	78
Statement of Consolidated Changes in Net Assets	80
Consolidated Cash Flow statements	81
Accounting Policies	82
Notes to the Consolidated Annual Financial Statements	90



The company's directors are responsible for the preparation and fair presentation of the company annual financial statements, comprising the statements of financial position at 31 March 2009; the statements of financial performance; the statements of the changes in net assets; statements of cash flows and the notes to the annual financial statements for the year then ended, which include a summary of significant accounting policies and other explanatory notes and the director's report in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: design, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of supplementary schedules included in these financial statements.

The company's annual financial statements are based on appropriate accounting policies, which are supported by reasonable and prudent judgements and estimates.

The annual financial statements have been prepared on a going concern basis. This basis presumes that the assets will be realised and the liabilities settled in the normal course of business.

Accordingly, no adjustments have been made to the valuation or classification of assets or liabilities, which may have been necessary if the company had been unable to continue as a going concern.

The auditor is responsible for reporting on whether the company annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The annual financial statements set out on pages 74 to 118 were circulated and approved by the board of directors on 27th May, 2009 and are signed on its behalf by:

D Morobe- Chief Executive Officer

L. Mngomezulu- Chairperson



# REPORT ON THE FINANCIAL STATEMENTS Introduction

1. I have audited the accompanying group financial statements of the Gauteng Enterprise Propeller which comprise the consolidated and separate statement of financial position as at 31 March 2009, and the consolidated and separate statement of financial performance, the consolidated and separate statement of changes in net assets and the consolidated and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 74 to 115.

# The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by National Treasury as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the Gauteng Enterprise Propeller Act, 2005 (Act No.5 of 2005) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my

responsibility is to express an opinion on these financial statements based on my audit.

- 4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- 5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

# Basis for qualified opinion Accounts receivable

7. I was unable to obtain sufficient and appropriate audit evidence for the provision of bad debts in notes 9 and 12 to the annual financial statements for R2 240 000 and R10 900 000, respectively. The entity did not recognise provisions in accordance with the SA statements of GAAP IAS 39, as there was a lack of information of the process followed to identify impairments of the individually significant trade and Financial Support loan debtors. Consequently, I did not obtain all the information and audit evidence I considered necessary to establish the valuation of the impairment for bad debts.

#### Qualified opinion

8. In my opinion, except for the effect of the matter described in the basis for qualified opinion paragraph above, the financial statements present fairly, in all material respects, the consolidated and separate financial position of the Gauteng Enterprise Propeller as at 31 March 2009, consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury and in the manner required by the

PFMA and the Companies Act of South Africa.

### **Emphasis of matters**

I draw attention to the following matters on which I do not express a qualified opinion:

## Basis of accounting

9. The public entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1.

# Irregular and fruitless and wasteful expenditure

10. As disclosed in note 22 to the financial statements, irregular expenditure to the amount of R2 772 330 was incurred as a tender process was not followed.

11. As disclosed in note 29 to the financial statements, fruitless and wasteful expenditure to the amount of R22 328 was incurred as a result of interest and penalties incurred for a subsequently cancelled trip.

#### Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

# Unaudited supplementary schedules

12. The supplementary information set out on pages 116 to 117 does not form part of



the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

# Non-compliance with applicable legislation PFMA and Treasury Regulations

13. The entity did not comply with the PFMA and Treasury Regulations as follows:

- Contrary to Treasury Regulation
- 2.1.3 The entity submitted the business plan late to the Department of Economic Development. The business plan for the period April 2008 to March 2009 was approved by the Chairperson of the Board on 25 July 2008 which was four months into the financial period.
- · Contrary to section 66(3) of the PFMA, the agency did not obtain approval to issue a guarantee of R3 000 000 as disclosed in note 24.
- Policies and procedures for credit card expenditure and equity investments were not developed as required by Treasury Regulation 10.1.2.

## Governance framework

14. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

### Internal control deficiencies

15. Section 51(1)(a)(i) of the PFMA states that the accounting authority must ensure that the agency has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. The number listed per component can be followed with the legend below the table. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
7	Accounts receivables	5				3



Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial	1
reporting.	
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of	2
the data.	
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and	3
accurately processed.	
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by person-	3
nel.	
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3



# Key governance responsibilities

16. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Υ	N
Clear	trail of supporting documentation that is easily available and provided in a timely manı	ner .	
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		~
Qualit	ry of financial statements and related management information		
2.	The financial statements were not subject to any material amendments resulting from the audit.		~
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	<b>~</b>	
Timeli	ness of financial statements and management information		
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 55 of the PFMA).	~	
Availa	bility of key officials during audit		
5.	Key officials were available throughout the audit process.		<b>/</b>
Devel	opment and compliance with risk management, effective internal control and governan	ce practices	
6.	Audit committee		
	The entity had an audit committee in operation throughout the financial year.	~	
	The audit committee operates in accordance with approved, written terms of reference.	<b>~</b>	
	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	~	
7.	Internal audit		
	The entity had an internal audit function in operation throughout the financial year.	~	
	The internal audit function operates in terms of an approved internal audit plan.	<b>~</b>	
	The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	~	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	~	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	~	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	~	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.	<u> </u>	
12.	Powers and duties assigned are in place, as set out in section 56 of the PFMA.	<b>~</b>	



Follow	Follow-up of audit findings				
13.	The prior year audit findings have been substantially addressed.	~			
14.	SCOPA resolutions have been substantially implemented.	n/a			
Issues	Issues relating to the reporting of performance information				
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	~			
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		~		
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Gauteng Enterprise Propeller against its mandate, predetermined objectives, outputs, indicators and targets (Treasury Regulation 29.1/30.1).		~		
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	~			

# Report on other legal and regulatory requirements

## Report on performance information

17. I have reviewed the performance information as set out on pages 17 to 57.

# The accounting authority's responsibility for the performance information

18. The accounting authority has additional responsibilities as required by section 55(2) (a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

## The Auditor-General's responsibility

19. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.

20. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

21. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

# Findings on performance information Non-compliance with regulatory requirements

# Submission of strategic performance plan

22. The accounting authority of the entity did not submit the proposed strategic plan at least six months before the start of the financial year of the designated department, or another time period as agreed to between the executive authority and the public entity, as required by Treasury Regulation 30.1.1.



# Lack of reporting on all predetermined objectives in annual report

23. The Gauteng Enterprise Propeller did not report on all the predetermined objectives, as required by sections 55(2)(a) of the PFMA.

The following table reflects the predetermined objectives not reported on.

Department	Target	Comment
Financial support	To conduct 5 training sessions for the head office and the various regions.	Not reported on
Financial support	10 Businesses to be funded through the Leverage Fund and 20 PTP's to be funded under the micro finance pilot projects.	Not reported on

# Usefulness and reliability of reported performance information

24. The following criteria were used to assess the usefulness and reliability of the information on the entity's performance with respect to the objectives in its strategic plan:

- · Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- ·Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported

performance information accurate and complete in relation to the source data or documentation?

The following findings relate to the above criteria:

# Inconsistently reported performance information

25. Objectives, indicators and targets reported in the annual performance report were materially different from predetermined objectives, indicators and targets as per strategic plan. The following differences were noted

between the strategic plan and the reported annual performance.

Predetermined objectives as per strategic plan	Predetermined objectives as per annual performance plan
Funding to women R7.8Million	Funding to women R14.4
Funding to youth lead businesses R5.2Million	Funding to youth lead businesses R10.8Million
Funding to PWD R4Million	Not reported in the annual performance report.

#### **APPRECIATION**

26. The assistance rendered by the staff of the Gauteng Enterprise Propeller (GEP) during the audit is sincerely appreciated.

Quditor-General

Johannesburg 31 July 2009



Availing to build gob in confidence



# DIRECTORS REPORT

The directors have pleasure in presenting their report on the activities of the company and its subsidiary for the year ended 31 March 2009.

#### NATURE OF THE BUSINESS

The Gauteng Enterprise Propeller (GEP) is a Section 21 Company in terms of the Companies Act and listed as a Schedule 3c Provincial Public Entity established by the Gauteng Enterprise Propeller Act No. 5 of 2005 and the Public Finance Management Act.

The enterprise renders services to provide financial and business development support to SMME's located in Gauteng, including the provision of short term loans for project finance, working capital and start up businesses. The subsidiary company owns property which is rented to an SMME as part of the company's project finance programme. It is the intention of the company to dispose of the subsidiary within the next 12 months.

All financial support, in the form of loans to SMMEs, is governed by the regulations contained in the National Credit Act.

## **GENERAL REVIEW**

The company received grants totalling R53 650 000 (2008 - R103 009 000) for the year. This money was successfully used to achieve its primary objectives, including

the provision of several loans to small businesses. An annual amount is allocated by the Provincial Government on a rolling three year basis.

In terms of the South African Companies Act, 1973, as amended, and the Public Finance Management Act the directors are required to prepare annual financial statements that fairly present the state of affairs and business of the company at the end of the financial year and of the surplus or deficit for the year. To achieve the highest standards of financial reporting, these annual financial statements have been drawn up to comply with International Financial Reporting Standards.

Supported by the audit committee, the directors are satisfied that the internal controls, systems and procedures in operation provide reasonable assurance that all assets are safeguarded, that transactions are properly executed and recorded, and that the possibility of material loss or misstatement is minimised. The directors have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgements are prudent. They are of the opinion that the annual financial statements fairly present the state of affairs and business of the company at 31 March 2009 and of the deficit for the year ended on that date. The external auditors, who



have unrestricted access to all records and information, as well as to the audit committee, concur with this statement

The Chief Financial Officer resigned on 28th February, 2009. The Finance Manager was appointed acting Chief Financial Officer pending a permanent replacement for the post.

#### **GOING CONCERN**

The financial position of the Group, its cash flows, liquidity position and funding facilities, as set out in the annual financial statements, and future projections of funding requirements from the Provincial Government, have been reviewed and considered by the directors.

The directors are of the opinion that the Group will be able to operate within the level of its current facilities

forseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

## SUBSEQUENT EVENTS

It is the intention of the company to dispose of its shareholding in the subsidiary during the forthcoming financial year.

There have been no other facts or circumstances of a material nature that have occurred between the reporting date and the date of this report.

#### **DIRECTORS**

The directors in office during the financial year, were as follows:

J.L. Mngomezulu (Chairperson)

S.L.M. Majombozi (Appointed 1 June 2008)

Advocate E.Banda (Vice Chair) (Resigned 23 July 2008)

E.N.Mokoena

D.Coovadia

D.Morobe

Advocate B.M.Madumise

Advocate J.Ralefatane

L.Maile

K.Sigenu

P.Mgulwa

M.E.Zwane

#### **BUSINESS AND POSTAL ADDRESS**

Business address Postal address 382 Jan Smuts Avenue P O Box 413580 Craighall Craighall 2024 2196

#### **SECRETARY**

The Company Secretary function was performed by the GEP Financial Manager during the year.

# CONTINGENT LIABILITIES AND **GUARANTEES**

During the year the company did not enter into contracts with service providers which could lead to expenses being incurred in the next financial year, other than those recorded in note 23 - Commitments. There are no staff disputes outstanding.



GAUTENG ENTERPRISE PROPELLER STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT 31 MARCH 2009

ASSETS
Non current assets
Property, plant and equipment - own assets - leasehold improvements -leased assets
Intangible Assets
Investment property - leased
Financial support loans
Investment in Associated Companies
Investment in subsidiary
Current assets
Trade and other receivables
Cash and cash equivalents
TOTAL ASSETS

Notes	GROUP	GROUP	COMPANY	COMPANY
	2009	2008	2009	2008
	R	R	R	R
	47,414,800	31,666,623	45,243,376	29,724,283
6	2,842,982	3,317,781	2,842,982	3,317,781
6	556,825	-	556,825	-
6	55,571	96,648	55,571	96,648
7	104,286	50,039	104,286	50,039
8	5,500,000	5,800,000	-	-
9	38,355,136	22,402,155	38,355,136	22,402,155
10	-	-	-	-
11	-	-	3,328,576	3,857,660
	35,209,596	75,501,526	35,194,185	74,987,232
12	14,891,325	10,466,264	14,875,914	9,951,970
13	20,318,271	65,035,262	20,318,271	65,035,262
	82,624,396	107,168,149	80,437,561	104,711,515



**NET ASSETS** 

Accumulated surplus

Longterm Liabilities

Finance lease liability

Current liabilities

Trade and other payables Rent straight-lining accrual Finance lease liability Mafisa Funds

TOTAL NET ASSETS

F				
Notes	GROUP	GROUP	COMPANY	COMPANY
	2009	2008	2009	2008
	R	R	R	R
	64,286,366	101,832,292	62,488,068	99,754,441
	103,780	85,800	103,780	85,800
16	103,780	85,800	103,780	85,800
	18,234,250	5,250,057	17,845,713	4,871,274
14	7,868,682	4,719,615	7,480,145	4,340,832
15	320,701	509,183	320,701	509,183
16	44,867	21,259	44,867	21,259
17	10,000,000	-	10,000,000	-
	82,624,396	107,168,149	80,437,561	104,711,515



		Notes	GROUP	GROUP	COMPANY	COMPANY
			2009	2008	2009	2008
			R	R	R	R
Revenue		18	54,490,715	106,387,493	53,983,087	105,982,493
Depreciation	Own assets	2	(1,201,542)	(1,052,727)	(1,201,542)	(1,052,727)
	Leasehold improvements	2	(313,648)	-	(313,648)	-
	Leased assets	2	(76,656)	(63,945)	(76,656)	(63,945)
Amortisation of intan	gible assets					
	Capitalised software	2	(17,202)	(162,056)	(17,202)	(162,056)
Impairment of debtor	S	12	(1,740,000)	(476,462)	(1,800,000)	(416,462)
Impairment of Financi	ial Support Loans	9	(3,753,450)	(3,146,550)	(3,753,450)	(2,626,550)
Share of trading losse	s in Associates	10	(60,000)	(4,240,000)	(60,000)	(4,240,000)
Profit(Loss) on dispos	al of fixed assets		4,090	(6,320)	4,090	(6,320)
Remuneration of direct	ctors	30.3	(1,425,100)	(366,635)	(1,425,100)	(366,635)
Employee benefit exp	enditure	28	(34,788,802)	(29,840,785)	(34,788,802)	(29,840,785)
Other operating costs			(60,573,035)	(40,788,290)	(60,565,650)	(41,305,823)
Operating (deficit) surplus before net finance			(49,454,630)	26,243,723	(50,014,873)	25,901,190
income						
Fair value adjustment-Investment property			(300,000)	2,105,879	-	-
Income from investme	ents	3	12,301,340	8,277,669	12,798,549	8,648,230



Finance costs Net (deficit) surplus before taxation Taxation

Net (deficit) surplus for the year

Notes	GROUP	GROUP	COMPANY	COMPANY
	2009	2008	2009	2008
	R	R	R	R
4	(92,636)	(15,829)	(50,049)	(15,829)
5	(37,545,926)	36,611,442	(37,266,373)	34,533,591
	(37,545,926)	36,611,442	(37,266,373)	34,533,591



Balance at 31 March 2007

Net surplus for the year

Balance at 31 March 2008

Net deficit for the year

Balance at 31 March 2009

GROUP	GROUP	COMPANY	COMPANY
Accumulated		Accumulated	
Funds	Total	Funds	Total
R	R	R	R
65,220,850	65,220,850	65,220,850	65,220,850
36,611,442	36,611,442	34,533,591	34,533,591
101,832,292	101,832,292	99,754,441	99,754,441
(37,545,926)	(37,545,926)	(37,266,373)	(37,266,373)
64,286,366	64,286,366	62,488,068	62,488,068



# FOR THE YEAR ENDED 31 MARCH 2009

	Notes	GROUP	GROUP	COMPANY	COMPANY
		2009	2008	2009	2008
		R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		47,818,026	99,928,373	47,259,143	100,097,667
Cash paid to suppliers and employees		(93,277,135)	(72,505,999)	(93,786,958)	(72,882,315)
Cash generated from (used in )operations	19	(45,459,109)	27,422,374	(46,527,815)	27,215,352
Interest received	19	12,301,340	8,277,669	12,798,549	8,648,230
Finance lease interest charges	19	(48,895)	(11,614)	(48,895)	(11,614)
Finance charges		(43,741)	(4,215)	(1,328)	(4,215)
Net cash inflow from operating activities		(33,250,405)	35,684,214	(33,779,489)	35,847,753
CACLLELOWS EDOM INVESTING ACTIVITIES					
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in subsidiary company				529,084	(3,560,653)
Acquisition of land, buildings, equipment and					
furniture	6	(729,600)	(7,115,530)	(729,600)	(1,315,530)
Expenditure on leasehold improvements	6	(870,473)	-	(870,473)	-
Acquisition of leased assets	6	(35,579)	(64,993)	(35,579)	(64,993)
Acquisition of software	7	(71,449)	(136,554)	(71,449)	(136,554)
Adjustment for revaluation of property		-	2,105,879	-	-
Sale of fixed assets		6,826	-	6,826	-
Mafisa funds received		10,000,000	-	10,000,000	-
Financial Support Loans - net advances		(23,706,431)	(20,375,260)	(23,706,431)	(20,375,260)
Investments and loans-net					
repayments(advances)		3,940,120	(4,240,120)	3,940,120	(4,240,120)
Net cash outflow from investing activities		(11,466,586)	(29,826,578)	(10,937,502)	(29,693,110)
NET INCDEASE IN CASH & CASH					
NET INCREASE IN CASH & CASH		(44.716.001)	E 0E7 626	(44.716.001)	6 154 642
EQUIVALENTS  Cash & cash equivalents at beginning of the year		(44,716,991)	5,857,636	(44,716,991)	6,154,643
CASH & CASH EQUIVALENTS AT END OF THE		65,035,262	58,880,619	65,035,262	58,880,619
YEAR		20,318,271	64,738,255	20,318,271	65,035,262



## 1.1 BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including directives from the National Treasury and any interpretations of such statements issued by the Accounting Practices Board and the Companies Act of South Africa No.61 of 1973 with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

## 1.2 STANDARD OF GRAP

GRAP 1: Presentation of financial stements

GRAP 2: Cash flow statements

GRAP 3: Accounting policies, changes in accounting estimates and errors

## REPLACEMENT STATEMENT OF GAAP

IAS 1: Presentation of financial statements

IAS 7: Cash flow statements

IAS 8: Accounting policies, changes in accounting

estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statement do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

#### TERMINOLOGY DIFFERENCES

Standard of GRAP Replacement Statement of GAAP

Statement of financial performance Income statement Statement of financial position Balance sheet

Statement of changes in net assets Statement of changes in equity

Net assets Equity

Surplus/deficit for the period Profit/loss for the period

Accumulated surplus/deficit Retained earnings Contributions from owners Share capital Distribution to owners Dividends

Reporting date Balance sheet date

The cash flow statement was prepared in accordance with the direct method. Specific information such as:

- (a) Receivables for non exchange transactions, including taxes and transfers;
- (b) Taxes and transfers payable;
- (c) Trade and other payables from non exchange transactions; must be presented separately in the statement of financial position

The amount and nature of any restrictions on cash balances is required to be disclosed.



Accounting policies have been consistently applied compared with the previous year except for (1) excluding Staff Training from

Staff Salaries as it is no longer considered to be a direct staff expense and (2) changing the Performance Bonus from a provision to an accrual. The comparative figures have been adjusted accordingly.

Standards 4 to 5, 7 to 14, 16 to 17, 19 and 100 to 102 of GRAP have not been implemented in these Financial Statements as they were not in force at 31 March 2009.

# 1.3 REVENUE RECOGNITION 1.3.1 GOVERNMENT GRANTS

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

Grants that compensate the Group for expenses incurred are recognised in the Statement of Financial Performance on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the group for the cost of an asset are recognised in the Statement of Financial Performance on a systematic basis over the useful life of the asset if the terms of the grant require this to be done.

## 1.3.2 INTEREST INCOME

Interest income is recognised on a timeproportion basis using the effective interest method. When a receivable is impaired, the

group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

## 1.3.3 RENTAL INCOME

Rental income from investment property is recognised in the Statement of Financial Performance on a straight-line basis over the term of the lease.

Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

## 1.4 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease. The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.



Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term

## 1.5 PROPERTY, PLANT AND EQUIPMENT

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Increases in the carrying amount arising on the revaluation of land and buildings are credited to other reserves in the net assets. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the statement of financial performance. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of financial performance and depreciation based on the asset's original cost is transferred from 'other reserves' to 'accumulated surplus'.

Land is not depreciated. Depreciation on other assets is calculated using the straightline method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Motor vehicle 5years Office equipment and furniture 6years Computer equipment 3 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note

1.8). Gains and losses on disposals are



determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains -net' in the statement of financial performance.

When revalued assets are sold, the amounts included in other reserves are transferred to accumulated surplus.

Expenditure on Leasehold Improvements, if material, is capitalised and depreciated over the period of the lease.

## **1.6 INTANGIBLE ASSETS**

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The annual rate of amortisation currently used is 50%.

#### 1.7 INVESTMENT PROPERTY

Investment properties are held to appreciate in capital value. Investment properties are treated as long-term investments and carried at market value determined annually by an external independent valuer based on current real estate prices for similar properties. Investment properties are not subject to depreciation. Increases and decreases in their carrying amount are included in the Statement of Financial Performance for the period.

#### 1.8 IMPAIRMENT OF ASSETS

The carrying amounts of assets stated in the Statement of Financial Position, other than inventories and deferred tax assets. are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated as the higher of the net selling price and its value in use. An impairment loss is recognised in the Statement of Financial Performance whenever the carrying amount exceeds the recoverable amount. In assessing value in use, the expected future cash flows are discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the recoverable amount; however, not to an amount higher than the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in previous years.



## 1.9 BASIS OF CONSOLIDATION

1.9.1Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilites incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Financial Performance.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## 1.9.2 ASSOCIATES

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' postacquisition profits or losses is recognised in the statement of financial performance, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the



associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognised in the Statement of Financial Performance.

## 1.10 TAXATION

The Company has been exempted from Income Tax by the South African Revenue Service. Application has been made to SARS for tax exemption for the subsidiary and a decision is awaited.

## 1.11 PROVISIONS

Provisions for restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise a provision for employee performance bonuses. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a

pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 1.12 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial instruments that are classified as measured at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue. All other financial instruments are initially measured at fair value. Subsequent to initial recognition financial instruments are measured as set out overleaf.

## 1.13 FINANCIAL ASSETS

The company's principal financial assets are bank and cash balances and trade and other receivables:

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

## TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently



measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will be bankrupt or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade debtor is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

## FINANCIAL SUPPORT LOANS

Financial support loans are categorised as held to maturity and are stated at their amortised cost using the effective interest rate method less an allowance for impairment. An estimate of doubtful debts is made based on a review of all

outstanding amounts at Statement of Financial Position date. Bad debts are written off during the year in which they are identified. Due to the short term nature of the Group's receivables, amortised cost approximates its fair value.

#### 1.14 FINANCIAL LIABILITIES

The company's principal financial liabilities are trade and other payables:

## TRADE AND OTHER PAYABLES

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

# 1.15 CONTINGENCIES AND COMMITMENTS

Transactions are classified as contingencies where the company's obligation depends on uncertain future events. Items are classified as commitments where the company commits itself to future transactions or if the items will result in the acquisition of assets.

## 1.16 PRESENTATION CURRENCY

The financial statements are presented in South African Rand.

# 1.17 COMPARATIVE **INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature



and reason for the reclassification is disclosed.

# 1.18 FRUITLESS AND WASTEFUL **EXPENDITURE**

Fruitless and wasteful expenditure is defined as expenditure that was made in vain and would have been avoided had reasonable care been exercised, therefore it must be recovered from: a responsible official (a debtor account should be raised); or the vote (if responsibility cannot be determined) Such expenditure is treated as a current asset in the statement of financial position until such expenditure is recovered from the responsible official or written off as irrecoverable.

## 1.19 IRREGULAR EXPENDITURE

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention or not in accordance with a requirement or any applicable legislation, the PFMA, the State Tender Board Act, or any provincial legislation providing for procurement procedures in that provincial government. Irregular expenditure is accounted for as

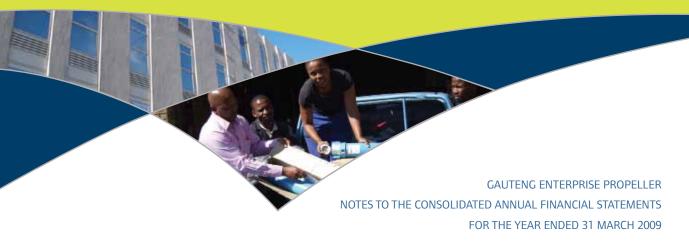
expenditure in the statement of financial performance and where subsequently recovered, it is accounted for as revenue in the statement of financial performance.

## 1.20 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state. Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where subsequently recovered, it is accounted for as revenue in the statement of financial performance.

## 1.21 SHORT TERM EMPLOYEE BENEFITS

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



# 1. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The enterprise makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of trade debtors A provision for impairment of trade debtors is established when there is objective evidence that the enterprise will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debtor is impaired. The amount of the provision is the difference between the trade debtor's carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. Refer to note 12 for details of the enterprise's trade debtor provisions.

# PROPERTY, PLANT AND **EOUIPMENT**

Property, plant and equipment is depreciated on a straight-line basis over its useful life to residual value. Residual values and useful lives are based on management's best estimate and actual future outcomes may differ from these estimates. Refer to note 6 for details of the enterprise's property, plant and equipment.

The enterprise annually tests whether property, plant and equipment has suffered any impairment. When performing impairment testing, the recoverable amount is determined for the individual asset. If the asset does not generate cash flows that are largely independent from other assets or groups of assets then the recoverable amounts of cash generating units that those assets belong to are determined based on discounted future cash flows.



# GAUTENG ENTERPRISE PROPELLER NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)

		GROUP	GROUP	COMPANY	COMPANY
		2009	2008	2009	2008
2. OPERATING	2. OPERATING (DEFICIT) SURPLUS		R	R	R
Operating (Defic	cit) surplus is arrived at after taking the follow-				
ing items into ac	count:				
Auditors' remun	eration	491,226	236,414	491,226	236,414
Bad debts					
	Bad debts written off	2,143,868	28,590	2,143,868	28,590
	(Reversal of impairment)/ impairment of				
	debtors	1,740,000	476,462	1,800,000	416,462
	(Reversal of impairment)/ impairment of				
	financial	3,753,450	3,146,550	3,753,450	2,626,550
	support loans				
Share of trading	losses in Associates	60,000	4,240,000	60,000	4,240,000
3		,	, ,	,	, ,
Net (profit)/loss	on disposal of property, plant and equipment	(4,090)	6,320	(4,090)	6,320
4, 5,	and the second of the second o	( ) ,		( ) ,	, , , , ,
Depreciation:	Own assets				
	Motor vehicle	26,085	24,078	26,085	24,078
	Office equipment and furniture	514,332	539,594	514,332	539,594
	Computer equipment	661,125	489,055	661,125	489,055
	compater equipment	001,123	103,033	001,123	103,033
		1,201,542	1,052,727	1,201,542	1,052,727
Depreciation	Leasehold Improvements	313,648	-	313,648	-
5 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Leased assets	76,656	63,945	76,656	63,945
Amortisation:	Intangibles	17,202	162,056	17,202	162,056
, anortisation.	intaligisies	1,609,048	1,278,728	1,609,048	1,278,728
Operating lease	Operating lease payments:		1,210,120	1,005,010	1,270,720
Speraning lease	Properties	4,415,583	2,608,075	4,415,583	2,608,075
	Vehicle	כטכ,כוד,ד	2,000,073	כטכ,כוד,ד	2,000,073
		398,596	351,808	308 EUC	351,808
	Equipment			398,596	
		4,814,179	2,959,883	4,814,179	2,959,883



3. INCOME FROM INVESTMENTS				
Interest received:				
Bank current account	4,795,724	6,502,488	4,795,724	6,502,488
Subsidiary company	-	-	497,209	370,561
Financial Support Loans	7,505,616	1,775,181	7,505,616	1,775,181
	12,301,340	8,277,669	12,798,549	8,648,230
4. FINANCE COSTS				
Finance lease interest charges	48,895	11,614	48,895	11,614
Finance costs	42,413	-	-	-
Finance costs -fruitless and wasteful expenditure	1,328	4,215	1,328	4,215
	92,636	15,829	50,049	15,829
5. TAXATION				
SA normal taxation comprising:				
Current taxation - no longer applicable	-	-	-	-
Deferred taxation - no longer applicable	-	-	-	-
	-	-	-	-

The company is a public benefit organisation in terms of the Income Tax Act and has a tax exempt status.



# 6. PROPERTY, PLANT AND EQUIPMENT

LQUIFIVILIVI				
		Office		
		equipment &	Computer	
GROUP - Own assets	Motor vehicle	furniture	equipment	Total
2009	R	R	R	R
Cost				
Opening balance	120,392	4,130,040	3,353,836	7,604,268
Additions	-	326,066	403,534	729,600
Disposals	-	-	(534,030)	(534,030)
Closing balance	120,392	4,456,106	3,223,340	7,799,838
Accumulated depreciation				
Opening balance	24,078	1,977,408	2,285,001	4,286,487
Depreciation for the year	26,085	514,332	661,125	1,201,542
Disposals	-	-	(531,172)	(531,172)
Closing balance	50,163	2,491,740	2,414,954	4,956,857
Closing carrying value	70,229	1,964,366	808,386	2,842,981
2008	R	R	R	R
Cost				
Opening balance	120,392	3,502,133	2,676,948	6,299,473
Additions	-	629,162	686,368	1,315,530
Disposals	-	(1,255)	(9,480)	(10,735)
Closing balance	120,392	4,130,040	3,353,836	7,604,268
Accumulated depreciation				
Opening balance	-	1,439,069	1,799,105	3,238,174
Depreciation for the year	24,078	539,594	489,056	1,052,728
Disposals	-	(1,255)	(3,160)	(4,415)
Closing balance	24,078	1,977,408	2,285,001	4,286,487
Closing carrying value	96,314	2,152,632	1,068,835	3,317,781
GROUP- Leasehold Improvements				Total
2009				R
Cost				
Opening balance				-
Additions				870,473
Disposals				-



Accumulated depreciation   Opening balance   Computer   Stock	Closing balance				870,473
Depreciation for the year   Disposals   Signal   Signal	Accumulated depreciation				
Disposals   Closing balance   Computer equipment & Computer equipment	Opening balance	-			
Closing balance	Depreciation for the year				313,648
Closing carrying value	Disposals				-
Notor vehicle	Closing balance				313,648
GROUP - Leased assets         Motor vehicle furniture         computer equipment         Total           2009         R         R         R         R         R           Cost         Jana Sp.	Closing carrying value				556,825
GROUP - Leased assets         Motor vehicle         furniture         equipment         Total           2009         R         R         R         R         R           Cost         Jan. 1         Cost         Cos			Office		
2009         R         R         R         R         R           Cost         -         216,219         -         216,219           Additions         -         35,579         -         35,579           Disposals         -         -         -         -           Closing balance         -         251,798         -         251,798           Accumulated depreciation         -         251,798         -         251,798           Accumulated depreciation         -         119,571         -         119,571           Depring balance         -         119,571         -         119,571           Depreciation for the year         -         76,656         -         76,656           Disposals         -         -         -         -         -           Closing balance         -         196,227         -         196,227         -         196,227           Closing carrying value         -         55,571         -         55,571         -         55,571           2008         R         R         R         R         R         R           Cost         -         151,226         -         151,226				·	
Cost         216,219         -         216,219           Additions         -         35,579         -         35,579           Disposals         -         -         -         -         -           Closing balance         -         251,798         -         251,798           Accumulated depreciation         -         251,798         -         251,798           Accumulated depreciation         -         119,571         -         119,571           Depring balance         -         119,571         -         119,571           Depreciation for the year         -         76,656         -         76,656           Disposals         -         -         -         -         -           Closing balance         -         196,227         -         196,227         -         196,227         -         196,227         -         196,227         -         196,227         -         196,227         -         196,227         -         196,227         -         196,227         -         196,227         -         196,227         -         151,226         -         151,226         -         151,226         -         151,226         -         151,226	GROUP - Leased assets	Motor vehicle	furniture	equipment	Total
Opening balance         -         216,219         -         216,219           Additions         -         35,579         -         35,579           Disposals         -         -         -         -           Closing balance         -         251,798         -         251,798           Accumulated depreciation         -         251,798         -         251,798           Accumulated depreciation         -         119,571         -         119,571           Opening balance         -         119,571         -         119,571           Depreciation for the year         -         76,656         -         76,656           Disposals         -         -         -         -         -           Closing balance         -         196,227         -         196,227         -         196,227           Closing carrying value         -         55,571         -         55,571         -         55,571           2008         R         R         R         R         R         R           Cost         -         151,226         -         151,226         -         151,226           Additions         -         64,993	2009	R	R	R	R
Additions - 35,579 - 35,579  Disposals	Cost				
Disposals         -	Opening balance	-	216,219	-	
Closing balance         -         251,798         -         251,798           Accumulated depreciation         -         119,571         -         119,571         -         119,571         -         119,571         -         119,571         -         119,571         -         119,571         -         119,571         -         76,656         -         76,656         -         76,656         -         76,656         -         76,656         -	Additions	-	35,579	-	35,579
Accumulated depreciation Opening balance Opening balance  - 119,571 - 119,571  Depreciation for the year - 76,656 - 76,656  Disposals	Disposals	-	-	-	-
Opening balance         -         119,571         -         119,571           Depreciation for the year         -         76,656         -         76,656           Disposals         -         -         -         -           Closing balance         -         196,227         -         196,227           Closing carrying value         -         55,571         -         55,571           2008         R         R         R         R         R           Cost         -         -         151,226         -         151,226           Additions         -         64,993         -         64,993           Disposals         -         -         -         -         -           Closing balance         -         216,219         -         216,219           Accumulated depreciation         -         55,626         -         55,626           Depreciation for the year         -         63,945         -         63,945           Disposals         -         -         -         -         -           Closing balance         -         119,571         -         119,571	Closing balance	-	251,798	-	251,798
Depreciation for the year       -       76,656       -       76,656         Disposals       -       -       -       -         Closing balance       -       196,227       -       196,227         Closing carrying value       -       55,571       -       55,571         2008       R       R       R       R         Cost       -       -       -       -       151,226       -       151,226         Additions       -       -       64,993       -       64,993         Disposals       -       -       -       -       -         Closing balance       -       216,219       -       216,219         Accumulated depreciation       -       55,626       -       55,626         Depreciation for the year       -       63,945       -       63,945         Disposals       -       -       -       -       -         Closing balance       -       119,571       -       119,571	Accumulated depreciation				
Disposals         -	Opening balance	-	119,571	-	119,571
Closing balance         -         196,227         -         196,227           Closing carrying value         -         55,571         -         55,571           2008         R         R         R         R         R           Cost         -         -         151,226         -         151,226           Additions         -         -         64,993         -         64,993           Disposals         -         -         -         -         -           Closing balance         -         216,219         -         216,219           Accumulated depreciation         -         255,626         -         55,626           Depreciation for the year         -         63,945         -         63,945           Disposals         -         -         -         -         -           Closing balance         -         119,571         -         119,571	Depreciation for the year	-	76,656	-	76,656
Closing carrying value         -         55,571         -         55,571           2008         R         R         R         R         R           Cost         -         -         151,226         -         151,226           Additions         -         64,993         -         64,993           Disposals         -         -         -         -           Closing balance         -         216,219         -         216,219           Accumulated depreciation         -         55,626         -         55,626           Depreciation for the year         -         63,945         -         63,945           Disposals         -         -         -         -         -           Closing balance         -         119,571         -         119,571	Disposals	-		-	-
2008         R         R         R         R           Cost         -         151,226         -         151,226           Additions         -         64,993         -         64,993           Disposals         -         -         -         -           Closing balance         -         216,219         -         216,219           Accumulated depreciation         -         55,626         -         55,626           Depreciation for the year         -         63,945         -         63,945           Disposals         -         -         -         -         -           Closing balance         -         119,571         -         119,571	Closing balance	-	196,227	-	196,227
Cost         151,226         151,226         151,226           Additions         - 64,993         - 64,993         - 64,993           Disposals          - 216,219         - 216,219           Accumulated depreciation         - 216,219         - 216,219         - 55,626           Depreciation for the year         - 63,945         - 63,945         - 63,945           Disposals	Closing carrying value	-	55,571	-	55,571
Opening balance       -       151,226       -       151,226         Additions       -       64,993       -       64,993         Disposals       -       -       -       -         Closing balance       -       216,219       -       216,219         Accumulated depreciation       -       55,626       -       55,626         Depreciation for the year       -       63,945       -       63,945         Disposals       -       -       -       -       -         Closing balance       -       119,571       -       119,571	2008	R	R	R	R
Additions       -       64,993       -       64,993         Disposals       -       -       -       -         Closing balance       -       216,219       -       216,219         Accumulated depreciation       -       55,626       -       55,626         Depreciation for the year       -       63,945       -       63,945         Disposals       -       -       -       -         Closing balance       -       119,571       -       119,571	Cost				
Disposals         -	Opening balance	-	151,226	-	151,226
Closing balance       -       216,219       -       216,219         Accumulated depreciation       -       55,626       -       55,626         Depreciation for the year       -       63,945       -       63,945         Disposals       -       -       -       -         Closing balance       -       119,571       -       119,571	Additions	-	64,993	-	64,993
Accumulated depreciation         55,626         55,626           Opening balance         - 55,626         - 55,626           Depreciation for the year         - 63,945         - 63,945           Disposals             Closing balance         - 119,571         - 119,571	Disposals	-	-	-	-
Opening balance         -         55,626         -         55,626           Depreciation for the year         -         63,945         -         63,945           Disposals         -         -         -         -           Closing balance         -         119,571         -         119,571	Closing balance	-	216,219	-	216,219
Depreciation for the year       -       63,945       -       63,945         Disposals       -       -       -       -         Closing balance       -       119,571       -       119,571	Accumulated depreciation				
Disposals         -         -         -         -           Closing balance         -         119,571         -         119,571	Opening balance	-	55,626	-	55,626
Closing balance - 119,571 - 119,571	Depreciation for the year	-	63,945	-	63,945
	Disposals	-		-	-
Closing carrying value - 96,648 - 96,648	Closing balance	-	119,571	-	119,571
	Closing carrying value	-	96,648	-	96,648



# 6. PROPERTY, PLANT AND EQUIPMENT

LQUIFIVILIVI				
		Office		
		equipment &	Computer	
COMPANY - Own assets	Motor vehicle	furniture	equipment	Total
2009	R	R	R	R
Cost				
Opening balance	120,392	4,130,040	3,353,836	7,604,268
Additions	-	326,066	403,534	729,600
Disposals	-	-	(534,030)	(534,030)
Closing balance	120,392	4,456,106	3,223,340	7,799,838
Accumulated depreciation				
Opening balance	24,078	1,977,408	2,285,001	4,286,487
Depreciation for the year	26,085	514,332	661,125	1,201,542
Disposals	-	-	(531,172)	(531,172)
Closing balance	50,163	2,491,740	2,414,954	4,956,857
Closing carrying value	70,229	1,964,366	808,386	2,842,981
2008	R	R	R	R
Cost				
Opening balance	120,392	3,502,133	2,676,948	6,299,473
Additions	-	629,162	686,368	1,315,530
Disposals	-	(1,255)	(9,480)	(10,735)
Closing balance	120,392	4,130,040	3,353,836	7,604,268
Accumulated depreciation				
Opening balance	-	1,439,069	1,799,105	3,238,174
Depreciation for the year	24,078	539,594	489,056	1,052,728
Disposals	-	(1,255)	(3,160)	(4,415)
Closing balance	24,078	1,977,408	2,285,001	4,286,487
Closing carrying value	96,314	2,152,632	1,068,835	3,317,781
COMPANY - Leasehold Improvements				Total
2009				R
Cost				
Opening balance				-
Additions				870,473
Disposals				-



Closing balance				870,473
Accumulated depreciation				
Opening balance				-
Depreciation for the year				313,648
Disposals				-
Closing balance				313,648
Closing carrying value				556,825
		Office		
		equipment &	Computer	
COMPANY - Leased assets	Motor vehicle	furniture	equipment	Total
2009	R	R	R	R
Cost				
Opening balance	-	216,219	-	216,219
Additions	-	35,579	-	35,579
Disposals	-	_	-	_
Closing balance	-	251,798	-	251,798
Accumulated depreciation				
Opening balance	-	119,571	-	119,571
Depreciation for the year	-	76,656	-	76,656
Disposals	-	_	-	_
Closing balance	-	196,227	-	196,227
Closing carrying value	-	55,571	-	55,571
2008	R	R	R	R
Cost				
Opening balance	-	151,226	-	151,226
Additions	-	64,993	-	64,993
Disposals	-	_	-	_
Closing balance	-	216,219	-	216,219
Accumulated depreciation				
Opening balance	-	55,626	-	55,626
Depreciation for the year	-	63,945	-	63,945
Disposals	-	-	-	_
Closing balance	-	119,571	-	119,571
Closing carrying value	-	96,648	-	96,648
	-			



# 7. INTANGIBLE ASSETS

GROUP	Total
2009	R
Cost	
Opening balance	418,148
Additions	71,449
Disposals	_
Closing balance	489,597
Accumulated depreciation	
Opening balance	368,109
Depreciation for the year	17,202
Disposals	-
Closing balance	385,311
Closing carrying value	104,286
2008	R
Cost	
Opening balance	281,894
Additions	136,254
Disposals	-
Closing balance	418,148
Accumulated depreciation	
Opening balance	206,053
Depreciation for the year	162,056
Disposals	-
Closing balance	368,109
Closing carrying value	50,039
COMPANY	Total
2009	R
Cost	
Opening balance	418,148
Additions	71,449
Disposals	-
Closing balance	489,597



ACCUMULATED DEPRECIATION	
Opening balance	368,109
Depreciation for the year	17,202
Disposals	-
Closing balance	385,311
Closing carrying value	104,286
2008	
Cost	
Opening balance	281,894
Additions	136,254
Disposals	-
Closing balance	418,148
Accumulated depreciation	
Opening balance	206,053
Depreciation for the year	162,056
Disposals	-
Closing balance	368,109
Closing carrying value	50,039



8. INVESTMENT PROPERTY					
	GROUP	GROUP	COMPANY	COMPANY	
	2009	2008	2009	2008	
	R	R	R	R	
Cost or Valuation					
Land and buildings	3,694,121	3,694,121	-	-	
Fair value adjustment			-	-	
Balance at 1 April 2008	2,105,879	-			
Current year movement	(300,000)	2,105,879			
Balance at 31 March 2009	1,805,879	2,105,879			
Net carrying amount	5,500,000	5,800,000	-	-	

Land and buildings thereon, being portion 1 of Erf 1638, Ferndale measuring 4015m<sup>2</sup> situated at 311 Surrey Avenue, Ferndale, Randburg. The property has been revalued based on a valuation done by Holburn Simmons Real Estate cc, an independent valuer with the relevant professional qualifications. The basis of valuation employed was fair market valuation supported by market evidence prevailing at the reporting date.

9. FINANCIAL SUPPORT LOANS					
	R	R	R	R	
Balance at 1 April 2008	25,548,705	5,173,024	25,548,705	5,173,024	
Amounts advanced	38,233,931	25,817,865	38,233,931	25,817,865	
Repayments during the year	(14,527,500)	(5,442,184)	(14,527,500)	(5,442,184)	
	49,255,136	25,548,705	49,255,136	25,548,705	
Less: Allowance for impairment of loans					
Balance at 1 April 2008	3,146,550	520,000	3,146,550	520,000	
Current year movement	3,753,450	2,626,550	3,753,450	2,626,550	
Transfer of Impairment for Wakegem(Pty) Ltd	4,000,000	-	4,000,000	-	
Balance at 31 March 2009	10,900,000	3,146,550	10,900,000	3,146,550	
Net amount outstanding at 31 March 2009	38,355,136	22,402,155	38,355,136	22,402,155	

Loans receivable consist of loans granted to SMME's to facilitate the economic growth of starting companies. The average loan term was 3 to 5 years with an average interest rate of 14.50% (PY: 13.50%). The loan to Wakegem and its impairment allowance has been transferred here as it is no longer an associated company.



10. INVESTMENT IN ASSOCIATED COMPANIES	R	R	R	R
	GROUP	GROUP	COMPANY	COMPANY
	2009	2008	2009	2008
Shares	60	120	60	120
Shareholders loans				
Balance at 1 April 2008	4,240,120	-	4,240,120	-
Amounts advanced	59,940	4,240,000	59,940	4,240,000
	4,300,120	4,240,120	4,300,120	4,240,120
Less: Fair value adjustment	-	(120)	-	(120)
: Share of losses at 1 April 2008	(4,240,000)	-	(4,240,000)	-
: Share of losses in Associates	(60,120)	(4,240,000)	(60,120)	(4,240,000)
: 2008 Provision written back	4,000,000	-	4,000,000	-
: Transfer to Financial Support loans	(4,000,000)	-	(4,000,000)	-
Net amount outstanding at 31 March 2009	-	-	-	-

Shareholders' loans consist of loans granted to SMME's to facilitate the economic growth of starting companies. As there were no audited Financial Statements for Watoto, the figures in the management accounts were utilised. This may result in the final figures differing from the estimate used for the Financial Statements

- Watoto shares were taken as part of the funding structure under the umbrella of our Financial Support program. Our intention was to execute a deal that minimizes the cash flow impact on the SMME in the short term; hence the split between debt and equity.
- Wakegem was initiated and approved by the DED. Thus GEP held the shares on the strength of a written mandate from DED as part of its leverage tool to facilitate monitoring of the investment. During the year the ordinary shareholding was cancelled and the loan is now classified as a normal Financial Support loan and the company is no longer an associated company.

The loan balance and provision for share of trading losses have been transferred to financial support loans.

11. INVESTMENT IN SUBSIDIARY				
Aquarella Investments 439 (Proprietary) Limited				
100 shares at cost	-	-	100	100
Loan Account	-	-	3,328,476	3,857,560
	-	-	3,328,576	3,857,660

The loan is unsecured, subject to interest at the current prime rate and without any fixed terms of repayment



FOR THE YEAR ENDED 31 MARCH 2009 (continued)

12 TRADE 9 OTHER RECEIVABLES			_	-
12. TRADE & OTHER RECEIVABLES	R	R	R	R
	GROUP	GROUP	COMPANY	COMPANY
	2009	2008	2009	2008
Trade debtors	16,020,196	4,677,556	16,020,196	4,103,262
Less: Allowance for bad debts				
Balance at 1 April 2008	500,000	23,538	440,000	23,538
Current year movement	1,740,000	476,462	1,800,000	416,462
Balance at 31 March 2009	2,240,000	500,000	2,240,000	440,000
Net trade debtors	13,780,196	4,177,556	13,780,196	3,663,262
VAT	-	5,637,731	-	5,637,731
Finance lease charges paid in advance	93,076	234,205	93,076	234,205
Prepayments	1,018,053	416,772	1,002,642	416,772
	14,891,325	10,466,264	14,875,914	9,951,970
13. CASH AND CASH EQUIVALENTS				
Bank current accounts - Main Account	4,086,281	32,692,571	4,086,281	32,692,571
- Financial Support Account	3,188,990	32,296,147	3,188,990	32,296,147
Mafisa funds( see note 17)	10,000,000	-	10,000,000	-
Funds held for bank guarantee (see note 24)	3,000,000	-	3,000,000	-
Cash on hand	43,000	46,544	43,000	46,544
	20,318,271	65,035,262	20,318,271	65,035,262
14. TRADE & OTHER PAYABLES				
Trade creditors	3,054,251	768,976	2,665,714	390,193
Deposit held for sale of investment	2,833,182	-	2,833,182	-
Leave pay accrued	915,489	838,638	915,489	838,638
Performance bonus accrual	450,000	3,002,478	450,000	3,002,478
13th Cheque accrued	615,760	109,523	615,760	109,523
•	7,868,682	4,719,615	7,480,145	4,340,832



	R	R	R	R
	GROUP	GROUP	COMPANY	COMPANY
	2009	2008	2009	2008
15. RENT STRAIGHT-LINING ACCRUAL				
Total straight-lining accrual	320,701	509,183	320,701	509,183
The straight-lining accrual relates to rental and lease				
contracts with escalation clauses. Rentals payable under				
the contract are charged to the statement of financial				
performance on a straight-line basis over the term of the				
contract.				
16. FINANCE LEASE LIABILITY				
Total finance lease liability	148,647	107,059	148,647	107,059
Less: current portion	(44,867)	(21,259)	(44,867)	(21,259)
Long-term portion	103,780	85,800	103,780	85,800
The finance lease liability relates to equipment lease		<u> </u>		

## 17. MAFISA FUNDS

contracts.

Funds received from the Department of Agriculture

10,000,000	1	10,000,000	-

These funds will be used for the development of small scale agricultural and agri-business enterprises by means of interest bearing loans.

The funding agreement is for a period of 5 years from November 2008 and may be renewed on the same terms and conditions at the end of the period.

18. REVENUE	R	R	R	R
Provincial Grants	53,650,000	103,009,000	53,650,000	103,009,000
Management Fees	248,600	1,475,379	248,600	1,475,379
Administration and accounting fees from subsidiary	-	-	68,822	-
Insurance claims recovered	15,665	78,614	15,665	78,614
Rent accrued	576,450	405,000	-	-
Prior year expenses recovered	-	1,419,500	-	1,419,500
	54,490,715	106,387,493	53,983,087	105,982,493



19. RECONCILIATION OF NET (DEFICIT) SURPLUS	ONE			
BEFORE TAXATION TO CASH GENERATED FROM OPERAT	GROUP	GROUP	COMPANY	COMPANY
	2009	2008	2009	2008
	R	R	R	F
Net (deficit) surplus before taxation	(37,545,926)	36,611,442	(37,266,373)	34,533,59 <sup>-</sup>
Adjusted for:	(4,750,294)	(549,188)	(5,529,918)	1,126,130
Depreciation - Own assets	1,201,542	1,052,727	1,201,542	1,052,72
- Refurbishments	313,648	_	313,648	
- Leased assets	76,656	63,945	76,656	63,94
Amortisation - intangible assets	17,202	162,056	17,202	162,05
(Profit) Loss on disposal of fixed assets	(4,090)	6,320	(4,090)	6,320
Income from investments	(12,301,340)	(8,277,669)	(12,798,549)	(8,648,230
Finance costs	43,743	4,215	1,328	4,21
Finance lease interest charges	48,895	11,614	48,895	11,61
Fair value adjustment-Investment				
property	300,000	(2,105,879)	-	
Impairment of Financial Support loans	3,753,450	2,626,550	3,753,450	2,626,55
Share of trading losses in As-				
sociates	60,000	4,240,000	60,000	4,240,00
Provision for bad debts	1,740,000	476,462	1,800,000	416,46
Provisions	-	1,190,471	-	1,190,47
Operating cash flow before changes in working capital	(42,296,220)	36,062,254	(42,796,291)	35,659,72
Working capital changes	(3,162,887)	(8,639,880)	(3,731,524)	(8,444,369
(Increase) in trade and other receivables	(6,165,060)	(8,676,343)	(6,723,944)	(8,102,049
Increase (decrease) in trade and other payables, finance	3,002,173	36,463	2,992,420	(342,320
lease liability and rent straight-lining provision			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Cash (utilised in)generated from operations	(45,459,107)	27,422,374	(46,527,815)	27,215,35



## 20. FINANCIAL INSTRUMENTS

The company's financial instuments consist mainly of cash at bank and cash equivalents, trade and other receivables, financial support debtors and trade and other payables. All financial instruments are carried at fair value. The bank deposits and balances, receivables and payables approximate their fair value due to the shortterm nature of these instruments. The fair values have been determined by using available market information and appropriate methodologies. Financial Support loans are classified as "Held to maturity" and are not carried at fair

Details of the group and company's financial instruments are set out below:

## Carrying value of financial instruments

Financial assets by class - at carrying value:	GROUP	GROUP	COMPANY	COMPANY
	2009	2008	2009	2008
	R	R	R	R
Financial support loans held to maturity	38,355,136	22,402,155	38,355,136	22,402,155
Trade receivables	13,780,196	4,177,556	13,780,196	3,663,262
Other receivables	1,111,129	6,288,708	1,095,718	6,288,708
Bank deposits and balances	20,318,271	65,035,262	20,318,271	65,035,262
	73,564,732	97,903,681	73,549,321	97,389,387
Financial assets by category:				
Loans and receivables	73,564,732	97,903,681	73,549,321	97,389,387
Financial liabilities by class - at carrying value:				
Trade payables	3,054,251	768,976	2,665,714	390,193
Other payables	4,814,431	3,950,639	4,814,431	3,950,639
Finance leases	148,647	107,059	148,647	107,059
	8,017,329	4,826,674	7,628,792	4,447,891
Financial liabilities by category:				
Measured at amortised cost	8,017,329	4,826,674	7,628,792	4,447,891



**GROUP** GROUP COMPANY COMPANY 2009 2008 2008 2009 R R R R Fair value of financial instruments Financial assets by class - at fair value Financial support loans held to maturity 38,355,136 22,402,155 38,355,136 22,402,155 Trade receivables 13,780,196 4,177,556 13,780,196 3,663,262 Other receivables 1,111,129 6,288,708 1,095,718 6,288,708 Bank deposits and balances 20,318,271 65,035,262 20,318,271 65,035,262 73,564,732 97,903,681 73,549,321 97,389,387 Financial liabilities by class - at fair value Trade payables 3,054,251 768,976 2,665,714 390,193 Other payables 4,814,431 3,950,639 4,814,431 3,950,639 Finance leases 148,647 107,059 148,647 107,059 8,017,329 4,826,674 7,628,792 4,447,891



20. FINANCIAL INSTRUMENTS -(CONTINUED)

## CREDIT RISK MANAGEMENT

Potential concentrations of credit risk con sist mainly of cash and cash equivalents and trade receivables and financial support debtors.

The Group limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high quality credit standing. The credit exposure to any one counterparty is managed by monitoring transactions.

Trade debtors comprise a large number of customers, dispersed across different industries and geographical areas. Credit evaluations are performed on the financial condition of these debtors. Where appropriate, the necessary credit guarantees are arranged. Trade and other receivables are shown net of impairment.

The Group is exposed to credit related losses in the event of non-performance by counterparties. The Group continually monitors its positions and the credit rating of its counterparties and limits the extent to which it enters into transactions with any one party.

At 31 March 2009, the Group did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the following financial instruments, approximate their fair value due to the fact that these instruments are mostly of a short term nature

Bank balances and cash - deposits with commercial interest rates.

Trade and other receivables - subject to normal credit terms. Provision is made for the impairment of long outstanding debts. Due to the short term nature of company's receivables, amortised cost approximates its fair value. Financial support debtors subject to interest at current commercial rates. Provision is made for the impairment of overdue debts. Trade and other payables - subject to normal trade credit terms and a relatively short payment cycle.

The cost approximates its fair value.



## 21. RISK MANAGEMENT

Interest rate risk management

The Group is exposed to interest rate risk as it provides financial support for SMMEs at floating rates. The net interest income at 31 March 2009 was Group - R12,301,340, Company - R12,798,549 (2008 Group - R8,277,669, Company -R8,648,230).

The interest rate repricing profile at 31 March 2009 is summarised as follows:

	0 - 12 Months	Beyond 1 year	Total floating rate borrowings/ investments
Group	R	R	R
Financial Support loans	22,971,888	26,283,248	49,255,136
Investment in Associated Companies		300,000	300,000
% of total investments	46%	54%	100%
Company			
Financial support loans	22,971,888	26,283,248	49,255,136
Investment in Associated Companies		300,000	300,000
% of total investments	46%	54%	100%

The sensitivity analysis below has been determined based on the exposure to interest rates on financial support loans for SMMEs at the balance sheet date. For floating rate financial support loans, the analysis is prepared assuming the amount of financial support loans outstanding at the balance sheet date was outstanding for the whole year. A 100 basis points increase or decrease is used and presents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant, the group and company's profit for the year ended 31 March 2009 would have increased by R492,551 (2008: R255,487).

For a 100 basis points decrease, there would have been an equal and opposite impact on the profit.



# Liquidity risk management

The group manages liquidity risk through the compilation and monitoring of cash flow forecasts as well as ensuring that there are adequate banking facilities.

The maturity profiles of the financial instruments are summarised as follows:

· ··· · · · · · · · · · · · · · · · ·					
	0 - 12				
	months	1 - 5 years	Beyond 5 years	Total	
Group	R	R	R	R	
Financial assets					
Financial support loans	22,971,888	26,283,248	-	49,255,136	
Investment in Associated Companies		300,000	-	300,000	
Cash and cash equivalents	20,318,271	-	-	20,318,271	

## Financial liabilities

Trade and other payables	7,868,682	-	-	7,868,682
Finance Lease liability	44,867	103,780	-	148,647
	7,913,549	103,780	-	8,017,329

Company



### Financial assets

Financial support loans	22,971,888	26,283,248	-	49,255,136
Investments in Associated				
Companies	-	300,000	-	300,000
Cash and cash equivalents	20,318,271	-	-	20,318,271
	0 - 12			
	months	1 - 5 years	Beyond 5 years	Total
Financial liabilities				
Trade and other payables	7,480,145	-	-	7,480,145
Finance Lease liability	44,867	103,780	-	148,647
	7,525,012	103,780	-	7,628,792

### 22. IRREGULAR EXPENDITURE

An amount of R2,772,330 spent on airtickets for overseas travel is deemed to be irregular expenditure as 3 quotes were not obtained and normal Supply Chain Management rules were not applied.

	GROUP	GROUP	COMPANY	COMPANY
	2009	2008	2009	2008
23. COMMITMENTS	R	R	R	R
OPERATING LEASES				
At the Statement of Financial Position date, the company had outstanding				
commitments under non-cancellable operating leases, which fall due				
as follows:				
Within one year	3,015,167	2,411,312	3,015,167	2,411,312
In the second to fifth years inclusive	3,729,847	5,117,557	3,729,847	5,117,557
After five years		-		-
	6,745,014	7,528,869	6,745,014	7,528,869

Operating lease payments represent rentals payable for the use of its office properties and equipment.

The wholly owned subsidiary, Aquarella Investments 469 (Pty) Limited, owns a property in Ferndale, Randburg, which is let to a tenant. There is no formal lease in force with the tenant. The monthly rental received is R 49,050.



	GROUP	GROUP	COMPANY	COMPANY
	2009	2008	2009	2008
	R	R	R	R
CONTRACTS CONCLUDED BEFORE YEAR END				
Certain contracts were entered into during the year for the provision				
of services.				
At the 31st March, 2009 the outstanding commitment for contracts				
in progress amounted to:				
Programme related contracts	18,632,963	54,599,767	18,632,963	54,599,767
Office refurbishment	-	33,183	-	33,183
	18,632,963	54,632,950	18,632,963	54,632,950

DETAILS OF CONTRACTS IN FORCE AT 31 MARCH 2009				
Customer Satisfaction survey	-	1,000,000	-	1,000,000
Database Management System	_	974,400	_	974,400
Publicity Campaign	_	1,109,887	_	1,109,887
H.R.Policies Implementation	960,395	57,000	960,395	57,000
Regional Teambuilding session	-	424,384	-	424,384
Performance Management Workshop	_	100,000	_	100,000
Brand Tracking project	500,000	-	500,000	-
Disaster Recovery Plan	-	60,000	-	60,000
Website Development	_	200,000	_	200,000
CRM Proof of Concept	_	104,866	_	104,866
Capital Expenditure		33,183		33,183
	204 257	396,076	204,257	396,076
Research and Development programme	204,257	, , , , , , , , , , , , , , , , , , ,	,	,
Business Development Support Contracts in progress	1,082,512	5,464,791	1,082,512	5,464,791
20 Township Project	3,405,000	-	3,405,000	-
Salary termination payment	566,409	-	566,409	-
Financial Support loans approved but not yet paid	11,555,971	32,296,147	11,555,971	32,296,147
			11,555,571	
ABSA Leverage Fund	-	10,000,000	-	10,000,000
Orders placed but goods or services not delivered at year end	358,419	2,412,216	358,419	2,412,216
Running expenses incurred but not paid by 31 March, 2009	-	397,166	-	397,166
	18,632,963	55,030,116	18,632,963	55,030,116



24. GUARANTEES ISSUED

Iningi Investments (Pty) Limited

3,000,000	-	3,000,000	-
3,000,000	-	3,000,000	-

R 3 million of the company's funds are pledged to ABSA Bank for a guarantee issued to attorneys Madlela Gwebu Mashamba Incorporated for the registration of a mortgage bond in favour of Gauteng Enterprise Propeller over erf 122 Bedworth Park. On registration of the bond, the funds will be advanced to Iningi Investments (Pty) Limited as part of the enterprise's support for SMMEs.

#### 25. CONTINGENT LIABILITIES

#### SERVICE PROVIDERS

The company did not enter into any contracts with any service providers during the year which could lead to expenses being incurred in the next financial year other than those recorded in note 23 - Commitments.

#### 26. RETIREMENT BENEFIT INFORMATION

It is the policy of the group to encourage, facilitate and contribute to the provision of retirement benefits for all permanent employees.

To this end the group's permanent employees are required to be members of an independently administered provident fund Defined-contribution plans

The total cost charged to profit or loss of R 3,054,150 (2008: 2,786,248) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes. The Group has no post retirement obligations for retirement benefits.

# 27. MEDICAL AID INFORMATION

Permanent employees are normally members of an independent medical aid fund. The group has no post retirement obligations for medical aid benefits.



28. EMPLOYEE BENEFIT EXPENDITURE		
	COMPANY	COMPANY
	2009	2008
	R	R
Salaries	28,230,161	21,847,000
Leave Gratuity	925,563	397,881
Bonus	(15,665)	3,054,699
Acting Allowance	171,903	113,750
Medical and retirement Funds	4,807,271	4,079,614
UIF & SDL Levies	465,634	347,841
Employee care	203,935	-
	34,788,802	29,840,785

### 29. FRUITLESS AND WASTEFUL EXPENDITURE

Amounts spent on fruitless and wasteful expenditure, as defined by s81 of the Public Finance Management Act of 1999, amounted to R22,328 (2008 R4,215), comprising a penalty of R21,000(2008 Nil) on cancelled airtickets and R1,328(2008 R4,215) interest charged on overdue Telkom accounts payable. The airtickets were cancelled in order to save costs and action to pay Telkom on time was taken by instituting a stop order system of payment.

### 30. RELATED PARTY TRANSACTIONS

The group is controlled by the Gauteng Enterprise Propeller

Principal related parties

Related Party Country of incorporation

Watoto Kidswear (Pty) Ltd South Africa
Aquarella Investments 439 (Pty) Ltd South Africa
Department of Economic

South Africa

Development

The Gauteng Enterprise Propeller is a listed provincial public entity and therefore is also a related party to other provincial state-controlled entities.



30.1 Loans receivable/ (payable) from/ to related parties		
	R	R
Watoto Investments (Pty) Ltd	300,000	300,000
Aquarella Investments 439 (Pty) Ltd	3,328,476	3,857,560
Net loan payable / (owing) to group companies	3,628,476	4,157,560

## 30.2 Related Party Transactions

The management of the Gauteng Enterprise Propeller is not aware of any related party transactions with directors or any other parties, apart from those mentioned below, amounting to any significant value. If there were any such transactions, they were on terms which were no more or less favourable than those entered into with third parties.

Share of trading losses in Associates - Watoto Investments (Pty) Limited	60,000	240,000
Funding from Gauteng Provincial Department of Economic Development	53,650,000	103,009,000
Loan funding from the Department of Agriculture	10,000,000	_



## 30.3 REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

Directors - Fees for attendance at meetings	2009	2008
L Mngomezulu	189,600	92,360
P Mgulwa	116,000	41,650
D Moshapalo	-	43,100
E Banda	13,250	21,300
E Buys	-	18,050
K Sigenu	129,500	11,550
L Maile	145,750	8,300
B Madumise	142,250	30,325
D Coovadia	152,250	21,300
J Ralefatane	152,500	20,575
M Zwane	132,750	31,050
EN Mokoena	155,500	27,075
S Majombozi	95,750	-
	1,425,100	366,635

			13TH	LEAVE	EXPENSE	
SENIOR MANAGEMENT	SALARY	BONUS	CHEQUE	PAY	ALLOWANCE	TOTALS
D Morobe - Chief Executive Officer	1,050,998	244,507	-	-	265,000	1,560,505
T Shuenyane - Gen Manager						
IT & Facilities	529,737	68,484	-	-	72,000	670,221
J Parsons - Acting						
Chief Financial Officer	57,154	-	-	-	4,500	61,654
C Potgieter - Gen Manager						
Enterprise Support	498,174	64,852	43,239		99,772	706,037
PZ Zwane - Chief Financial Officer	556,150	101,878	-	73,387	110,000	841,415
T.Ngqobe - Chief Operating Officer	802,854	159,638	75,537	-	212,308	1,250,337
D Mogami - Gen Manager						
Regional Operations	438,921	79,238	55,873	26,805	168,229	769,066
N Tsokolibane - Gen Manager						
Marketing and Research	516,778	79,238	60,953	-	77,748	734,717
P.T.Sithole - Gen Manager						
Financial Support	432,007	118,857	60,953	-	170,100	781,917
TOTAL EMOLUMENTS	4,882,773	916,692	296,555	100,192	1,179,657	7,375,869
GRAND TOTAL						7,375,869



FOR THE YEAR ENDED 31 MARCH 2009 (continued)

DIRECTORS ATTENDANC	E AT MEETING	S			
DIRECTOR	BOARD	RISK & AUDIT	INVESTMENT	HUMAN RESOURCES	BUSINESS
				REMUNERATION	DEVELOPMENT
L.Mngomezulu	4/4	NON-MEMBER	NON-MEMBER	3/3	NON-MEMBER
Mrs P Mgulwa	2/4	NON-MEMBER	NON-MEMBER	NON-MEMBER	3/3
Mr.S.L.M.Majombozi	2/4	NON-MEMBER	NON-MEMBER	NON-MEMBER	NON-MEMBER
Mr M. Zwane	2/4	NON-MEMBER	5/5	NON-MEMBER	NON-MEMBER
Adv.B.Madumise	3/4	5/5	NON-MEMBER	NON-MEMBER	NON-MEMBER
Adv.J.Ralefatane	3/4	NON-MEMBER	NON-MEMBER	3/3	3/3
Mr D. Coovadia	4/4	5/5	NON-MEMBER	NON-MEMBER	NON-MEMBER
Miss K. Sigenu	3/4	NON-MEMBER	NON-MEMBER	NON-MEMBER	3/3
Mr L. Maile	3/4	NON-MEMBER	NON-MEMBER	NON-MEMBER	2/3
Mrs.M.Mokoena	4/4	NON-MEMBER	5/5	3/3	NON-MEMBER
Mr D. Morobe	4/4	5/5	5/5	3/3	NON-MEMBER



	2009	2008
31. COMPANY DETAILED INCOME STATEMENT	R	R
REVENUE:		
Grants from Province	53,650,000	103,009,000
Management fees	248,600	1,475,379
Administration and accounting fees from subsidiary company	68,822	-
Interest received	12,798,549	8,648,230
Profit on disposal of fixed		
assets	4,090	-
Prior year expenditure		
recovered	-	1,419,500
Insurance claims received	15,665	78,614
Total revenue	66,785,726	114,630,723
EXPENSES:		
Office rent and utilities	4,227,101	2,687,155
Advertising, promotion and		
marketing	1,649,544	4,184,633
Airfares and travelling costs	4,153,055	1,909,858
Amortisation - intangible		
assets	17,202	162,056
Audit fees	491,226	236,414
Bad debts	2,143,868	28,590
Bank charges	12,522	12,015
Board meetings	131,764	21,957
Board members remuneration	1,425,100	366,635
Bursaries	84,198	-
Business Development		
Support	15,600,647	9,730,892
Courier services	200,880	185,933
Depreciation -own assets	1,201,542	1,052,727
-leasehold improvements	313,648	-
-leased assets	76,656	63,945
Entertainment	514,159	434,320
Finance costs	1,328	4,215
Finance lease interest charges	48,895	11,614
Franchise Development	400,000	-



R   R   R   R   R   R   R   R   R   R
Information services and conferences       1,381,172       558,451         Insurance       299,114       218,910         Internal audit fees       546,216       478,299         IT related costs       1,146,703       1,131,392         Legal expenses       1,089,526       502,220         Library maintenance       217,984       133,499         Loss on disposal of fixed assets       -       6,320         Maintenance of software       97,398       103,239
Information services and conferences       1,381,172       558,451         Insurance       299,114       218,910         Internal audit fees       546,216       478,299         IT related costs       1,146,703       1,131,392         Legal expenses       1,089,526       502,220         Library maintenance       217,984       133,499         Loss on disposal of fixed assets       -       6,320         Maintenance of software       97,398       103,239
conferences       1,381,172       558,451         Insurance       299,114       218,910         Internal audit fees       546,216       478,299         IT related costs       1,146,703       1,131,392         Legal expenses       1,089,526       502,220         Library maintenance       217,984       133,499         Loss on disposal of fixed assets       -       6,320         Maintenance of software       97,398       103,239
Insurance       299,114       218,910         Internal audit fees       546,216       478,299         IT related costs       1,146,703       1,131,392         Legal expenses       1,089,526       502,220         Library maintenance       217,984       133,499         Loss on disposal of fixed assets       -       6,320         Maintenance of software       97,398       103,239
Internal audit fees       546,216       478,299         IT related costs       1,146,703       1,131,392         Legal expenses       1,089,526       502,220         Library maintenance       217,984       133,499         Loss on disposal of fixed assets       -       6,320         Maintenance of software       97,398       103,239
IT related costs       1,146,703       1,131,392         Legal expenses       1,089,526       502,220         Library maintenance       217,984       133,499         Loss on disposal of fixed assets       -       6,320         Maintenance of software       97,398       103,239
Legal expenses       1,089,526       502,220         Library maintenance       217,984       133,499         Loss on disposal of fixed assets       -       6,320         Maintenance of software       97,398       103,239
Library maintenance 217,984 133,499  Loss on disposal of fixed - 6,320  Maintenance of software 97,398 103,239
Loss on disposal of fixed assets - 6,320 Maintenance of software 97,398 103,239
assets         -         6,320           Maintenance of software         97,398         103,239
Maintenance of software 97,398 103,239
1,711
Maintenance- vehicle, equipment and premises 928.098 1.213.393
,,_,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Office equipment rental 398,596 351,808
Outbound campaigns 297,702 12,260
Printing and stationery 686,985 505,373
Professional services         6,925,331         4,674,366
Provision for doubtful debts 1,800,000 416,462
Recruitment         398,603         443,124
Relocation costs         102,202         10,450
Research and development         2,021,483         1,975,843
Seminars and training         2,853,974         3,279,909
Severance pay 180,144 -
Share of trading losses in
Associates 60,000 4,240,000
Sponsorships         2,188,525         3,053,422
Staff salaries         34,788,802         29,840,785
Staff training         445,127         880,636
Telephone and cell phones         1,778,346         1,449,435
Travel reimbursement 731,875 883,085
VAT written off 6,221,788 -
Vehicle running costs 19,620 14,942
Total expenses 104,052,099 80,097,132
NET (DEFICIT)SURPLUS FOR THE YEAR (37,266,373) 34,533,591



## 32. SUBSEQUENT EVENTS

It is the intention of the company to dispose of its shareholding in the subsidiary during the forthcoming financial year.

There have been no other facts or circumstances of a material nature that have occurred between the reporting date and the date of this report.



NOTES	

