

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.

This includes the design and implementation of small enterprise development support programmes within Gauteng, strengthening their capacity to compete successfully domestically and internationally and promoting a support network in order to increase the contribution of small enterprises to the economy, which will, in turn, contribute to economic growth, job creation and equity.

Vision

Africa's leading enterprise 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

Goals

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



STATEMENT AND FOREWORD



MEC's FOREWORD



GEP is a young organisation which has been in existence for only five years. Its main achievements over this short period include:

- Approved funds to Start-up and Existing SMMEs of R160 million;
- Leveraged additional funds through a partnership with ABSA of R50 million;
- Non financial support to more than 18 000 SMMEs and Cooperatives;
- Implemented key partnerships in support of SMMEs and Co-operatives with the Department of Transport;
- 1200 businesses provided with registration services through satellite offices in communities in partnership with CIPRO;
- The launch of a Township Business Renewal programme in 2009.

In the year under review, GEP approved 50 loans totalling R41.4 million (an average of R830 000 per loan). Of these loans, 42% were allocated to women and 25% to young people. The Mafisa Programme was introduced in partnership with the Department of Agriculture to provide financial support to SMMEs in the agricultural sector. GEP has also introduced a micro financing offering (loans from R10 000 to R250 000), in order to broaden the scope of its financial support to SMMEs.

Because of the profile of SMMEs and Co-operatives assisted by GEP, it experiences particular challenges to ensure that money lent is repaid. This is why it introduced an aftercare and debt management programme which has yielded positive results and contributed significantly to a clean audit this year.

Non-financial support

GEP has strengthened its capacity to provide non-financial support to SMMEs through the Township Renewal Programme, which in the year under review, focused on Sedibeng and the West Rand, the Plato Mentorship Programme through Business Development Support (BDS) interventions which include marketing, accreditation and account management. Under the latter programme, 897 businesses received support and 4230 SMMEs participated in a training programme.

On this foundation, much more needs to be done when one considers the scope of the challenge to strengthen entrepreneurship in historically marginalised communities. Much more can be achieved through strategic partnerships with the banking sector, other public and private providers of support services, by aligning our SMME support programmes with our sectoral strategies, and through efficient and accountable government procurement processes. We also face in this province a particular challenge to expand our support for Co-operatives. I visited Kwa-Zulu Natal recently and saw what can be achieved if this task is tackled in a bold and decisive way.

The management of GEP should be congratulated for achieving an unqualified audit this year after being qualified last year. I express my appreciation for the work that was done to achieve this positive outcome which I hope will be sustained in the years ahead.



F Cachalia

Member of the Executive Council for Economic Development

CHAIRPERSON'S REVIEW



The 2009-10 financial year was one in which all businesses and, in particular, SMMEs faced enormous challenges and difficulties due to the global economic crisis. As Chairman of the Board of Directors, I am delighted to confirm that despite these challenges, the Gauteng Enterprise Propeller (GEP) addressed all the adverse findings raised by the Auditor General in 2008/09, and managed to achieve a clean audit with no emphasis of matter. The Board engendered a culture of simply striving to make GEP better in every way, by constantly addressing the identified policy and operational gaps. It is against this background that we present the formal report for the year under review.

Corporate Governance

The Board continued to provide the required leadership and guidance to management to ensure GEP's activities are aligned with its statutory role and that it fulfils its responsibilities as outlined in the shareholder's compact agreed upon with the Department of Economic Development. To this end, the Board exercised its role of supervising management, monitoring of operational performance, maintaining control over the entity's assets and demanding the highest ethical standards for behaviour.

In line with the recommendations of good corporate governance, the Board also benefited from undertaking its own performance assessment exercise through the assistance of an independent governance specialist, in order to critically examine its institution, decisions and overall board effectiveness.

During the year under review there was one resignation, Mr. Lebogang Maile, who was appointed as a Member of the Provincial Legislature (MPL).

Prospects

The 2009-2014 Gauteng Medium Term Strategic Framework (MTSF) – approved by the Gauteng Executive Council in mid-2009 states that the Gauteng Provincial Government (GPG), in line with its electoral mandate, will make “a commitment to place the creation of decent work and sustainable livelihoods at the centre of its policies and programmes”. The first strategic priority of the MTSF is therefore to “create decent work and build a growing, inclusive economy”.

The Gauteng Employment, Growth and Development Strategy for 2009-2014 (GEGDS) focuses on this first strategic priority in the Gauteng MTSF. It outlines a set of strategic choices and programmes that will build towards a strong and sustainable Gauteng economy in which all can access economic opportunities and enjoy decent work.

The GEGDS outlines the strategic interventions by which Gauteng will work to make it an innovating, green and inclusive economy. The **strategic interventions** are organised into five **strategic pillars**, which are:

- Transforming the provincial economy through improved efficiency (economic dimension).
- Sustainable employment creation (economic dimension).
- Increasing economic equity and ownership (equality dimension).
- Investing in people (social dimension); and
- Sustainable communities and social cohesion (social dimension).

These five pillars are designed to ensure convergence between the economic and social strategies of government, underpinned by environmental strategies to ensure sustainable resource usage. The pillars assume

a strong, developmental state able to intervene to shape the economy that the province needs. Among other things, a developmental state means strong cooperative governance and coordinated government policies that deal effectively with complex, overlapping mandates, and aim to wrap services around the people in the province who need government to work cohesively on their behalf.

These key provincial strategies underpin GEP’s strategic focus for this term of government.

To this end, the GEP Board noted and embrace the project that is being undertaken to rationalize and reconfigure the agencies within the Department of Economic Development. We believe that the re-alignment of the agencies should serve to enhance the institutional service delivery infrastructure and reduce areas of unnecessary duplication.

The Board fully recognises that while great strides have been made since the end of apartheid, there remains significant, structural challenges that need to be addressed on the road ahead. A primary imperative is the need to ensure more inclusive and sustainable economic growth going forward so as to realise the *vision of: “An inclusive and sustainable Gauteng economy that promotes a developmental and equitable society”*.

Appreciation

In conclusion, it has been a challenging yet rewarding year for GEP and its stakeholders. I sincerely thank my Board colleagues, the senior management and the entire staff for their dedication to the delivery of our strategy as well as the unwavering commitment to effective and efficient management.



Mr. Linda Mngomezulu
Chairperson of the Board

CHIEF EXECUTIVE OFFICER'S REVIEW



I am pleased to present this 2009-10 report as the Gauteng Enterprise Propeller (GEP) proudly celebrates its fifth anniversary, with noteworthy achievements in a number of areas but also clearly recognizing that much work still beckons. GEP now has more than 18 000 entrepreneurs who have been assisted through our business development support and capacity building programmes. Financial support to the value of R160 million has also been approved to SMMEs with viable proposals over the last five years.

Actively Managed Loan Portfolio

The strategy that we adopted in the year under review of ensuring effective and efficient use of the resources allocated to deliver our SMME and Cooperatives development mandate is beginning to deliver results. We intensified our involvement with our loan portfolio clients through a concerted debt management and aftercare programme, reassessing each business in terms of those that can pay but don't; those that can't pay but might with a bit of support; and those that won't ever be able to pay. Where there was hope we provided operational support but insisted on co-operation and business discipline in terms of implementation of the revised plan. We have also, out of necessity, become more stringent with collections on overdue accounts. We are continually increasing the depth of our due diligence when approving new applications to ensure more sustainability and success. The importance of this approach cannot be overemphasized given that our portfolio is still relatively young, with most SMMEs having experienced challenges due to the recession and generally difficult trading conditions.

Strategic Review

GEP's contribution to the Department of Economic Development (DED) group is through SMME and Cooperatives sector development by way of financial and non-financial support programmes. GEP addresses the DED strategic objective of *facilitating the growth of the provincial economy, reducing poverty and promoting job creation* through: (a) facilitation of access to business opportunities; (b) providing interventions that enhance the sustainability of SMMEs and Cooperatives; and, as a result, (c) ensuring that the SMME sector is a creator of job opportunities that contribute to poverty reduction and alleviation.

To this end, GEP's **Strategic Goal** is to ensure and promote the development and sustainability of SMMEs and Cooperatives in the Gauteng City Region.

Our Objectives are:

- To increase the sustainability and profitability of SMMEs and Co-operatives
- To provide integrated services at regional level
- To provide products and services that are responsive to a vibrant economy
- To increase GEPs financial sustainability
- To position GEP as an agency of choice within the SMME Sector within Gauteng
- To ensure effective and efficient management of GEP

Despite the economic challenges of the year, GEP remained focused on its core mandate and has been able to achieve most of the targets as well as break new ground on some priority areas which include increased support to Co-operatives, enhanced Credit Control, After-care and Mentorships. In addition, GEP participated in some innovative programmes such as the Global Business Opportunities (GBO) programme in partnership with the Gauteng City Region Academy (GCRA) to promote entrepreneurship among the youth. Another initiative aimed at nurturing an entrepreneurial mindset among the youth of Gauteng - the Youth Leaders' Summit - had the State President presenting the keynote address in June 2009

Our support for community business development was greatly enhanced through our new Townships Business Renewal Programme which covered the Sedibeng and West Rand regions during the last half of the financial year, with thirty five SMMEs benefitting from the support. Before rolling out the programme, research studies were undertaken into *"The impact of Malls on Township Businesses"*, as well as *"The needs of SMMEs and Cooperatives in Zola and Orlando (Soweto)"*. In addition, the Gauteng Plato Mentorship Programme (group mentorship approach) was introduced in partnership with the Department of Local Government & Housing; fifteen municipalities Local Economic Development Units; the Johannesburg Chamber of Commerce and Industry (JCCI); and the Belgian Voka Chamber of Commerce.

Challenges

The 2009/10 financial year was one which presented unique challenges such as the unprecedented industrial action and a high attrition rate that followed. The changes in the provincial government administration and the moratorium on appointments due to the planned reconfiguration and restructuring of agencies also exacerbated the challenge. It was also a year in which the world recession impacted all economies and increased unemployment. The most pronounced challenge was that we operated with a shortage of key personnel such as Chief Financial Officer and specialists in the core units of Investment Management and Regional Operations.

The staff complement had decreased to the point that it severely affected the functioning of these units. Consequently, the planned decentralisation and introduction of Micro-Finance Support through the Regional Office were shelved.

Management Priorities 2010-11

The focus for fiscal 2010/11 will be on the following key programmes and activities:

- Roll-out of the Micro-Finance product. This product will be decentralised to the regional office network, bringing GEP closer to its vision of creating a **"One Stop Shop"**. This includes co-location initiatives with public and private sector bodies.
- Pro-actively search for and promote low risk - low cost start-up businesses to combat unemployment
- Continue to renew township businesses through the Township Business Renewal Programme with a revised threshold of R50 000 so as to reach SMMEs throughout the province.
- Continue efforts to leverage as much as possible from public and private sector partners to maximise assistance to SMMEs and Co-operatives.
- Partner with public and private initiatives to inculcate a culture of entrepreneurship through experiential entrepreneurial training for unemployed youth.
- GEP has just finalised a MoU with SEDA that will see GEP obtaining access to enrol its SMMEs in the SEDA Technology incubators across the province. We have also finalised a partnership agreement with Arcellor Mittal that will see a consortium of our SMMEs benefiting from their BEE programme.
- Intensify our co-operatives support programme throughout the regional network, as well as pilot flagship co-operatives in the agro and related industries.
- Increase the reach and capacity of our Aftercare Support programme to reduce the failure rate among the businesses that have received financial support and amplify our efforts to recover bad debts so that more businesses can receive financial assistance.
- Support more SMMEs and Co-operatives that are involved in projects integral to the GEGDS and identified priority sectors.

Our pending merger with Blue IQ and GEDA will begin a new chapter in GEP's evolution. The SMME community will be better able to leverage the strategic economic infrastructure and investment promotion opportunities brought about by the merger. We look forward to an exciting future.

Appreciation

The turn-around from qualification last year to the clean audit in fiscal 2009-10 is remarkable and noteworthy given the unique and challenging market we operate in. Our ability to perform strongly and improve efficiencies demonstrates the dedication of our staff and their commitment to GEP. I would like to thank the entire staff for their tireless devotion through the most challenging circumstances since our establishment. And to all our SMMEs, Co-operatives, partners, directors and Department of Economic Development, it is thanks to you that GEP is increasingly enjoying such patronage in our communities in just five years of existence.



David Buti Morobe
Chief Executive Officer

BOARD MEMBERS



Mr. Linda Mngomezulu
Board Chairperson



Mr. David Morobe
Chief Executive Officer



Ms. Mumsey Mokoena



Ms. Pam Mgulwa
Deputy Chair



Mr. Mxolisi Zwane



Ms. Khunjulwa Sigenu



**Adv. Josephine
Ralefatane**



Mr. Dawood Coovadia



Mr. Sipho Majombozi



Adv. Brenda Madumise

EXECUTIVE MANAGERS



STANDING L TO R

Monde Maduna (Operations Executive), **Lesley Kwapeng** (Executive: Office of the CEO)
Christel Potgieter (General Manager: Enterprise Support), **Lerato Mphai** (Executive Manager): Human Resources
Thembela Mgudlwa (Marketing Manager), **Mervyn Benjamin** (I.T & Facility Manager),

SEATED L TO R

Thandiwe Ngqobe (Chief Operations Officer) **Mr. David Morobe** (Chief Executive Officer), **Lesibana Fosu** (Chief Financial Officer)

ABSENT

Percy Sithole (GM: Financial Support)

OPERATIONS REVIEW



The 2009/10 Financial Year was quite exciting and yet daunting, review of the provincial priorities and subsequently, departmental strategies was undertaken in terms of emphasis on objectives which sought to implement the intent of the revised provincial strategy and ensure accelerated economic growth and development, among other things. This review resulted in the overhaul of the core mandate of GEP, with more pronounced emphasis and effort towards supporting Co-operatives and Small & Micro businesses, for the purpose of developing communities, thereby creating sustainable economic activity in such communities.

The strategic review meant a renewed strategic direction in all operations and this meant that the GEP Executive had to conduct an intent review of the operations in terms of the available skills base; products; policies, processes and procedures, versus the allocated budget. This subsequently resulted in the remodeling of policies, processes and procedures; the revamp of products or the design of new products in some instances, so as to depict a concerted effort towards a more dynamic and focused strategy.

It is on this basis that the Financial Support unit has had to put more effort towards revising the funding strategy in terms of targeting labour-intensive sectors at a Small and Micro level and ensuring that the inherent risk exposure element is managed within the context of innovative development finance. The Regional Operations have also had to

re-evaluate the approach to offering Non-Financial Support and business development training to Co-operatives and Small & Micro business. This re-evaluation has led to a revised menu of Non-Financial Support intervention.

The continuous informal and desktop research by the Enterprise Support unit, in terms of general Co-operatives Support and formal research/studies on the needs of Small & Micro businesses also assisted in guiding the effort of core operations within the context and demographics of Gauteng as a province. It is upon such solid research work that valuable partnerships with other government departments and institutions were identified, and, in this instance, the Co-operatives Incentive Scheme hosted by the National Department of Trade and Industry.

Still within the context of the strategic and operational review, the HR unit deemed it fit to support the efforts of core operations with the assessment of its skills base, by conducting an organisation-wide skills audit. This initiative assisted the organisation to identify talent and put more effort towards retaining such talent. The initiative also highlighted areas of skills shortages and possible solutions towards addressing these skills shortages. Lastly, the skills audit process assisted the organisation to determine areas where skills were under-utilized in relation to full potential.

The IT environment also needed to adapt to the review of the operational strategy, hence the birth of the Customer Relations Management system as a concept. The system went through a comprehensive conceptualization process during the 2009/10 Financial Year and was therefore only implemented from April 2010. The SMME portal also underwent a revamp in some areas so as to support the process of capturing the profiles of all SMMEs who have contacted GEP since the inception of the organization. The revamp also ensures improved quality in the capturing of SMME profiles and related information from the 2009/10 Financial Year.

The Financial Management and Budgeting environment also had to undergo policy reviews so as to support the growing high-risk loan book, with impeccable and relevant debtors control processes. This effort is depicted by the revised Debt Management policy and the revised Accounting policy in relation to debt impairments and related provisions.

The above discussion, if anything, clearly amplifies the notion that the operations of any organisation are anchored on three (3) basic and crucial aspects: **people** – employees with talent; **systems** – qualitative processes, policies and procedures; and **money** – the necessary funds/budget. It is therefore imperative that these three aspects are always afforded the attention and effort they deserve if any organisation plans on becoming a high performing organisation. GEP aspires to be classified as a ‘High Performance’ organization and we will continue doing our best to achieve this aspiration.

In conclusion, it is only proper to pause and express my greatest gratitude to the Chief Executive Officer for his resolute leadership and guidance, and to all Executive Managers for their sterling work in inspiring the business units to continue to perform their functions to the best of their abilities and at all cost. I would also like to express gratitude to the GEP workforce for continuing to strive towards achieving the GEP mandate and objectives. With such dedication, the SMME support and development arena in Gauteng province can only continue to grow in leaps and bounds.



Thandiwe Ngqobe
Chief Operations Officer

FINANCIAL SUPPORT



Percy Sithole
General Manager:
Financial Support

Strategic Objectives of the Business Unit

1. To increase the sustainability and profitability of SMMEs and Co-operatives
2. To provide integrated services at regional level
3. To increase GEP's financial sustainability

Strategic Objective	Targets 2009/10	Actuals 2009/10	Comment on the Variances
To provide access by SMMEs and Co-operatives to Financial Support	75 Deals Micro finance	50 Deals 0%	The change management process halted due to a moratorium initiated by the Department of Economic Development.
	Start-up (25%)	4% (3 Deals)	Due to a moratorium on all vacant positions by DED, targets were not achieved because of capacity constraints. Financial Support operated with one BRM instead of four.
	Franchise (19%)	7.2% (3 Deals)	Franchises approved declined due to change in strategy of funding enterprises. GEP decided to engage franchisors and finalise agreements with them before financial assistance was provided to franchisees. The extended turn-around times as the process of finalising agreements took longer than usual.
	Growth (31%)	29.4% (11 Deals)	Growth funding was slightly below the target due to lower average size per deal of R1, 3 million per deal compared to R1, 6 million the previous year.
	Contract (25%)	42.4% (33 Deals)	Exceeded the budget by R6, 2 million. This is attributable to high demand of bridging finance due to funding of special projects of the Department of Roads and Transport.
To increase number of SMMEs and Co-operatives re-paying loans	To increase recovery rate to 65%.	Recovery Rate is 57,04%	The lower than expected recovery rate is attributable to low recoveries on contract finance due to late payments by GPG to SMMEs.
	Number of loans disbursed as a % of those approved.	68%	Some of the deals were approved towards the end of the financial year; therefore they were not disbursed at the time of reporting.

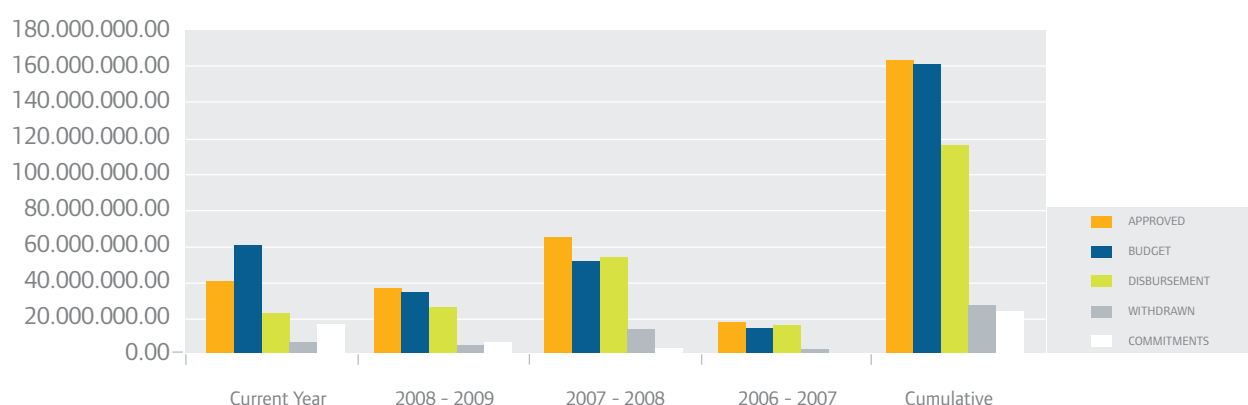
Strategic Objective	Targets 2009/010	Actuals 2009/10	Comment on the Variances
To decentralise financial support services to regional offices	10 Micro loans assessed per regional office. Increase from 0 to 5	0%	Decentralisation of financial support to Regional Offices has been put on hold due to a moratorium by DED on recruitment. There is no capacity currently dedicated to this product.
To implement the financial sustainability model	80% of the following suggested sustainability models should be implemented by 2010. Pricing model Prime + ,should be charged on high risk projects. Initiation fees 1% of approved amount. Management fee of 2%-3% should be levied on funds managed	100% completed.	All recommendations were implemented during the current financial year. The SMME Financing Policy was amended accordingly.
Transversal targets % on amount approved to be allocated to transversal groups.	40% to women 30% to youth 5% people with disabilities	41,7% to women (13 Deals) 24,6% to youth (9 Deals) 0% to people with disabilities	Target of funded businesses owned by women was achieved. Youth Owned businesses were slightly below target, This is also due to less franchises being funded as most people in this group prefer tried and tested businesses concepts. It has been difficult to source viable businesses owned by people with disabilities as most of them are NGOs or have access to grants.

In the year under review, GEP approved 50 loans worth R41,4 million (i.e. average of R830 000 per loan). 40% of the total value of the approved projects was allocated to labour intensive sectors such as construction and retail these projects:

- 42,4% went to women owned and managed businesses;
- 25% to youth led businesses;
- 1120 jobs sustained and created;
- R17,5 million has already been disbursed;
- R3,2 million was withdrawn; and
- R20,4 million is still committed

Funding to SMMEs was provided through debt instruments such as bridging finance, revolving facility, working capital and asset finance while repayment terms range between 3 and 72 months. These debt instruments were utilised across our four products (i.e. [Start-up](#), [Expansion](#), [Franchise](#) and [Contract finance](#)).

	Current Year	2008 -2009	2007 - 2008	2006 - 2007	Cumulative
APPROVED	41,492,789.86	37,067,198.00	64,682,169.00	18,400,000.00	161,642,156.06
BUDGET	60,000,000.00	36,000,000.00	50,000,000.00	15,000,000.00	161,000,000.00
DISBURSEMENT	23,104,311.00	25,924,941.00	51,150,276.00	15,915,020.00	116,094,548.00
WITHDRAWN	3,214,700.00	5,500,025.00	12,843,058.00	2,484,980.00	24,042,763.00
COMMITMENTS	20,443,778.86	5,642,232.00	688,835.00	0.00	21,504,845.86



APPROVAL BY PRODUCT

CONTRACT FINANCE	21,229,108.00
EXPANSION	14,664,000.00
START - UP	1,968,881.86
FRANCHISE	3,630,800.00
TOTAL	41,492,789.86

FINANCIAL SUPPORT PROGRAMME EXPENDITURE GRAPH APPROVAL BY SECTOR



APPROVAL BY SECTOR

DISTRIBUTION	3,120,408.00
PROPERTY	6,280,000.00
CONSTRUCTION	10,558,700.00
RETAIL	6,006,800.00
WASTE MANAGEMENT	4,500,000.00
HEALTH & BEAUTY	1,204,000.00
MEDICAL SECTOR	4,800,000.00
AGRICULTURE	70,000.00
AUTOMOTIVE	1,037,881.86
HOSPITALITY	1,080,000.00
SKILLS DEVELOPMENT	50,000.00
MANUFACTURING	2,535,000.00
MARKETING	250,000.00
TOTAL	41,492,789.86



SMME PROFILE

OUPA MODIKOANE: CO-OWNER OF ININGI IVESTMENT AT THE NATHI STUDENT RESIDENCE





Iningi Investments

The number of students enrolling for university studies has increased over the years and culminated in a serious shortage of student accommodation around the Gauteng tertiary education institutions. Iningi Investment, which received expansion funding from GEP, is one of the companies that have taken advantage of the demand for student accommodation which is now a big business opportunity.

Iningi is owned by a wheelchair-bound, Mr. Oupa Modikoane, and Mr. Sizwe Tati. The company received a R3 million loan to build the second phase of the Nathi Student Residential which is located a few meters away from the Vaal University of Technology Campus in Sedibeng. The current phase of 50 single units accommodates students in rooms that are fully equipped with study desk, bed, wardrobe and network points. Students at Nathi share a communal kitchen and entertainment area with a TV set.

The loan fund received from GEP will be used to erect the second phase of the residential. Work has started on the second phase project with plumbing and foundations already laid. Upon completion of the project there will be 76 more units bringing the number of total units of Nathi Students Res to 126. Iningi Investment, which outsources its building maintenance services to a youth-owned small business in Sebokeng, will create more than 50 indirect jobs through construction and other services required in the project.

Showing gratitude to GEP Oupa Modikoane said, "Financial intervention has assisted us to implement the project sooner than we anticipated; this will help in expanding our business and improving our profits as the demand for student accommodation increases".

Iningi Investment will also be targeting other tertiary institutions in Gauteng to establish student accommodation in proximity to campuses; talks with the Tshwane University and the Johannesburg University are at an advanced stage.

SMME PROFILE

BEE PARTNERS LEBOGANG MORULE AND EMELIA BRANDT AT THEIR MIDRAND OFFICES





Sanibonani Holdings

Sanibonani Holdings is a BEE company owned by two white women and Copper Sunset Trading represented by Mr. Lebogang Morule with a 76% controlling stake. The two women who founded the company own a 24% stake represented by Emelia Brandt who is also the MD of Sanibonani.

A fairly small player in the R 5 billion medical equipment industry, Sanibonani, which has their offices and warehouse in Midrand, is a specialist supplier of physiotherapy, occupational health and hospital equipment. The company received a R 2.5 million loan from GEP. The funds were used to procure stock (medical equipment) from local and international suppliers. The fund has enabled Sanibonani to substitute the expensive arrangement they had with Reichmans SA which acted as their agent in stock procurement. The arrangement drastically affected the profit projections and growth of the company in this specialised industry.

Emelia Brandt says, "The GEP funding has really assisted the company to go to the next level. We have managed to increase our turnover and we have also turned our orders into debtors. Our business is really growing".

The company has increased their client base with four tenders running in Gauteng Government hospitals and they have just won two tenders in Limpopo province. Their biggest client is private hospital group Life Healthcare.

Sanibonani has since increased its full time staff from 10 to 16 and also brings in casual staff when a need arises. Their Employees include warehouse staff managing the stock, technical staff doing maintenance and repairs of equipment, and general administration staff.

REGIONAL OPERATIONS



Mr Monde Maduna
Regional Operations
Executive

Strategic Objectives of the Business Unit

1. To increase the sustainability and profitability of SMMEs and Cooperatives
2. To provide integrated services at regional level

Measurable Objective	Targets 2009/10	Actuals 2009/10	Comment on the Variances
To provide access by SMMEs and Co-operatives with non-financial support	Assessments = 1 500 Projects = 1 500 Training = 5 000	Assessments = 1 174 Interventions = 897 Training = 4 230 Co-operatives Assessments, Interventions & Training = 35 Facilitation of Corporate Governance training with Enterprise Support = 249 individuals	The unit operated with depleted human resources for the entire year because no recruitment could be done as a result of the restructuring that was initially planned by GEP. Subsequently a moratorium was placed by the DED on recruitment of staff. On a pro rata basis staff has achieved their targets for the year.
To assist SMMEs and Co-operatives to be registered entities	30 SMMEs and co-ops per regional office facilitated 10 SMMEs and co-ops per regional office registered	Name Reservations SMMEs = 591 Co-operatives = 13 Registrations SMMEs = 427 Co-operatives = 85 Amendments SMMEs = 71	
Special Project 20 Prioritized Township Project		38 Businesses assisted end FY 2009/10:- Ekurhuleni = 21 West Rand = 8 Sedibeng = 9	The first phase of this project is due for completion end June 2010. The second phase (impact assessment) will be carried-out during the months of July/ August 2010.

The 2009/10 financial year performance for the unit was impeded somewhat by capacity constraints for the entire year because no recruitment could be done as a result of restructuring planned by the organisation. The situation was further exacerbated by the moratorium placed by the DED on staff recruitment.

In spite of the challenges faced by the Regional Operations during the 2009/10 financial year, there was a concerted effort by the delivery network to ensure that delivery targets were reached. In some instances targets were far exceeded. 1 174 SMMEs and Co-operatives received a range of Business Development Support (BDS) and capacity building programmes through the five regional offices and their satellite offices. Close Corporations and Co-operatives registrations through the partnership with CIPRO started slowly at the beginning of 2009; however, the regions experienced a rapid growth in the demand for this service towards the latter part of the year.

SUMMARY OF PERFORMANCE

SMMEs and Co-ops

Assessed: 1 174

Projects

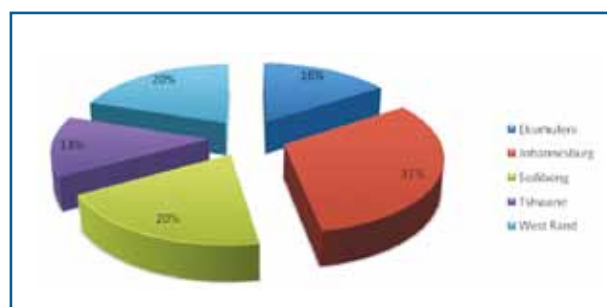
Awarded: 897

SMMEs and

Co-ops Trained: 4 230

Budget spent: R19 071 025.76

Registrations (CIPRO): 1 124



REGIONAL OPERATIONS MANAGERS



Keolebogile Modise, Vulani Mabunda, Fikile Mazibuko, Bongani Qokese and Rosenthal Mutchinya

SMME PROFILE

FRANCO'S NEST, OWNER, JERRY KANYE IS A 20 TOWNSHIP BUSINESS RENEWAL PROJECT BENEFICIARY





Franco's Nest

After resigning as a teacher in 2005, Jerry Kanye revived the operations of a tavern Franco's Nest that was owned by his late father. The business, which now operates as a restaurant and sports bar, was dormant for a couple of years without operating until Jerry decided to revitalise the business, investing R 90 000 into it.

In 2008 Mr Kanye approached GEP for business development assistance and after a careful assessment of the business by a GEP Business Relationship Manager, interventions of marketing and additional equipment were identified as necessary tools to grow the business.

Franco's Nest, located at the Sharpeville Township in Sedibeng is one of the beneficiaries of the GEP 20 Township Business Renewal project. Through the project Franco's Nest was able to acquire a stainless steel under bar fridge, 2 LCD TV screens, 10 bar stools and 28 zoom arm chairs.

"The assistance by GEP came at an appropriate time, just before the 2010 FIFA World Cup tournament", says Jerry Kanye. "The place has been full everyday during the world Cup and has made a huge impact to our profit margins", he concluded.

Franco's Nest has improved its turnover from R 148 000 to a whopping R330 000 since interventions from GEP. The business is now employing two permanent employees, with Jerry's wife managing the kitchen. The branding and signage of the business has assisted in attracting customers and positioning the brand within competing outlets.

SMME PROFILE

THEMBA KUNENE, MPHO MNISI AND SAKHELE MBUGANE, PARTNERS IN AFURAKA CRAFTS CC





Afuraka Crafts

Making inroads in the leather manufacturing sector

Leather clothing manufacturing, Afuraka Crafts, is a youth-owned business by three people in the economically depressed and semi-rural township of Ekangala in the Metsweding district. A household garage was turned into mini factory with three industrial leather sewing machines at the home of Managing Director Mpho Mnisi, Afuraka is growing in leaps and bounds to archive its mission.

GEP assisted Afuraka with entrepreneurial training courses on business plan development, attended by Mnisi. The training enabled them to develop their own business plan which won them R 70 000 in prize money from SAB Kickstart and TechnoServe Believe Begin Become Business Plan Competition which took place 2009 and 2010 respectively. The money was used to purchase industrial sewing machines and working capital.

Mpho Mnisi, who is 30 years of age, started the business six years ago after realising his entrepreneurial talent which is traced back from his high school years where he was involved in various enterprise activities. A self-taught leather manufacture says he entered the industry because of his love for leather goods and his belief that he can make better products from the material. GEP has also assisted in funding the South African Bureau of Standards (SABS) product testing on the protective industrial leather gloves commonly used in mine shafts. Afuruka is currently in negotiations with the mines in the Metsweding area to supply them with the industrial gloves, the mines in the area include Bronx Mine, Ndebele Mine and the Anglo Group mines which own several mines in Cullinan.

To further enhance his entrepreneurial skills, Mpho is attending a 15-months entrepreneurship course with the Richard Branson school of Entrepreneurship. The course entails a three month personal development and a full year business development training with an opportunity for funding.

Afuruka is currently employing its bussines partners, but has identified women from Ekangala which they intend to employ once they have signed the mine deals. Women who have been identified, have experience in factory work after they have worked for many years in the now defunct Eka industrial factories.

ENTERPRISE SUPPORT



Christel Potgieter
General Manager:
Enterprise Support

Strategic Objectives of the Business Unit

1. To provide integrated services at regional level
2. To provide products and services that are responsive to a vibrant economy.

Measurable Objective	Targets 2009/10	Actual 2009/10	Comment on the Variances
To provide after-care services to SMMEs and Co-operatives	80% of SMMEs receiving financial support	Aftercare assisted 57 SMMEs funded by GEP during the financial year. Current total loan book is 73 SMMEs, which constitutes only 78%.	Due to a moratorium on recruitment of staff, no portfolio Analysts had been appointed, which led to serious capacity constraints.
To increase the utilisation of research and evaluation findings	100% of research results effected	3 out of 4 identified Research projects have been completed. 3 identified desktop studies were completed	The 4 th research benchmarking study went out on tender. Evaluations done and adjudication in progress. Complete
To improve the quality of products offered by GEP	Review product range annually	3 new Programmes approved. 2 new Programmes submitted for approval. Review of Non Financial Support Model draft developed.	Approved programmes:- to improve service offering Service Provider Management Co-operative Support Revised SMME Training

Measurable Objective	Targets 2009/10	Actual 2009/10	comment on the Variances
			Proposed programmes Women Support Youth Development Review on NFS Operations Development a NFS Operations Manual. Developed draft New Non Financial Support Model
		Plato Mentorship Programme	Training of LED Managers and Mentors completed. Interviews with SMMEs were conducted. Team-building sessions with SMMEs
To improve the quality of services rendered by GEP	85% Customer Satisfaction	Financial Support Customer Satisfaction Survey was completed. The overall customer satisfaction achieved by GEP is 81% Non Financial Support CSS is still in evaluation process.	Customer satisfaction is a perception and therefore reaching the target is not something that GEP has control over. The evaluation of the Non-Financial Support CSS tender applications was done. Adjudication in progress
		Support to Co-operatives is additional to the support given by the regional offices	Facilitated co-ops to be assisted by regional offices.

Measurable Objective	Targets 2009/10	Actual 2009/10	Comment on the Variances
			Draft GEP Co-operatives Strategy developed.
			Assisted 25 co-ops to attend DTI National Cooperatives week and Exhibition.
			Assisted with the launch of the Johannesburg APEX movement.
			Assisted co-ops through Chris Hani Baragwanath Hospital projects: 17 Co-ops registered with CIPRO. 23 Co-ops (114 individuals) trained in Corporate Governance. Provide Corporate Governance training to an average of 249 individuals (from ES budget)

GAUTENG PLATO MENTORSHIP PROJECT



The Gauteng Plato Mentorship programme, a multi-stakeholder programme championed and funded by the Gauteng Enterprise Propeller as part of its core SMME support offering. The Plato programme involves the 15 Municipalities of Gauteng, through their Local Economic Development (LED) departments. The Johannesburg Chamber of Commerce and Industry (JCCI) has been contracted by GEP to perform coordination and project management services for this programme. The JCCI is also responsible for the sourcing of the mentors.

The programme is in its 5th phase, that of the actual Monthly Mentorship engagements in groups, led by the Mentors and supported by LED Managers. The owners of the Plato concept, The East Flanders Chamber of Commerce (VOKA), trained the LED Managers (Plato Co-ordinators), a total of 25 mentors participated in the training.

The monthly meetings commenced in the 3rd week of May and 165 SMMEs are actively participating in the programme thus far. The date of the end festivity is still to be decided.

The six phases of the Gauteng Plato programme are as follows:

- Training of Task team comprising of municipality representatives and officials from GEP, GEDA, JCCI and Gauteng Province local
- Gauteng Plato Launch Event
- Training of co-ordinators (LED Managers) on the Plato Methodology
- Training of Mentors
- Joint objective and target setting by Mentors and LED Managers in their clusters
- Teambuilding of SMMEs, mentors and LED Managers done per clusters

The last phase also includes the project evaluation, an assessment and a report on this particular Plato implementation. It also includes the registration of all the SMMEs into the Plato alumni, and activation of access to e-Plato and electronic link to the Plato resource database and into the global Plato network.

The 2009/2010 financial year marked the second year of existence of the Enterprise Support Unit. The unit was established with the intention to give product development, capacity building, research, aftercare support, and cooperative support to both the Financial Support and Non-Financial Support units in GEP.

MARKETING AND COMMUNICATIONS



Thembela Mgudlwa
Acting Marketing Executive

Strategic Objectives of the Business Unit

1. To reposition GEP as an Agency of choice within the SMME sector within Gauteng
2. To implement the marketing strategy
3. To intensify the branding of GEP

Strategic Objective	Targets 2009/10	Actuals 2009/10	Comment on the Variances
To reposition GEP as an Agency of choice within the SMME Sector within Gauteng	GEP ranked No.3 by 2010	GEP is ranked number one provincially	GEP, by virtue of been the only provincial governmental SMME development agency, is ranked number 1. However, if extended to compete on a national level, the ranking is imbalanced due to the geographical footprint and financial muscle of the national agencies.
To implement the marketing strategy	25% implementation by 2010	100 % implemented	The full policy and procedure has been compiled and implemented. Therefore 100% completed.
To intensify the branding of GEP	10% increase by 2010	25% increase as per 20 PTP SMME branding	Target exceeded

Marketing and Communications Unit has, in 2009, engaged SMMEs in various communications and marketing platforms aimed at addressing and understanding the needs of SMMEs. It also presented GEP the opportunity to further profile the organisation as a leading SMME development agency.

GEP Website Portal: The GEP website ignore and revisited and a new website was developed for review in 2009/10.

An SMME branding initiative was embarked upon where GEP co-branded various SMME sites and developments with the SMMEs. This was further enhanced by the 20 PTP project where GEP embarked upon a

billboard-type exercise by erecting signage of the various SMME locations that were beneficiaries.

Product brochures that were developed in 2009/2010 include the Micro Finance brochure, GEP Overview brochure and recently, a consolidated financial support brochure as well as a consolidated non-financial support brochure. GEP engaged a number of print publications. Publications such as Big News, Impumelelo, Ishishini Lam, Consumer Fair and various other Trade publications were utilised.

Community Outreach Programmes:

As part of GEP's continued focus to increase engagements with communities and raise awareness on opportunities, the organisation has embarked upon a number of projects. This has been done through programmes such as the Diepsloot Empowerment Workshop, where Diepsloot MPCC requested GEP to present and interact with community members on SMME support programmes offered by GEP. GEP also participated at Gauteng Expo Imbizo Focus week as the agency of the DED. GEP is currently implementing projects in the Eastern Tshwane Area and the projects implemented were submitted to DED. Other initiatives to highlight include the Public Service Week. In honor of Public Service week, the Department of Economic Development and agencies were required to promote government services by taking its services to the people.

Special Projects:

These are programmes that GEP participate in where focused and already established SMMEs are targeted. SMMEs are workshopped on business development and business opportunities and discussions on improved services to their development takes place.

The Twenty Townships Business Renewal project is established by Gauteng Provincial Government where

departments and agencies are expected to design and implement programmes to develop 20 prioritised townships in and around Gauteng. The objective of the Business Renewal project for GEP is to give meaningful business development support to at least five businesses in each of the twenty (20) townships. The programme was launched in Daveyton on the 16 January 2009 and enjoyed much media coverage.

Economic Opportunities Roadshows:

The Provincial Government Economic Opportunities Roadshows is an initiative of the Department of Economic Development that seeks to take the government economic cluster programmes close to the communities concentrating on the 20 priority townships programme. GEP, together with sister agencies, have been meaningfully participating at these shows since inception of the campaign in 2006. The campaign, which takes place every month, brings together business people and communities to engage on economic opportunities that are available in Gauteng Provincial Government.

Conferencing and Exhibitions:

GEP has engaged SMMEs in a number of conferencing and exhibition forums. These are critical as they give GEP the opportunity to further understand SMME needs and for SMMEs and potential SMMEs to gather a deeper knowledge of the GEP product and service offering. GEP has been involved in GYCCI, Tshwane Trade and Investment Conference, FABCOS Business Seminar, Gauteng SMME Opportunities Expo, Randshow, SA Black Entrepreneurs Forum, Information and Education Campaign with DTI and GPG, etc.

2010 SOCCER SPECTACULAR

The Gauteng Provincial Government once again hosted one of the world's largest soccer exhibition, Soccerex 2009, for the third time. This was part of the build up towards the 2010 World Cup to be hosted in South Africa.

With the eye towards the 2010 FIFA World Cup, the Gauteng Provincial Government (GPG) secured the hosting rights of SoccerEx 2009. GPG hosted this, the world's largest soccer exhibition, from 28 November to 2 December 2009 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. Following last year's highly successful Soccerex campaign held in Johannesburg, this year's event reached greater heights, and attracted tourists and crucial industry players from across the globe. GEP committed for the third consecutive year to support a number of relevant and qualifying SMMEs to participate in this world-class event where SMMEs that form part of this industry positioned and profiled themselves. SMME participation through GEP also allowed GEP clients to network with various representatives of the global soccer fraternity.

GEP created the platform where SMMEs were subsidised to exhibit and profile their products and services to delegates. Further, SMMEs were then subsidised to participate as delegates. SMMEs were assigned exhibition space free of charge. Positive feedback was received from the participating SMMEs.





HUMAN RESOURCES



Lerato Mphai
Human Resources
Executive Manager

Strategic Objectives of the Human Resources Unit

1. To reposition GEP as an employer of choice
2. To improve GEP's managerial and technical skills.

Objective	Targets 2009/2010	Actual 2009/2010	Comment on the Variances
To reposition GEP as an employer of choice	Implementation of a Comprehensive Remuneration Strategy	90 % 100%	Phased implementation of remuneration strategy
To improve GEP's managerial and technical skills	Labour Relations Wage Negotiations	Ongoing (All GEP Managers have undergone labour relations training)	One CCMA case ongoing
	Disputes and Hearings	Continuously assess the effectiveness of the EWP Programme	One incapacity counselling session Two disciplinary hearings involving misconduct
	Employee Wellness	Ongoing	A joint wellness day with other DED agencies was successfully held in 4 th quarter.
	Learning and Development Facilitate continuous training through short courses Skills Audit	100% implemented 90% implemented	Employees are continually going on short-term courses with accredited service providers. The skills audit was completed.
	Implementation of Performance Management system		Performance appraisals for the 2009/2010

In the year under review, the Unit focused mainly on implementation, building from the previous financial year which sought to define systems and processes. The year saw the highest attrition rate as compared to previous years. This staff turnover was 13% of the total staff complement. Staff retention strategies are being embarked on to curb the trend.

A total of ten (10) bursaries were issued to the combined value of R106 564.47. The limit was R20 000.00 to be awarded to each applicant. Further to this, a skills audit was embarked on to ensure personal development plans are optimised.

The Hay grading project was inspired by the restructuring of the Financial Support (FS) function to regions. The grading project has been implemented through the utilisation of a Decision Tree Methodology (DTM) system.

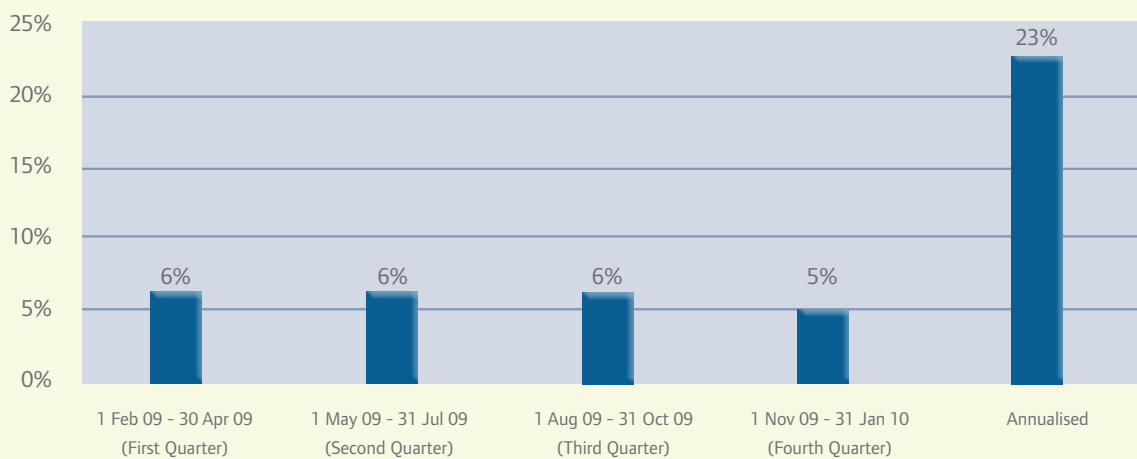
The project was suspended because of the re-configuration of agencies process which is underway. Further to this, the organisation continues to embark upon the 360 degree Performance Management system. The Employee Wellbeing Programme (EWP) continued with the aim to increase productivity, heighten morale and strengthen the bond between management, employees and GEP. EWP orientation is being conducted and based on the conclusion, GEP managers will all be sent for EWP training in 2010/11.

GEP has a recognised organised labour union. Throughout the year, GEP has continued to enhance relations with the Union including participation in relationship building session organised by the department of Economic Development. GEP managers were also sent to an industrial relations workshop.

Overall Staff movements

	African	Coloured	Indian	White	Total
Recruitment	19	2	0	0	21
Resignations	9	0	0	3	12
End of Contract	4	0	0	2	6
Dismissals	0	0	0	0	0
Retirements	0	0	0	0	0
Settlements	0	0	0	0	0
Total	32	2	0	5	39

Employee Wellness Annual Utilisation

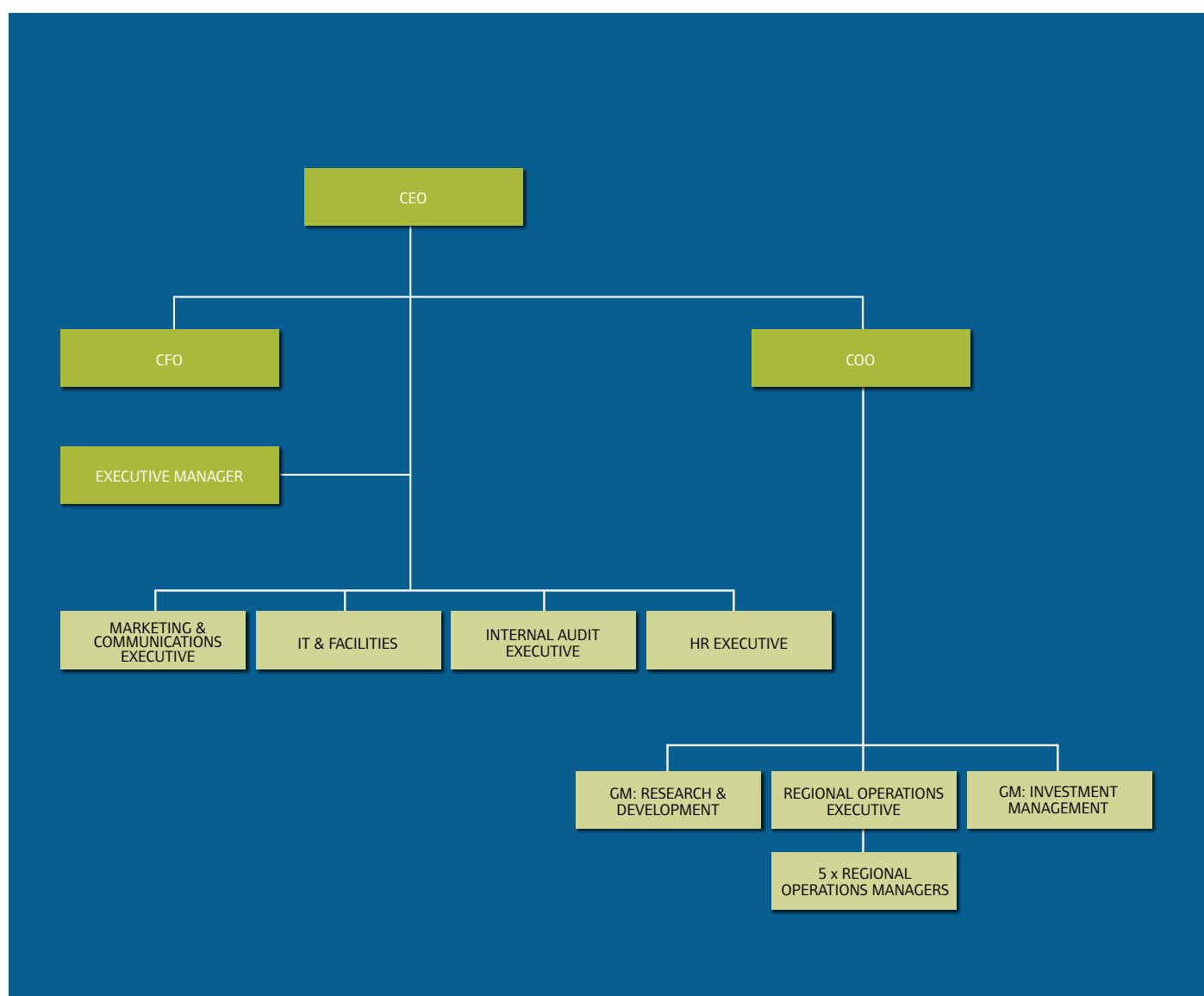


n = 100



EMPLOYEE WELLNESS DAY

HIGH-LEVEL ORGANOGRAM



INFORMATION TECHNOLOGY & FACILITIES



Mervyn Benjamin
I.T. & Facility Manager

Strategic objective of the Business Unit

Ensure effective and efficient management of GEP

Strategic Objective	Targets 2009/2010	Actuals 2009/2010	Comment on the Variances
Ensure effective and efficient management of GEP	Maintain 99% uptime	99% achieved	Very Minimal downtime
	Perform Software Licensing and IT Assets Audit	Software licensing and audit was completed	Fully performed.
	Develop preventative maintenance plan	Monthly maintenance	Preventative maintenance plan was completed and implemented.
	Well managed IT environment, computer equipment, data security and service levels.	Fully functional servers	All new servers purchased in 2009-2010 were fully implemented.
	Test DRP & Business Continuity Plan	Fully functional DRP	The 3 rd DRP Test was successful.
	Integrated management information system that covers all business needs and eases manual intervention	CRM has been signed off. Service Provider has submitted the technical document as well as the project timeline.	Phase 1 was implemented on the 6 th May 2010.
		Loans Management. CRM has a built in Loans Management system that GEP will use.	The module was implemented and rolled out on the 16th April 2010.
	Provision & maintenance of office space, equipment as well as office service.	Regular repairs and maintenance	All photocopiers and printers serviced as required. A new camera system was purchased and commissioned.
	Compliance with applicable legislation as well as Audit findings	Manage all risks related to GEP's facilities	Tender was awarded to service provider to assist GEP in complying with the requirements of the OHS Act.

Disaster Recovery Plan

GEP's Disaster Recovery Plan, which is one of the IT & Facilities most crucial tasks was successfully tested and documented on 3 occasions.

CRM

GEP's new CRM system was signed off and awarded to a service provider. The new system will automate and consolidate all of GEP's processes. The loans management system that the Finance department required is also included as a module within the CRM system.

The CRM system will be an interface between all our current systems as it will interface with our current financial system (Pastel) as well as GEP's current Portal.

Due to all the functionality built into the system it will make it much easier for reporting purposes.

Website

IT & Facilities and Marketing completed the new look and feel of the GEP website. www.gep.co.za which includes interactive business tool.

OHS Tender

GEP awarded the OHS (Occupational Health and Safety) Tender to BRS. BRS will assist GEP in complying with the OHS Act as well as ensuring that GEP become 100% compliant. This process will be an ongoing procedure as it will be up to all GEP staff to ensure that we remain compliant.



CHIEF FINANCIAL OFFICER'S REPORT



Lesibana Fosu
Acting Chief
Financial Officer

Our role is to bridge or at least reduce the gap between the first and second economies in South Africa. This current year, the recession has 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 net effect of the difficult economic conditions increased our credit risk considerably and resulted in a rise in the level of overdue accounts. The situation is being closely monitored and steps are being taken to improve our collections from loan debtors. As a result of difficult economic conditions we were only able to increase our lending by 4% from last year which is 10% below the budget. The result of these variances is due to tight lending requirements we have put in place to manage the credit risks.

FINANCIAL PERFORMANCE

A reduction of 3% in the budget allocation from Treasury required us to restrict our activities in granting new loans and in providing Business Development Support and in cutting our expenditure wherever we were able to do so. At the previous year end we had projects in hand amounting to R9 million which were carried forward and these were all concluded during the year. The projects in hand at the end of March this year were considerably higher at R36 million due to human resource capacity constraints as there were a moratorium on appointments.

The difficult trading environment resulted in the need to provide for R2.6 million in bad debts and R1.8 million for doubtful accounts for the year.

Due to budget constraints our Business Development Support was reduced by 3% in comparison to the previous year.
Interest earned on loans, debtors and bank

balances amounted to R8.2 million for the year compared with R12.8 million during the preceding year, partly due to the lower average rates in force during the period and lower bank balance.

BALANCE SHEET AND CASH FLOW

Loans advanced during the year decreased from R38.2 million on the 2008/9 financial year to R22.8 million this year due to budget constraints and lack of human resource capacity as a result of a moratorium placed on the appointment of employees. The gross outstanding amount at year end had increased by 4% from the previous year.

The bank balance at year end was R47.5 million compared to R20.3 million of the previous year; the increase is as a result of delays in spending due to lack of human resources capacity. This figure includes an amount of R10 million received from the Department of Agriculture for the Mafisa lending programme which will be used to assist small scale farmers.

THE YEAR AHEAD

Our budget for the new year has increased by 9% and we will be able to step up the level of loan advances and Business Development Support once again. A major area where we need to be enhanced is to be able to improve the credit risk management which has an impact on debt collection and steps are being taken to achieve this by strengthening the credit committee and the debt collection department.



CORPORATE GOVERNANCE REPORT

The Board of Directors of the Gauteng Enterprise Propeller (GEP) is committed to abide by the principles of good corporate governance, thus fulfilling the expectations of the Department of Economic Development and other stakeholders who demand the management and control of GEP to be carried out in a responsible, transparent and sustainable manner.

This report provides a summary of the entity's procedures for applying the main and supporting principles of the Code and the extent to which such principles have been applied. The entity is committed to high standards of corporate governance. The entity's policies are monitored by the Board and kept under constant review.

Board Charter

The primary objective of the Board Charter is to set out the responsibilities of the Board of Directors.

Role of the Board

The Board's primary role is to:

- Provide entrepreneurial leadership and to guide management in the development of a coherent long term strategy for the entity.

- Supervise management, to maintain control over the entity's assets and to establish high ethical standards for behaviour,
- retaining full and effective control over the entity,
- monitoring of operational performance and management,
- determine policies and processes to ensure the integrity of the entity's risk management and internal control procedures.

Board Composition

The Board has a majority of independent Non Executive Directors (9) and an executive director (1) who is the Chief Executive Officer.

Meeting Attendance

The Board met 4 times (quarterly) including attending the entity's Strategy Breakaway Session with Management to consider the strategy for the following financial year. Below is a table indicating the attendance at these meetings:

BOARD MEETINGS ATTENDANCE						
BOARD MEMBER	DESIGNATION	DATE OF MEETING				
		27/05/09	19/08/09	9/9/2009	25/11/09	24/02/10
Mr. Linda Mngomezulu	Chairman of the Board	✓	✓	✓	✓	✓
Mrs. Pamela Mgulwa	Deputy Chairman	✓	✓	✓	✓	✓
Mr. David Morobe	Chief Executive Officer	✓	X	✓	✓	✓
Mr. Mxolisi Zwane	Board Member	X	✓	✓	X	✓
Mr. Sipho Majombozi	Board Member	✓	✓	✓	X	✓
Ms. Khunjulwa Sigenu	Board Member	✓	✓	✓	✓	✓
Mrs. Mumsey Mokoena	Board Member	✓	✓	✓	X	✓
Mr. Dawood Coovadia	Board Member	✓	✓	✓	✓	X
Adv. Brenda Madumise	Board Member	✓	✓	✓	X	✓
Adv. Josephine Ralefatane	Board Member	✓	✓	✓	✓	✓
Mr. Lebogang Maile	Board Member	Resigned	Resigned	Resigned	Resigned	Resigned

Board Balance and Independence

The Board work as a team, however, independence thought and approach is encouraged at all times. Influence is balanced within the Board by virtue of the strong independent elements of Non Executive Directors whose overall skills and wide business experience are invaluable in constructively challenging the entity's strategy and direction.

Appointments to the Board

The Board is appointed by the shareholder (The Member of the Executive Council). All new appointments are conducted through a formal, rigorous transparent procedure through the Department of Economic Development (DED)'s Governance unit. The Board has seen 1 resignation during the past financial year from Mr. Lebogang Maile who was appointed a Member of the Provincial Legislature (MPL). There were no new appointments during the year under review.

Board Committees

The Board has established Committees which have an independent role and operate as overseers, and recommend matters to the Board for final approval. The Committees do not relieve or reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties. Each of the Committees are guided by a set of Terms of Reference which may be amended by the Board from time to time.

The Committees are as follows:

Risk & Audit Committee

Assists the Board in discharging its duties relating to the reviewing of the risk management process, safeguarding of assets, the operations of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. The Committee consists of 2 Non-Executive Directors and 2 co-opted or independent members. The Committee approves the appointment of internal auditors. The

annual programme for internal auditors is approved by the Committee. An internal risk management function, together with operational management, are responsible for monitoring the process within the entity which identifies, evaluates and manages the significant risks faced by the entity. The results of audits conducted quarterly are reported and reviewed by management and the Risk and Audit Committee in order to ensure that appropriate plans are developed and implemented.

HR & Remuneration Committee

The HR & Remuneration Committee's mandate is to review and make recommendations to the Board regarding key human resource policies and strategies, the Chief Executive Officer's assessment, compensation, personnel policies, training, senior management succession planning, compliance with employee-related legal requirements, and the general state of human resource issues. The HR and Remuneration Committee also ensures that GEP has ongoing and appropriate policies and codes with respect to employee business conduct and ethical behaviour.

Investment Committee

The Investment Committee is charged with the responsibility of regularly monitoring the investments. In carrying out its duties the Committee provides the Board of Directors with recommendations on investment policies and guidelines, and advises the Board on the best strategy for funding SMMEs. The primary purpose of the Committee is to consider special projects above management's current threshold of R5 million. During the year under review there had been challenges in SMMEs not honouring their repayment plans. This was exacerbated by the recession which had also led to some businesses/SMMEs closing shop.

Business Development Committee

The Business Development Committee has developed a policy for business development support and The role of the Business Development Committee is to develop, review and recommend the business development policy

for GEP. The Committee also advise the Board on best practice in respect of non financial support to SMMEs, approve policies in relation to business development and serves as well as overseeing the integrity of operational information and behaviour towards stakeholders. During the year under review, a number of activities centered around the youth also took place and key to those was a trip undertaken by Management with a group of youth entrepreneurs to Jordan to train them on the development of business plans and how they could operate successful businesses. The training was an initiative by the Gauteng City Region Academy (GCRA) and the Gauteng Youth Commission (GYC) for youth entrepreneurs to partake in a business plan competition.

Performance Evaluation

A performance evaluation was undertaken to ensure improved board performance and effectiveness and to identify areas of weakness. As part of the evaluation, the directors completed evaluation forms in addition to interviews conducted by an independent individual. The results of the evaluation process were reported to the Board. The Board discussed the results and it was agreed that the evaluation had been both constructive and informative and that a plan be put together to address issues raised. While the evaluation did not identify any significant concerns, some areas of development and

improvement were raised, including the need for ongoing monitoring of management's performance against the strategy, and greater focus on succession planning.

Director's Remuneration

GEP recognises the importance of non executive directors' remuneration not only to motivate and retain the individual concerned, but to ensure that highly skilled and qualified board members can be attracted and retained. GEP has therefore always aimed for a total remuneration level that is comparable to levels provided by other similar agencies. The total remuneration is determined by taking into consideration the market level, the entity's magnitude, the number of employees, and other factors such as corporate governance guidelines and other best practice applicable to GEP. The Board members are paid a retainer fee including a sitting allowance for each meeting attended. This philosophy is aligned to the achievement of the company's medium and long-term objectives.

Disposal of Assets

GEP had during the year under review disposed of property known as Erf 1638 Ferndale Township acquired by GEP on behalf of Zonkizizwe through a property owning company, Aquarella Investments.



AUDIT COMMITTEE REPORT



Adv Brenda Madumise
Risk & Audit Committee
Chairperson

We are pleased to present our report for the financial year ended 31 March 2010.

Risk and Audit Committee Responsibility

The Audit Committee states that it has complied with its responsibilities as outlined in section 51(1) (a) of the Public Finance Management Act (PFMA) and the National Treasury Regulations 3.1.13 and 27(1). The Audit Committee also reports that it has appropriate Terms of Reference and a Charter which may be amended by the Board from time to time.

Effectiveness of Internal Control

The Committee was able to confirm that the system of internal control, risk management in the group was adequate in identifying risks and allowing the group to understand the appropriate management of these risks.

Risk Management and Fraud Prevention

During the year under review, the Audit Committee approved the amendment of the Delegation of Authority in line with the Supply Chain Management Policy. The Risk and Audit Committee has:

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

The Risk and Audit Committee concurs with and accepts the conclusion of the Auditor-General on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General. While there were still challenges with the collection of debt, the introduction of the debt management policy and the appointment of dedicated resources, including debt collection companies, resulted in notable improvement. During the year under review, the finance unit experienced capacity challenges due to the reconfiguration of agencies under the Department of Economic Development (DED) which led to a moratorium being placed on all agencies' key projects and the filling of positions. This led to a number of key positions including that of Chief Financial Officer being vacant for the larger part of the year but had subsequently been addressed with the appointment of an Acting Chief Financial Officer, Procurement Officer and a Debt Controller during the latter part of the year under review. Unfortunately during the last quarter of 2009, the Risk Analyst had tendered his resignation.

Quality Management Reports

The Risk and Audit Committee expressed satisfaction with the financial management reports submitted by the Acting Chief Financial Officer to the Audit Committee during the year under review.

Audit Committee Membership:

RISK & AUDIT COMMITTEE MEMBERSHIP AND ATTENDANCE							
	MEMBER	DESIGNATION	RAC MEETING 21/05/09	RAC MEETING 29/07/09	RAC MEETING 4/8/2009	RAC MEETING 16/11/09	RAC MEETING 16/02/2010
1	Adv. Brenda Madumise	Chairman of Committee	Attended	Attended	Attended	Attended	Attended
2	Mr. Dawood Coovadia	Director	Attended	Attended	Attended	Attended	Attended
3	Mr. Haroun Moolla	Independent/ Co-opted Member	Attended	Attended	Attended	Attended	Attended
4	Ms. Thebi Moja	Independent/ Co-opted Member	Apology	Attended	Attended	Attended	Attended
5	Mr. David Morobe	Chief Executive Officer	Attended	Attended	Attended	Attended	Attended

OUTLOOK

The Risk and Audit Committee is satisfied that internal controls and systems have been put in place and that these controls have functioned effectively.



Adv. Brenda Madumise
Chairperson

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

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DIRECTORS' RESPONSIBILITY AND APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

The directors' responsibility includes maintaining adequate accounting records and an effective system of risk management.

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

The entity and group's annual financial statements have been prepared on a going concern basis.

This basic 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 entity and group had been unable to continue as a going concern.

The auditor is responsible for reporting on whether the entity and group's annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The consolidated annual financial statements are set out on pages 54 to 92 were circulated and approved by the Board of Directors on 26th May, 2010 and are signed on its behalf by:



D. Morobe
Chief Executive Officer



L. Mngomezulu
Chairperson

REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF THE GAUTENG ENTERPRISE PROPELLER FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

I have audited the accompanying consolidated financial statements and the financial statements of the Gauteng Enterprise Propeller which comprise the consolidated and separate statement of financial position as at 31 March 2010, and the consolidated and separate statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 92.

Accounting Authority's responsibility for the consolidated financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated 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 in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 group'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 group'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.

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

Opinion

In my opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the Gauteng Enterprise Propeller as at 31 March 2010, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the PFMA.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and *General notice 1570 of 2009*, issued in *Government Gazette No. 32758 of 27 November 2009* I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

Findings

Predetermined objectives

No matters to report.

Compliance with laws and regulations

No matters to report.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

Leadership

No matters to report.

Financial and performance management

No matters to report.

Governance

No matters to report.

OTHER REPORTS

Investigations

A preliminary investigation is being conducted into the possible contravention of laws and regulations and financial irregularities at the Gauteng Enterprise Propeller. The investigation is still ongoing at the date of this report.

Auditor-General

Johannesburg

23 July 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

DIRECTORS' REPORT

The directors have pleasure in presenting their report on the activities of the entity and the group for the year ended 31 March 2010.

NATURE OF THE BUSINESS

The Gauteng Enterprise Propeller (GEP) was incorporated in terms of the Gauteng Enterprise Propeller Act (No. 5 of 2005) and listed as a Schedule 3c Provincial Public Entity in terms of the Public Finance Management Act.

The enterprise renders services to provide financial and business development support to SMMEs 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 entity's project finance programme. The subsidiary company was disposed of with effect from 31 December 2009.

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

GENERAL REVIEW

The entity received grants totalling R116 341 000 (2009 – R53 650 000) 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 Public Finance Management Act the directors are required to prepare annual financial statements that fairly present the state of affairs and business of the entity 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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP)

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 entity and group at 31 March 2010. The external auditors, who have unrestricted access to all records and information, as well as to the audit committee, concur with this statement.

The Finance Manager acted as Chief Financial Officer during the year pending a permanent replacement for the post.

A new Acting Chief Financial Officer was appointed with effect from 15 March 2010.

GOING CONCERN

The consolidated 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 for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

SUBSEQUENT EVENTS

There have been no facts or circumstances of a material nature that have occurred between the reporting date and the date of this report, that requires further disclosure in the financial statements.

DIRECTORS

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

J.L. Mngomezulu (Chairperson)

S.L.M. Majombozi

D.Coovadia

E.N.Mokoena

Advocate B.M.Madumise

D.Morobe

L.Maile (Resigned 10 May 2009)

Advocate J.Ralefatane

P.Mgulwa

K.Sigenu

M.E.Zwane

BUSINESS AND POSTAL ADDRESS

Business address:

382 Jan Smuts Avenue, Craighall, 2196

Postal address:

P.O Box 413580, Craighall, 2024

SECRETARY

The entity and group's secretary function was performed by the GEP Financial Manager during the year. The section 21 company was deregistered with effect from 16 February 2010.

CONTINGENT LIABILITIES AND GUARANTEES

During the year the entity 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 24 - Commitments.

During the past two financial years, 4 people were employed on an internship programme. When their contracts expired on 31 March 2010, the contracts were terminated. The interns lodged a complaint of Unfair Labour Practice against the entity, requesting that they be given permanent positions, which action was subsequently withdrawn.

Shortly thereafter, a further complaint of Unfair Discrimination was lodged on the basis that the entity had employed one of the other interns who had been on the internship programme with them and that they should also be offered permanent employment. The ruling by the C.C.M.A. is outstanding at the present time.

BANKERS

ABSA Bank Limited

Registration number 1986/004794/06

NON-CURRENT ASSETS

There have not been any significant changes in the non-current assets of the group during the financial year.

DISTRIBUTION TO OWNERS

There has not been any distribution made to the owners of Gauteng Enterprise Propeller as it not in the nature of the group to do so.

AUDITORS

Gauteng Enterprise Propeller is audited by the Auditor-General of South Africa (AGSA).

STATEMENT OF CONSOLIDATED FINANCIAL POSITION AT 31 MARCH 2010

	Notes	GROUP 2010 R	GROUP 2009 R	ENTITY 2010 R	ENTITY 2009 R
ASSETS					
Non current assets		26,165,237	29,442,912	26,165,237	27,271,488
Property, plant and equipment -Own assets	7	2,805,497	2,842,982	2,805,497	2,842,982
-Leasehold improvements	7	593,394	556,825	593,394	556,825
-Leased assets	7	88,604	55,571	88,604	55,571
Intangible assets	8	78,035	104,286	78,035	104,286
Investment property	9	-	5,500,000	-	-
Financial support loans	10	22,599,707	20,383,248	22,599,707	20,383,248
Investment in associate	11	-	-	-	-
Investment in and loan to subsidiary	12	-	-	-	3,328,576
Current assets		83,124,753	53,181,484	83,124,753	53,166,073
Financial support loans	10	18,490,669	17,971,888	18,490,669	17,971,888
Trade and other receivables	13	17,150,156	14,891,325	17,150,156	14,875,914
Cash and cash equivalents	14	47,483,928	20,318,271	47,483,928	20,318,271
TOTAL ASSETS		109,289,990	82,624,396	109,289,990	80,437,561
NET ASSETS AND LIABILITIES					
Accumulated surplus		92,727,108	64,286,366	92,727,108	62,488,068
Non current liabilities		70,832	103,780	70,832	103,780
Finance lease liability	17	70,832	103,780	70,832	103,780
Current liabilities		16,492,050	18,234,250	16,492,050	17,845,713
Trade and other payables	15	4,990,790	7,868,682	4,990,790	7,480,145
Rent straight-lining accrual	16	381,414	320,701	381,414	320,701
Finance lease liability	17	176,428	44,867	176,428	44,867
Mafisa Funds	18	10,943,418	10,000,000	10,943,418	10,000,000
TOTAL NET ASSETS AND LIABILITIES		109,289,990	82,624,396	109,289,990	80,437,561

STATEMENT OF CONSOLIDATED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2010

	Notes	GROUP 2010 R	GROUP 2009 R	ENTITY 2010 R	ENTITY 2009 R
Revenue	19	116,847,228	54,490,715	116,593,149	53,983,087
Depreciation					
Own assets	3	(1,131,892)	(1,201,542)	(1,131,892)	(1,201,542)
Leasehold improvements	3	(453,522)	(313,648)	(453,522)	(313,648)
Leased assets	3	(91,933)	(76,656)	(91,933)	(76,656)
Amortisation of intangible assets	3	(59,231)	(17,202)	(59,231)	(17,202)
Impairment of trade receivables	13	(2,510,000)	(1,740,000)	(2,510,000)	(1,800,000)
Impairment of financial support loans	10	750,000	(3,753,450)	750,000	(3,753,450)
Share of trading losses in associates	11	-	(60,000)	-	(60,000)
Surplus on disposal of property, plant and equipment		-	4,090	-	4,090
(Deficit)/surplus on disposal of subsidiary		(1,793,983)	-	754	-
Remuneration of directors	31.3	(1,430,550)	(1,425,100)	(1,430,550)	(1,425,100)
Employee benefit expenditure	29	(35,928,063)	(34,788,802)	(35,928,063)	(34,788,802)
Other operating costs		(53,676,426)	(60,573,035)	(53,668,432)	(60,565,476)
Operating surplus/(deficit) before net finance income		20,521,628	(49,454,630)	22,070,280	(50,014,699)
Fair value adjustment-investment property		-	(300,000)	-	-
Income from investments	4	7,956,289	12,301,340	8,205,935	12,798,549
Finance costs	5	(37,175)	(92,636)	(37,175)	(50,223)
Surplus/ (deficit) before taxation		28,440,742	(37,545,926)	30,239,040	(37,266,373)
Taxation	6	-	-	-	-
Surplus/ (deficit) for the year		28,440,742	(37,545,926)	30,239,040	(37,266,373)

STATEMENT OF CONSOLIDATED CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2010

	GROUP	GROUP	ENTITY	ENTITY
	Accumulated surplus	Total	Accumulated surplus	Total
	R	R	R	R
Balance at 31 March 2008	101,832,292	101,832,292	99,754,441	99,754,441
Deficit for the year	(37,545,926)	(37,545,926)	(37,266,373)	(37,266,373)
Balance at 31 March 2009	64,286,366	64,286,366	62,488,068	62,488,068
Surplus for the year	28,440,742	28,440,742	30,239,040	30,239,040
Balance at 31 March 2010	92,727,108	92,727,108	92,727,108	92,727,108

STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31 MARCH 2010

	Notes	GROUP 2010 R	GROUP 2009 R	ENTITY 2010 R	ENTITY 2009 R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		116,847,228	47,818,026	116,593,149	47,259,143
Cash paid to suppliers and employees		(86,126,948)	(93,277,135)	(85,745,828)	(93,786,958)
Cash generated from/ (used in) operations	20	30,720,280	(45,459,109)	30,847,321	(46,527,815)
Interest received	4	7,956,289	12,301,340	8,205,935	12,798,549
Finance lease interest charges	5	(16,380)	(48,895)	(16,380)	(48,895)
Finance charges	5	(20,795)	(43,741)	(20,795)	(1,328)
		38,639,394	(33,250,405)	39,016,081	(33,779,489)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in subsidiary		3,705,262	-	3,328,575	529,084
Acquisition of property, plant and equipment	7	(838,133)	(729,600)	(838,133)	(729,600)
Leasehold improvements	7	(490,091)	(870,473)	(490,091)	(870,473)
Acquisition of leased assets	7	(124,971)	(35,579)	(124,971)	(35,579)
Acquisition of intangible assets	8	-	(71,449)	-	(71,449)
Proceeds on the sale of property, plant and equipment		-	6,826	-	6,826
Mafisa funds received	18	943,418	10,000,000	943,418	10,000,000
Financial support loans and trade receivables - net advances		(14,669,222)	(23,706,431)	(14,669,222)	(23,706,431)
Investments and loans-net repayments (advances)		-	3,940,120	-	3,940,120
		(11,473,737)	(11,466,586)	(11,850,424)	(10,937,502)
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS					
Cash & cash equivalents at the beginning of the year	14	27,165,657	(44,716,991)	27,165,657	(44,716,991)
		20,318,271	65,035,262	20,318,271	65,035,262
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	14	47,483,928	20,318,271	47,483,928	20,318,271

CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2010

1. Corporate information

The group financial statements for the year ended 31 March 2010 authorised for issue in accordance with a resolution of the directors on 26 May 2010. The group consists of Gauteng Enterprise Propeller which is the controlling entity, Aquarella Investments 439 (Pty) Ltd which is a 100% subsidiary and Watoto Investments (Pty) Ltd, which is an Associate. Gauteng Enterprise Propeller is listed as a Schedule 3c Provincial Public Entity in terms of the Public Finance Management Act.

Gauteng Enterprise Propeller's head office is located at 382 Jan Smuts Avenue, Craighall, Sandton.

2.1 Basis of preparation

The annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP). The recognition and measurement principles in the adopted SA Standards of GRAP do not differ or result in material differences in items presented and disclosed in the financial statements from that of SA statements of GAAP. The implementation of SA Standards of GRAP 1, 2 and 3 has resulted in the following terminology differences in the presentation of the financial statements:

Standard of GRAP

Statement of financial performance
Statement of financial position
Statement of changes in net assets
Net assets
Surplus/deficit for the period
Accumulated surplus/deficit
Contributions from owners
Distribution to owners
Reporting date

Replacement Statement of GAAP

Income statement
Balance sheet
Statement of changes in equity
Equity
Profit/loss for the period
Retained earnings
Share capital
Dividends
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.

The comparative figures would be adjusted accordingly should there be any changes in Accounting Policies.

CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

2.2 Revenue recognition

2.2.1 Government grants

Government grants are recognised in the statement of financial performance as and when received and the Group will comply with the conditions associated with the grant. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose.

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.

2.2.2 Interest income

Interest income is recognised on a time-proportion 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.

2.2.3 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.

2.3 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.

2.4 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 surplus/deficit on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

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 straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Motor vehicle	5 years
Office equipment and furniture	6 years
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. Surpluses and deficits on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (surpluses)/deficits -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.

2.5 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%.

2.6 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 group's statement of financial performance for the period.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the group's statement of financial performance in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to property, plant and equipment, the deemed cost for subsequent accounting is the fair value at the date of change of use. If property, plant and equipment becomes an investment property the group accounts for such property in accordance with the policy

CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

stated under property, plant and equipment up to the date of change in use.

2.7 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 deficit 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 deficit 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 deficit been recognised in previous years.

2.8 Basis of consolidation

2.8.1 Subsidiaries

Subsidiaries 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 liabilities 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.

2.8.2 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 deficit.

The group's share of its associates' post-acquisition surpluses or deficits 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 deficits in an associate equals or exceeds its interest in the associate, including any other

CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

unsecured receivables, the group does not recognise further deficits, 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 deficits 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 surpluses and deficits arising in investments in associates are recognised in the statement of financial performance.

2.9 Taxation

The Entity has been exempted from Income Tax by the South African Revenue Service in terms of Section 10(1)(cA)(i) of the Income Tax Act. (Act No. 58 of 1962)

2.10 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.

2.11 Financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The group does not offset a financial asset and financial liability unless a legally enforceable right to set off the recognised amounts currently exist and the group intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Financial instruments that are classified as measured at fair value through surplus or deficit 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.

At reporting date, the group determines whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment deficit on loan and receivable or held to maturity investment carried at amortised cost has incurred, the amount of the deficit is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Subsequent recoveries of amounts previously written off are credited in the statement of financial position.

Changes in the carrying amount of the allowance account are recognised in the statement of Financial Performance. The group derecognises a financial asset when and only when the right to the cash flows from the financial asset

CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

expires or it transfers the financial asset and the transfer qualifies for derecognition.

The group transfers a financial asset if, and only if, it either transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial asset.

2.12 Financial assets

The group's principal financial assets are cash and cash equivalents, trade and other receivables and financial support loans.

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 in 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. Surpluses and deficits are recognised in the group's statement of financial performance when trade and other receivables are derecognised, or impaired as well as

through the amortisation process. 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 statement of financial performance.

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.

2.13 Financial liabilities

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

Trade and other payables

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

2.14 Contingencies and commitments

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

2.15 Presentation currency

The financial statements are presented in South African Rand.

2.16 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period

CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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 group 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.

Impairment of trade debtors

An impairment of trade debtors 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 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 impairment 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 13 for details of the group's impairment.

Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over its useful life to residual value.

CONSOLIDATED ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

Residual values and useful lives are based on management's best estimate and actual future outcomes may differ from these estimates. Refer to note 7 for details of the group's property, plant and equipment.

The group 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.

2.22 Standards issued but not effective

The following standards have been issued but are not yet effective:

GRAP 18

Segment Reporting

The standard will be effective from a date still to be determined by the Minister .

GRAP 21

Impairment of non-cash-generating assets

The standard will be effective from a date still to be determined by the Minister.

GRAP 23

Revenue from Non-exchange transactions

The standard will be effective from a date still to be determined by the Minister.

When the standard becomes effective, it will supersede paragraph. 46 of the Standard of GRAP on Revenue from Exchange Transactions.

GRAP 24

Presentation of Budget Information in Financial Statements

The standard will be effective from a date still to be determined by the Minister.

GRAP 25

Employee benefits

The standard will be effective from a date still to be determined by the Minister.

GRAP 26

Impairment of cash-generating assets

The standard will be effective from a date still to be determined by the Minister.

GRAP 103

Heritage Assets

The standard will be effective from a date still to be determined by the Minister.

GRAP 104

Financial Instruments

The standard will be effective from a date still to be determined by the Minister.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

	GROUP 2010	GROUP 2009	ENTITY 2010	ENTITY 2009
3. OPERATING SURPLUS/ (DEFICIT) BEFORE NET FINANCE INCOME	R	R	R	R
Operating surplus/(deficit) before net finance income is arrived at after taking the following items into account:				
Auditors' remuneration	1,946,843	1,037,442	1,946,843	1,037,442
Internal auditors	962,887	546,216	962,887	546,216
External auditors	983,956	491,226	983,956	491,226
Bad debts				
Bad debts written off	2,614,414	2,143,868	2,614,414	2,143,868
Impairment of debtors	2,510,000	1,740,000	251,000	1,800,000
Impairment of financial support loans	(750,000)	3,753,450	(750,000)	3,753,450
Bad loans written off	5,085,066	-	5,085,066	-
Share of trading deficit in Associates	-	60,000	-	60,000
Deficit on disposal of property, plant and equipment	-	(4,090)	-	(4,090)
Depreciation: Own assets				
Motor vehicle	24,078	26,085	24,078	26,085
Office equipment and furniture	775,850	514,332	775,850	514,332
Computer equipment	331,964	661,125	331,964	661,125
	1,131,892	1,201,542	1,131,892	1,201,542
Depreciation				
Leasehold Improvements	453,522	313,648	453,522	313,648
Leased assets	91,933	76,656	91,933	76,656
Amortisation of intangibles	59,231	17,202	59,231	17,202
	1,736,578	1,609,048	1,736,578	1,609,048
Operating lease payments				
Properties	5,111,326	4,227,101	5,111,326	4,227,101
Vehicle	-	-	-	-
Equipment	83,823	398,596	83,823	398,596
	5,195,149	4,625,697	5,195,149	4,625,697

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

	GROUP 2010	GROUP 2009	ENTITY 2010	ENTITY 2009
	R	R	R	R
4. INCOME FROM INVESTMENTS				
Interest received:				
Bank current account	1,126,605	4,795,724	1,126,605	4,795,724
Subsidiary	-	-	249,636	497,209
Financial support loans	6,829,684	7,505,616	6,829,694	7,505,616
	7,956,289	12,301,340	8,205,935	12,798,549
5. FINANCE COSTS				
Finance lease interest charges	16,380	48,895	16,380	48,895
Finance costs	20,795	42,413	20,795	-
Finance costs -fruitless and wasteful expenditure	-	1,328	-	1,328
	37,175	92,636	37,175	50,223
6. TAXATION				
SA normal taxation comprising:				
Current taxation - not applicable	-	-	-	-
Deferred taxation - not applicable	-	-	-	-
	-	-	-	-

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

7. PROPERTY, PLANT AND EQUIPMENT

GROUP - Own assets	Motor vehicle	Office equipment & furniture	Computer equipment	Total
	R	R	R	R
2010				
Cost				
Opening balance	120,392	4,456,106	3,223,340	7,799,838
Additions	-	281,453	556,680	838,133
Adjustments	-	1,963,842	426,299	2,390,141
Disposals/Write offs	-	(871,090)	(1,319,319)	(2,190,409)
Closing balance	120,392	5,830,311	2,887,000	8,837,703
Accumulated depreciation				
Opening balance	50,163	2,491,738	2,417,764	4,959,665
Depreciation for the year	24,078	775,850	331,964	1,131,892
Adjustments	-	1,093,320	322,621	1,415,941
Disposals/Write offs	-	(486,532)	(988,761)	(1,475,293)
Closing balance	74,241	3,874,376	2,083,588	6,032,205
Closing carrying value	46,151	1,955,935	803,412	2,805,497
2009				
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

GROUP- Leasehold improvements

2010	Total
Cost	R
Opening balance	870,473
Additions	490,091
Disposals	-270,473
Closing balance	1,090,091
Accumulated depreciation	
Opening balance	313,648
Depreciation for the year	453,522
Disposals	-270,473
Closing balance	496,697
Closing carrying value	593,394

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

GROUP-Leasehold improvements *(Continued)*

	Total
2009	
Cost	R
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

GROUP - Leased assets

	Motor vehicle	Office equipment & furniture	Computer equipment	Total
	R	R	R	R
2010				
Cost				
Opening balance	-	251,798	-	251,798
Additions	-	124,971	-	124,971
Disposals	-	(216,619)	-	(216,619)
Closing balance	-	160,150	-	160,150
Accumulated depreciation				
Opening balance	-	196,227	-	196,227
Depreciation for the year	-	91,933	-	91,933
Disposals	-	(216,614)	-	(216,614)
Closing balance	-	71,546	-	71,546
Closing carrying value	-	88,604	-	88,604
2009				
Cost				
Opening balance	-	216,219	-	216,219
Additions	-	35,579	-	35,579
Closing balance	-	251,798	-	251,798
Accumulated depreciation				
Opening balance	-	119,571	-	119,571
Depreciation for the year	-	76,656	-	76,656
Closing balance	-	196,227	-	196,227
Closing carrying value	-	55,571	-	55,571

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

7. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

ENTITY - Own assets	ENTITY	Motor vehicle	Office equipment & furniture	Computer equipment	Total
		R	R	R	R
2010					
Cost					
Opening balance		120,392	4,456,106	3,223,340	7,799,838
Additions		-	281,453	556,680	838,133
Adjustments		-	1,963,842	426,299	2,390,141
Disposals/Write offs		-	(871,090)	(1,319,319)	(2,190,409)
Closing balance		120,392	5,830,311	2,887,000	8,837,703
Accumulated depreciation					
Opening balance		50,163	2,491,738	2,417,764	4,959,665
Depreciation for the year		24,078	775,850	331,964	1,131,892
Adjustments		-	1,093,320	322,621	1,415,941
Disposals/Write offs		-	(486,532)	(988,761)	(1,475,293)
Closing balance		74,241	3,874,376	2,083,588	6,032,205
Closing carrying value		46,151	1,955,935	803,412	2,805,497
2009					
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
2009					
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
ENTITY - Leasehold improvements					Total
2010					R
Cost					
Opening balance					870,473
Additions					490,091
Disposals					-270,473
Closing balance					1,090,091
Accumulated depreciation					

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

ENTITY - Leasehold improvements *(Continued)*

Accumulated depreciation

	Total
Opening balance	313,648
Depreciation for the year	453,522
Disposals	-270,473
Closing balance	496,697
Closing carrying value	593,394

2009

Cost

	Total
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

ENTITY - Leased assets

2010

Cost

	Motor vehicle	Office equipment & furniture	Computer equipment	Total
	R	R	R	R
Opening balance	-	251,798	-	251,798
Additions	-	124,971	-	124,971
Disposals	-	(216,619)	-	(216,619)
Closing balance	-	160,150	-	160,150

Accumulated depreciation

Opening balance	-	196,227	-	196,227
Depreciation for the year	-	91,933	-	91,933
Disposals	-	(216,614)	-	(216,614)
Closing balance	-	71,546	-	71,546
Closing carrying value	-	88,604	-	88,604

2009

Cost

Opening balance	-	216,219	-	216,219
Additions	-	35,579	-	35,579
Closing balance	-	251,798	-	251,798

Accumulated depreciation

Opening balance	-	119,571	-	119,571
Depreciation for the year	-	76,656	-	76,656
Closing balance	-	196,227	-	196,227
Closing carrying value	-	55,571	-	55,571

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

8. INTANGIBLE ASSETS

GROUP	Total
2010	R
Cost	
Opening balance	489,597
Adjustments	32,172
Disposals/Write off	(78,589)
Closing balance	443,180
Accumulated amortisation	
Opening balance	385,311
Adjustments	21,525
Amortisation for the year	59,231
Disposals/Write off	(100,922)
Closing balance	365,145
Closing carrying value	78,035
2009	
Cost	
Opening balance	418,148
Additions	71,449
Disposals/Write off	-
Closing balance	489,597
Accumulated amortisation	
Opening balance	368,109
Amortisation for the year	17,202
Disposals/Write off	-
Closing balance	385,311
Closing carrying value	104,286
ENTITY	
2010	
Cost	
Opening balance	489,597
Adjustments	32,172
Disposals/Write off	(78,589)
Closing balance	443,180
Accumulated amortisation	
Opening balance	385,311
Adjustments	21,525
Amortisation for the year	59,231
Disposals/Write off	(100,922)
Closing balance	365,145
Closing carrying value	78,035

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

8. INTANGIBLE ASSETS *(Continued)*

2009	R
Cost	
Opening balance	418,148
Additions	71,449
Disposals/Write off	-
Closing balance	489,597
Accumulated amortisation	
Opening balance	368s,109
Amortisation for the year	17,202
Disposals/Write off	-
Closing balance	385,311
Closing carrying value	104,286

9. INVESTMENT PROPERTY

	GROUP 2010	GROUP 2009	ENTITY 2010	ENTITY 2009
	R	R	R	R
Cost or valuation				
Land and buildings at cost	-	3,694,121	-	-
Fair value adjustment	-	-	-	-
Balance at 1 April 2008	-	2,105,879	-	-
Current year movement	-	(300,000)	-	-
Balance at 31 March 2009	-	1,805,879	-	-
Net carrying amount	-	5,500,000	-	-

Land and buildings thereon, being portion 1 of Erf 1638, Ferndale measuring 4015m² situated at 311 Surrey Avenue, Ferndale, Randburg. The property is owned by the former subsidiary company, which was sold during the year for the sum of R3 700 000. The disposal resulted in a surplus of R754 for the entity.

10. FINANCIAL SUPPORT LOANS

Balance at 1 April 2009	49,255,136	25,548,705	49,255,136	25,548,705
Amounts advanced	22,819,853	38,233,931	22,819,853	38,233,931
Repayments during the year	(20,834,613)	(14,527,500)	(20,834,613)	(14,527,500)
Balance at 31 March, 2010	51,240,376	49,255,136	51,240,376	49,255,136
Less: Allowance for impairment of loans				
Balance at 1 April 2009	10,900,000	3,146,550	10,900,000	3,146,550
Current year movement	(750,000)	3,753,450	(750,000)	3,753,450
Transfer of Impairment for Wakegem(Pty) Ltd	-	4,000,000	-	4,000,000
Balance at 31 March 2010	10,150,000	10,900,000	10,150,000	10,900,000
Net amount outstanding at 31 March 2010	41,090,376	38,355,136	41,090,376	38,355,136
Repayable within 12 months	18,490,669	17,971,888	18,490,669	17,971,888
Repayable thereafter	22,599,707	20,383,248	22,599,707	20,383,248

Loans receivable consist of loans granted to SMME's to facilitate the economic growth of starting companies. The average loan term is 3 to 5 years with an average interest rate of 11.3% (2009 - 14.5%).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

11. INVESTMENT IN ASSOCIATE				
	GROUP 2010	GROUP 2009	ENTITY 2010	ENTITY 2009
	R	R	R	R
Shares	60	60	60	60
Shareholders loans				
Balance at 1 April 2009	299,940	4,240,120	299,940	4,240,120
Amounts advanced	-	59,940	-	59,940
	300,000	4,300,120	300,000	4,300,120
Less: Fair value adjustment	-	-	-	-
: Share of deficits at 1 April 2009	(300,000)	(4,240,000)	(300,000)	(4,240,000)
: Share of deficits in Associates	-	(60,120)	-	(60,120)
: 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 2010	-	-	-	-

Shareholders' loans consist of loans granted to SMME's to facilitate the economic growth of starting companies. No financial information was received from Watoto Investments (Pty) Ltd in the current financial year. Watoto shares were taken as part of the funding structure under the umbrella of our Financial Support programme. 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.

12. INVESTMENT IN AND LOAN TO SUBSIDIARY

Aquarella Investments 439 (Proprietary) Limited				
100 shares at cost	-	-	-	100
Loan Account	-	-	-	3,328,476
	-	-	-	3,328,576

The loan was unsecured, subject to interest at the current prime rate and without any fixed terms of repayment. The subsidiary was sold at 31 December 2009. See Note 9

13. TRADE & OTHER RECEIVABLES

Trade receivables	21,004,698	16,020,196	21,004,698	16,020,196
Less: Impairment of trade receivables	4,750,000	2,240,000	4,750,000	2,240,000
Balance at 1 April 2009	2,240,000	500,000	2,240,000	440,000
Current year movement	2,510,000	1,740,000	2,510,000	1,800,000
	-	-	-	-
Net trade receivables	16,254,698	13,780,196	16,254,698	13,780,196
Finance lease charges paid in advance	172,506	93,076	172,506	93,076
Prepayments	722,952	1,018,053	722,952	1,002,642
	17,150,156	14,891,325	17,150,156	14,875,914

The carrying amount of the trade receivables approximates their fair value due to their short-term maturity.

When management determines if a debtor is impaired, management considers if there has been any change in the credit quality of the debtor during the period, investigates changes in the payment behaviour of the debtor by inspecting the payment history of the debtor and any other evidence that may indicate that the debtor is impaired.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

14. CASH AND CASH EQUIVALENTS				
	GROUP 2010	GROUP 2009	ENTITY 2010	ENTITY 2009
	R	R	R	R
Bank current accounts – Main Account	16,234,749	4,086,281	16,234,749	4,086,281
– Financial Support Account	20,262,761	3,188,990	20,262,761	3,188,990
Mafisa funds (see note 18)	10,943,418	10,000,000	10,943,418	10,000,000
Funds held for bank guarantee (see note 25)	-	3,000,000	-	3,000,000
Cash on hand	43,000	43,000	43,000	43,000
	47,483,928	20,318,271	47,483,928	20,318,271

Cash at banks earns interest at floating rates based on daily bank deposit rates.

15. TRADE & OTHER PAYABLES				
Trade payables	3,680,660	3,054,251	3,680,660	2,665,714
Deposit held for sale of investment	-	2,833,182	-	2,833,182
Leave pay accrued	832,957	915,489	832,957	915,489
Performance bonus accrual	-	450,000	-	450,000
13th cheque accrued	477,173	615,760	477,173	615,760
	4,990,790	7,868,682	4,990,790	7,480,145

Trade payables are interest free and are payable within 30 days.

16. RENT STRAIGHT-LINING ACCRUAL				
Total straight-lining accrual	381,414	320,701	381,414	320,701

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.

17. FINANCE LEASE LIABILITY				
Total finance lease liability	247,260	148,647	247,260	148,647
Less: current portion	(176,428)	(44,867)	(176,428)	(44,867)
Long-term portion	70,832	103,780	70,832	103,780

The finance lease liability relates to cell phone contracts.

The lease period is for 2 years per cell phone. The lease commencement period varies from one contract to another.

Repayment of finance lease	Not later than 1 year	Total
Future minimum lease payment	176,428	247,260
Finance costs	123,089	172,506
Net Present value	53,339	74,754

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

18. MAFISA FUNDS

	GROUP 2010	GROUP 2009	ENTITY 2010	ENTITY 2009
	R	R	R	R
Funds received from the Department of Agriculture	10,943,418	10,000,000	10,943,418	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.

19. REVENUE

Provincial grants	116,341,000	53,650,000	116,341,000	53,650,000
Management fees	175,547	248,600	175,547	248,600
Administration and accounting fees from subsidiary	-	-	-	68,822
Insurance claims recovered	76,602	15,665	76,602	15,665
Rent accrued	254,079	576,450	-	-
	116,847,228	54,490,715	116,593,149	53,983,087

20. RECONCILIATION OF SURPLUS/ (DEFICIT) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

Surplus/ (deficit) before taxation	28,440,742	(37,545,926)	30,239,040	(37,266,373)
Adjusted for:	4,786,507	(4,750,294)	2,742,124	(5,529,918)
Depreciation - Own assets	1,131,892	1,201,542	1,131,892	1,201,542
- Refurbishments	453,522	313,648	453,522	313,648
- Leased assets	91,933	76,656	91,933	76,656
Amortisation of intangible assets	59,231	17,202	59,231	17,202
Deficit on disposal of property, plant and equipment	-	(4,090)	-	(4,090)
Income from investments	(7,956,289)	(12,301,340)	(8,205,935)	(12,798,549)
Finance costs	20,795	43,743	20,795	1,328
Finance lease interest charges	16,380	48,895	16,380	48,895
(Surplus)/deficit on disposal of subsidiary	1,793,983	-	(754)	-
Adjustment for sundry income	(284,420)	-	(284,420)	-
Fair value adjustment-investment property	-	300,000	-	-
Impairment of financial support loans and debtors	7,699,480	3,753,450	7,699,480	3,753,450
Share of trading deficits in associates	-	60,000	-	60,000
Provision for bad debts	1,760,000	1,740,000	1,760,000	1,800,000
Operating cash flow before changes in working capital	33,227,249	(42,296,220)	32,981,164	(42,796,291)
Working capital changes	(2,506,969)	(3,162,889)	(2,133,843)	(3,731,524)
Decrease/(Increase) in other receivables	213,444	(6,165,060)	198,033	(6,723,944)
(Decrease)/Increase in trade and other payables, finance lease liability and rent straight-lining provision	(2,720,413)	3,002,171	(2,331,876)	2,992,420
Cash generated from/(utilised in) operations	30,720,280	(45,459,109)	30,847,321	(46,527,815)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

21. FINANCIAL INSTRUMENTS

The group's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, financial support debtors, trade and other payables and finance leases. All financial instruments are carried at fair value. The carrying value of all financial instruments approximate their fair value due to the short-term nature of these instruments.

Fair values

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 entity's receivables, amortised cost approximates it's 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 it's fair value.

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

Carrying value and fair value of financial instruments

Financial assets by class – at carrying value and fair value:

	GROUP 2010 R	GROUP 2009 R	ENTITY 2010 R	ENTITY 2009 R
Financial support loans	41,090,376	38,355,136	41,090,376	38,355,136
Trade and other receivables	17,150,156	14,891,325	17,150,156	14,875,914
Cash and cash equivalents	47,483,928	20,318,271	47,483,928	20,318,271
	105,724,460	73,564,732	105,724,460	73,549,321

Financial liabilities by class – at carrying value and fair value:

Trade and other payables	4,990,790	7,868,682	4,990,790	7,480,145
Finance leases	247,260	148,647	247,260	148,647
	5,238,050	8,017,329	5,238,050	7,628,792

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

22. RISK MANAGEMENT

The group is exposed to credit risks, interest risks and liquidity risks.

The group's senior management oversees the management of these risks and is supported by various committees such as the investment committee, credit committee and debt management committee.

The following types of risks are managed as follows:

Credit risk management

Potential concentrations of credit risk consist 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 receivables comprise a large number of customers, dispersed across different industries and geographical areas. Credit evaluations are performed by the investment committee and/or credit committee depending on the threshold of the transaction on the financial condition of these receivables. Where appropriate, the necessary credit guarantees are arranged. Trade and other receivables are shown net of impairment.

The debt management committee monitors the performance of receivables on a regular basis.

At 31 March 2010, the group did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

Interest rate risk management

The group's interest rate profile consists of floating rate loan and bank balances which exposes the group to fair value interest risk and cash flow interest rate risk and can be summarised as follows:

Financial assets

Bank deposits and loans are linked to the South African prime rate

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

22. RISK MANAGEMENT *(Continued)*

The net interest income at 31 March 2010 was Group - R8,189,249, Entity - R8,189,249 (2009 Group - R12,301,340, Entity - R12,798,549).

The interest rate repricing profile at 31 March 2010 is summarised as follows:

	0 - 12 Months	Beyond 1 year	Total floating rate borrowings/ investments
Group	R	R	R
Financial support loans	18,490,669	22,599,707	41,090,376
Investment in associated companies	-	300,000	300,000
Cash and cash equivalents	47,483,928	-	47,483,928
Entity			
Financial support loans	18,490,669	22,599,707	41,090,376
Investment in associated companies	-	300,000	300,000
Cash and cash equivalents	47,483,928	-	47,483,928

The sensitivity analysis below has been determined based on the exposure to interest rates on financial instruments at the balance sheet date. For floating rate instruments, the analysis is prepared assuming the amount of instruments outstanding at the balance sheet date was outstanding for the whole year. A 100 basis points increase or decrease are 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 consolidated and entity's surplus for the year ended 31 March 2010 would have increased by R987,242 (2009 : R695,734).

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

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

22. RISK MANAGEMENT *(Continued)*

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	18,490,669	22,599,707	-	41,090,376
Investment in associated companies	-	300,000	-	300,000
Cash and cash equivalents	47,483,928	-	-	47,483,928

Financial liabilities

Trade and other payables	4,990,790	-	-	4,990,790
Finance lease liability	176,428	70,832	-	247,260
	5,167,218	70,832	-	5,238,050

Entity

Financial assets

Financial support loans	18,490,669	22,599,707	-	41,090,376
Investments in associated companies	-	300,000	-	300,000
Cash and cash equivalents	47,483,928	-	-	47,483,928

Financial liabilities

Trade and other payables	4,990,790	-	-	4,990,790
Finance lease liability	176,428	70,832	-	247,260
	5,167,218	70,832	-	5,238,050

23. IRREGULAR EXPENDITURE

There was no irregular expenditure during the year (2009: R2,772,330).

24. COMMITMENTS

OPERATING LEASES

At the statement of financial position date, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	R	R	R	R
Within one year	4,319,918	3,015,167	4,319,918	3,015,167
In the second to fifth years inclusive	2,039,043	3,729,847	2,039,043	3,729,847
After five years	-	-	-	-
	6,358,961	6,745,014	6,358,961	6,745,014

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

	GROUP 2010	GROUP 2009	ENTITY 2010	ENTITY 2009
24. COMMITMENTS <i>(Continued)</i>	R	R	R	R
OPERATING LEASES				

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

The former wholly owned subsidiary, Aquarella Investments 439 (Pty) Limited, owned a property in Ferndale, Randburg, which was let to a tenant. There was no formal lease in force with the tenant. The monthly rental received was R53 465 (2009- R 49,050) until 31 December 2009 when the property was sold.

CONTRACTS CONCLUDED BEFORE YEAR END

Certain contracts were entered into during the year for the provision of services.

At 31 March 2010 the outstanding commitment for contracts in progress amounted to:

Programme related contracts

39,499,129	18,632,963	39,499,129	18,632,963
39,499,129	18,632,963	39,499,129	18,632,963

DETAILS OF CONTRACTS IN FORCE AT 31 MARCH 2010

Customer Satisfaction survey	500,000	-	500,000	-
C.R.M. System	212,313	-	212,313	-
Publicity Campaigns	1,478,074	-	1,478,074	-
H.R.Policies Implementation	196,910	960,395	196,910	960,395
Professional Services	890,000	-	890,000	-
SMME awards	550,000	-	550,000	-
Brand Tracking project	-	500,000	-	500,000
Diagnostic Tool	300,000	-	300,000	-
Financial Model	132,000	-	132,000	-
Occupational Health and Safety programme	360,000	-	360,000	-
Capital Expenditure	355,347	-	355,347	-
Service Provider Accreditation	1,000,000	-	1,000,000	-
Gauteng Gateway Programme	3,695,000	-	3,695,000	-
Plato Project and training	659,940	-	659,940	-
Youth Entrepreneurial Development	400,000	-	400,000	-
Fabcos Sponsorship	35,000	-	35,000	-
Research and Development programme	600,000	204,257	600,000	204,257
Business Development Support Contracts in progress	3,519,598	1,082,512	3,519,598	1,082,512
20 Township Project	1,092,139	3,405,000	1,092,139	3,405,000
Salary termination payment	-	566,409	-	566,409
Financial Support loans approved but not yet paid	22,522,808	11,555,971	22,522,808	11,555,971
Co-operatives Training	1,000,000	-	1,000,000	-
Orders placed but goods or services not delivered at year end	-	358,419	-	358,419
	39,499,129	18,632,963	39,499,129	18,632,963

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

25. GUARANTEES ISSUED

	GROUP 2010	GROUP 2009	ENTITY 2010	ENTITY 2009
	R	R	R	R
Iningi Investments (Pty) Ltd	-	3,000,000	-	3,000,000

At 31 March, 2009 R3 million of the group's funds were pledged to ABSA Bank for a guarantee issued 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 were advanced to Iningi Investments (Pty) Ltd as part of the enterprise's support for SMMEs

26. CONTINGENT LIABILITIES

SERVICE PROVIDERS

The group 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 24 - Commitments.

27. 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 the Statement of Financial Performance of R2 885 571 (2009: R3,054,150) 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.

28. 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.

29. EMPLOYEE BENEFIT EXPENDITURE

Salaries	28,559,706	28,230,161	28,559,706	28,230,161
Leave Gratuity	311,392	925,563	311,392	925,563
Bonus	1,561,987	(15,665)	1,561,987	(15,665)
Acting Allowance	268,867	171,903	268,867	171,903
Medical and retirement Funds	4,608,327	4,807,271	4,608,327	4,807,271
UIF & SDL Levies	461,310	465,634	461,310	465,634
Employee care	156,474	203,935	156,474	203,935
	35,928,063	34,788,802	35,928,063	34,788,802

30. 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 Nil (2009 R22 328)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

31. RELATED PARTY TRANSACTIONS

PRINCIPAL RELATED PARTIES

Related Party

Nature of relationship

Watoto Kidswear (Pty) Ltd
Aquarella Investments 439 (Pty)
Ltd (Sold 31 December 2009)
Department of Economic
Development

Associate
Wholly owned subsidiary

Government Department

Department of Agriculture

Government
Department

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

31.1 Loans receivable from related parties

	GROUP 2010	GROUP 2009	ENTITY 2010	ENTITY 2009
	R	R	R	R
Watoto Investments (Pty) Ltd	300,000	300,000	300,000	300,000
Aquarella Investments 439 (Pty) Ltd	-	3,328,476	-	3,328,476
Net loans receivable from related parties	300,000	3,628,476	300,000	3,628,476

31.2 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
Funding from Gauteng Provincial Department of Economic Development	116,341,000	53,650,000
Loan funding from the Department of Agriculture	943,418	10,000,000

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

31.3 REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

Directors – Fees for attendance at meetings

	GROUP 2010	GROUP 2009	ENTITY 2010	ENTITY 2009
	R	R	R	R
L Mngomezulu	184,300	189,600	184,300	189,600
P Mgulwa	155,750	116,000	155,750	116,000
E Banda	-	13,250	-	13,250
K Sigenu	146,000	129,500	146,000	129,500
L Maile (Resigned on 10 May 2009)	10,000	145,750	10,000	145,750
B Madumise	165,750	142,250	165,750	142,250
D Coovadia	149,250	152,250	149,250	152,250
J Ralefatane	155,500	152,500	155,500	152,500
M Zwane	136,250	132,750	136,250	132,750
EN Mokoena	155,750	155,500	155,750	155,500
S Majombozi	149,250	95,750	149,250	95,750
Directors total	1,407,800	1,425,100	1,407,800	1,425,100
Audit Committee members				
H.Moolla	13,000	-	13,000	-
T. Moja	9,750	-	9,750	-
Committee members total	22,750	-	22,750	-
GRAND TOTAL	1,430,550	1,425,100	1,430,550	1,425,100

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

SENIOR MANAGEMENT	SALARY	BONUS	13TH CHEQUE	LEAVE PAY	EXPENSE ALLOWANCE	TOTALS
D Morobe - Chief Executive Officer	1,575,000	140,000			350,000	2,065,000
T Shuenyane - Gen Manager IT & Facilities (Up to September 2009)	360,549			78,252	36,000	474,801
J Parsons - Acting Chief Financial Officer (Up to 15 March 2010)	672,902				51,750	724,652
L Fosu - Acting Chief Financial Officer (From 15 March 2010)	53,998					53,998
C Potgieter - Gen Manager Enterprise Support	728,939	57,131	63,589		99,772	949,431
T.Ngqobe - Chief Operating Officer	1,124,769	94,500	109,038		246,000	1,574,307
N Tsokolibane - Gen Manager Marketing and Research (To 30 June 2009)	337,369		22,497	61,875	19,437	441,178
P.T.Sithole - Gen Manager Financial Support	658,610	57,131	67,490		170,100	953,331
M Maduna - Gen Manager Regional Operations (From December 2009)	190,358		46,867		38,246	275,471
TOTAL EMOLUMENTS	5,702,494	348,762	309,481	140,127	1,011,305	7,512,169

DIRECTORS ATTENDANCE AT MEETINGS

DIRECTOR	BOARD	RISK & AUDIT	INVESTMENT	HR AND REMUNERATION	BUSINESS DEVELOPMENT
Mr. L.Mngomezulu	5/5	NON-MEMBER	NON-MEMBER	4/4	NON-MEMBER
Mrs P Mgulwa	5/5	NON-MEMBER	NON-MEMBER	NON-MEMBER	2/2
Mr.S.L.M.Majombozi	4/5	NON-MEMBER	2/2	NON-MEMBER	NON-MEMBER
Mr M. Zwane	3/5	NON-MEMBER	2/2	NON-MEMBER	NON-MEMBER
Adv.B.Madumise	4/5	5/5	NON-MEMBER	NON-MEMBER	NON-MEMBER
Adv.J.Ralefatane	5/5	NON-MEMBER	NON-MEMBER	4/4	2/2
Mr D. Coovadia	4/5	5/5	NON-MEMBER	NON-MEMBER	NON-MEMBER
Miss K. Sigenu	5/5	NON-MEMBER	NON-MEMBER	NON-MEMBER	2/2
Mr L. Maile (Resigned on 10 May 2009)		NON-MEMBER	NON-MEMBER	NON-MEMBER	2/2
Mrs.M.Mokoena	4/5	NON-MEMBER	2/2	4/4	NON-MEMBER
Mr D. Morobe	4/5	5/5			NON-MEMBER
COMMITTEE MEMBERS					
Mr. H. Moolla		5/5			
Ms. T. Moja		4/5			

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

	2010	2009
	R	R
32. ENTITY DETAILED INCOME STATEMENT		
REVENUE:		
Grants from province	116,341,000	53,650,000
Management fees	175,547	248,600
Administration and accounting fees from subsidiary company	-	68,822
Interest received	8,205,935	12,798,549
Profit on disposal of property, plant and equipment		4,090
Profit on disposal of subsidiary	754	
Sundry income	284,420	-
Insurance claims received	76,602	15,665
Total revenue	125,084,258	66,785,726

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

EXPENSES:

Office rent and utilities	5,111,326	4,227,101
Advertising, promotion and marketing	2,915,895	1,649,544
Airfares and travelling costs	1,376,521	4,153,055
Amortisation - intangible assets	59,231	17,202
Audit fees	983,956	491,226
Bad debts	2,614,414	2,143,868
Bank charges	10,693	12,522
Board meetings	79,382	131,764
Board members remuneration	1,430,550	1,425,100
Bursaries	163,898	84,198
Business Development Support	12,113,890	15,600,647
Courier services	205,582	200,880
Depreciation -own assets	1,131,892	1,201,542
-leasehold improvements	453,522	313,648
-leased assets	91,933	76,656
Entertainment	314,427	514,159
Finance costs	20,795	1,328
Finance lease interest charges	16,380	48,895
Franchise development	-	400,000
Impairment of loans	5,085,066	3,753,450
Information services and conferences	-	1,381,172
Insurance	269,826	299,114
Internal audit fees	962,887	546,216
IT related costs	532,989	1,146,703
Legal expenses	328,629	1,089,526
Library maintenance	113,617	217,984
Loss on disposal of fixed assets	-	-
Maintenance of software	658,023	97,398
Maintenance- equipment and premises	1,147,213	928,098
Office equipment rental	83,823	398,596
Outbound campaigns	-	297,702
Printing and stationery	692,903	686,985
Product development	2,556,382	-
Professional services	5,270,868	6,925,331
Provision for doubtful debts	1,760,000	1,800,000
Recruitment	79,025	398,603
Relocation costs	150	102,202
Research and development	439,292	2,021,483
Seminars and training	4,617,573	2,853,974
Severance pay	562,372	180,144
Share of trading losses in Associates	-	60,000
Sponsorships	1,331,922	2,188,525
Staff salaries	35,928,063	34,788,802
Staff training	786,091	445,127
Telephone and cell phones	1,900,143	1,778,346
Travel reimbursement	628,037	731,875
VAT written off	-	6,221,788
Vehicle running costs	16,037	19,620
Total expenses	94,845,218	104,052,099
NET SURPLUS/(DEFICIT) FOR THE YEAR	30,239,040	(37,266,373)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

33. RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE

	GROUP 2010 R	GROUP 2009 R	ENTITY 2010 R	ENTITY 2009 R
Net surplus/(deficit) per the statement of financial performance	28,440,742	(37,545,926)	30,239,040	(37,266,373)
Adjust for:				
Credit Adjustments and Surpluses	51,413,783	53,340,849	51,418,098	53,340,849
Capital adjustment: Capital expenditure not shown as revenue	1,855,695	847,360	1,855,695	847,360
Loans paid, less repayments	11,009,865	23,706,431	11,009,865	23,706,431
Loans budgeted for but not incurred	22,180,147	19,562,216	22,180,147	19,562,216
Interest income in excess of budget	1,405,935	9,224,842	1,405,935	9,224,842
Mafisa interest payable, not incurred	100,000	-	100,000	-
Expenditure on Payroll, Marketing, Professional Services & Projects below budget	14,862,141	-	14,866,456	-
Debit Adjustments and deficits	22,973,041	90,886,775	21,179,058	90,607,222
Expenditure on Payroll, Marketing, Professional Services & Projects above budget	-	10,009,902	-	10,030,349
Rollover from 2007/8 financial year	-	64,988,719	-	64,988,719
Reduction in Provincial Grant	9,983,000	-	9,983,000	-
Bad and Doubtful debts and provisions not budgeted for	9,459,480	7,757,318	9,459,480	7,757,318
Depreciation not budgeted for as Capital Expenditure is budgeted	1,736,578	1,609,048	1,736,578	1,609,048
VAT written off	-	6,221,788	-	6,221,788
Fair value adjustment	-	300,000	-	-
Deficit on disposal of subsidiary	1,793,983	-	-	-
Net surplus/(deficit) per approved budget	-	-	-	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

34 WORLD CUP EXPENDITURE

	2009/10	2008/09
	Quantity	R'000
Tickets acquired	-	-

	2009/10	2008/09
	Quantity	R'000
Distribution of tickets	-	-
Clients/Stakeholders	-	-
Accounting Authority	-	-
Executive	-	-
Non-executive	-	-
Accounting Officer	-	-
Senior Management	-	-
Other employees	-	-
Family members of officials	-	-
Other government entities	-	-
Audit Committee members	-	-
Total	-	-

	2009/10	2008/09
Travel costs	-	-
Clients/Stakeholders	-	-
Accounting Authority	-	-
Executive	-	-
Non-executive	-	-
Accounting Officer	-	-
Senior Management	-	-
Other employees	-	-
Family members of officials	-	-
Other government entities	-	-
Audit Committee members	-	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

34 WORLD CUP EXPENDITURE	2009/10		2008/09
Purchase of other world cup apparel	Quantity	R'000	R'000
Specify the nature of the purchase (e.g t-shirts, caps etc)			
T shirts and Vuvuzelas	90	114	-
	90	114	-
Total world cup expenditure		114	-
	Quantity	R'000	
Tickets acquired after year-end (30 June 2010)	-	-	
Distribution of tickets acquired after year-end			
Clients/Stakeholders	-	-	
Accounting Authority	-	-	
Executive	-	-	
Non-executive	-	-	
Accounting Officer	-	-	
Senior Management	-	-	
Other employees	-	-	
Family members of officials	-	-	
Other government entities	-	-	
Audit Committee members	-	-	
Total	-	-	

An additional R8,892 was spent to buy world cup T-shirts after the year end for employees who joined Gauteng Enterprise Propeller after March 31.

35. GAUTENG GATEWAY PROJECT

The Gauteng Provincial Government launched The Gauteng Gateway Project with the aim of promoting Gauteng Province during the 2010 soccer world cup.

The provincial government allocated R3.1 m of special funds for the project for the ensuing financial year.

There was no spending as at the 31 March 2010 relating to the Gauteng Gateway Project.





TSHWANE

METSWEDING
Bronkhorstspuit

HEAD OFFICE
Craighall

EKURHULENI
Springs

JOHANNESBURG
Soweto

WEST RAND
Mohlakeng

SEDIBENG
Heidelberg