



Moulding Entrepreneurs

## ANNUAL REPORT

2012 - 2013

The background of the cover is a nighttime photograph of a city skyline. The sky is dark with scattered clouds. In the foreground, there are multi-level highway overpasses with streetlights. The city lights from buildings and windows are visible in the background, creating a vibrant urban atmosphere.





## Contents

### Organisational Insight

Mandate	3
Vision	3
Mission	3
Values	3
Goals	3

### Statements and Foreword

MEC's Foreword	5
Chairperson's Report	6
CEO's Review	7
Board Members	8

### Business Units Reports

Investment Management	11
Regional Operations	15
Enterprise Support	20
Strategic Support	26
Marketing and Communications	29
Corporate Services	31
Human Resources	33
Information Technology and Facilities	36

### Corporate Governance Report

Chief Financial Officer's Report	39
Governance Framework	40
Audit Committee Report	42

### Financials

Directors' responsibilities and approval of Annual Financial Statements	47
Report of the Auditor-General	48
Directors' Report	50
Financial Statements	51
Accounting Policies	54
Notes to the Financial Statements	58

# **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; 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 the mainstream economy, and their contribution to economic growth, development and employment in Gauteng.

## **Statements and Foreword**



## MEC's Foreword

In the year under review, the GEP functioned under the political leadership of the late MEC for Economic Development, Nkosiphendule Kolisile.

This Annual Report is therefore an account of the GEP's work and contribution in catapulting Gauteng's economy to greater heights under his stewardship and direction.

For GEP, the increasing economic equity and ownership as well as creating sustainable employment pillars relate directly to the mandate of giving support to SMMEs in the province of Gauteng.

With a clear mandate from the Department of Economic Development, the Gauteng Employment, Growth and Development Strategy focused on sectors that were identified as having the highest potential to be job drivers, for example, the green economy, manufacturing, agriculture/agro-processing, ICT, clothing and textiles and jewellery design and manufacturing sectors.

GEP has recorded a number of successes during the 2012/13 financial year. The entity has marched ahead in setting the foundation for an inclusive economy in this province. Through the Start-up Fund, GEP will continue making funding available to micro-enterprises below the R10 000 threshold, within the qualifying criteria.

People with Disabilities (PwDs) have also been assisted through the partnership with the Medunsa Organisation for Disabled Entrepreneurs (MODE), which was implemented during the year under review.

Through the leadership of MEC Kolisile and in response to the Portfolio Committee on Economic Development, GEP continued to strengthen support programmes for the informal sector.

In this financial year the GEP Enterprise Start-up Fund (Start-Up Fund) assisted 50 micro-enterprises, processed and approved 64 business loans in the Agriculture; Construction; Retail and Wholesale; Engineering; Automotive; Education and Entertainment sectors.

Including the jobs created in the year under review, the GEP has funded 351 businesses and 5 332 jobs since inception.

And over these years, the bias has been towards businesses owned by youth, women and people with disabilities.

With experience of the work done in the past and the lessons learnt from other public entities, GEP will work on strengthening strategic partnerships with other stakeholders including banks, other providers in the public and private sector and continually aligning itself to government programmes that aim to address the triple challenges of poverty, unemployment and inequality.

The late MEC Kolisile was proud of the work done by the Gauteng Enterprise Propeller. He would certainly have applauded the unqualified audit outcome attained by the entity for the 2012/13 financial year. This success should be carried over to the next financial year and beyond.

A handwritten signature in black ink, appearing to read "Mxolisi Eric Xayiya".

Mxolisi Eric Xayiya

**Member of the Executive Council: Economic Development**



## Chairperson's Report

As Chairman of the Board of Gauteng Enterprise Propeller, it gives me great pleasure to share with you what we have achieved, as a Board, during the 2012/13 financial year. When this board was appointed we did not have a long term strategy in place; this omission saw GEP attempting to be everything to everyone; thereby diluting Board focus. The situation has changed dramatically, and a three year strategy plan is firmly in place. We have realized much of what we desired to achieve, and even exceeded our own expectations in some instances. The Board is now able to focus on core sectors, which synergises the GEP and its aims, with the aims of Gauteng Economic Growth and Development Strategy.

Very briefly the Board has attained the following during 2012/13:

- Creation of a 3-year strategy
- Initiation of a Change Management Process
- Establishment of a Risk Management Framework
- Improved efficiencies in Debt Management Processes

In addition, this long term strategy is designed to ensure that a sustainable job creation programme takes place across the labour intensive market-place. The results we are already experiencing are - that efficiency in staff management is taking place, while deal processing is continually being improved for SMME's. SMME applicants are being assisted to understand the approval qualifying criteria more fully, as well as make good use of GEP's post-deal, comprehensive support programme.

The knock-on effect of these efficiencies has enabled the GEP to reduce fraudulent applications for assistance. The cost savings of which are pertinent to the financial year under review, are in the region of R10 Million. Whilst speaking of finances, we have it on good authority - the Auditor-General's report - that a continuous improvement is being seen in our financial reporting.

Partnerships with both private sector and organisations within the State are an integral part of the success of the Board. To name but a few, we have excellent relationships with Small Enterprise Development Agency, Transnet, KAYA FM, SABC, Small Enterprise Funding Agency, the three Metropolitan Councils, namely - City of Joburg, Ekurhuleni, and Tshwane, as well as The United Nations in conjunction with Business Unity South Africa. All of these entities provide financial support, skills development, and marketing opportunities to the SMME's in our stable.

One of the GEP's primary focal points is youth development. We have established the Youth Entrepreneurial and Skills Development Programme to this end. Our youth development programme is on a path to exponential growth, and approximately 800 young people have already been placed in the Solar and Smart Metre Programme. Furthermore, the plan is to get them into co-operative establishments, until such time as they have developed the kind of skills that will allow them to operate independently, and in their own businesses.

CAP has seen GEP forge partnerships with secondary co-operatives, where at least 400 primary co-operatives are participating in an incubation programme. Not only does this involve training and development, but also targets access to additional markets, as well as exhibitions – where they are exposed to potential new clients.

PWD procurement targets have been a challenge to meet, however, Gauteng Provincial Government targets have been met by GEP this year, at a spend of 4% of total budget. In terms of current GEP programmes – 200 PWD owned SMME's receive support to improve, and help sustain their businesses. We will continue to incubate those on the supply database.

Through partnerships with sister-agency Gauteng Growth and Development Agency, GEP is currently geared to conclude deals in green economy, transport and rail, as part of investment promotion, and equity investments.

These programmes and others envisaged for the future will go a long way in ensuring that the GEP is self-sustaining. The point is not to purely rely on the stakeholder grant, but to actually achieve what we set out to do through improving strategic partnerships. To this end, the GEP has engaged in an aggressive debt management and recovery programme that has seen the debtors book improve. It gives us great pride to be able to report that from a collection rate of 17%, this has improved in leaps and bounds, to a remarkable 75%.

Currently there are thirteen members of the board which includes the Chief Executive Officer of GEP, as an Executive Director. I would like to take this opportunity to thank them for the roles they continue to play on the Board, and the time as well as skills they bring to the table. New Board members have already shown a noteworthy understanding of GEP business in relationship to their fiduciary duties. As Chairman I firmly believe that this board can achieve great things. Not only the Board, I would also like to thank Management and staff of GEP for their hard work and dedication in making this past year a phenomenal success.

Last, but by no means least, I would like to extend a posthumous vote of thanks to the late MEC for Economic Development - Mr Nkosiphendule Kolisile. He was a gallant leader, and energetic, enthusiastic team player. We remain saddened by his untimely death. This was a huge loss to the SMME sector, and to the development of entrepreneurs. May his soul rest in peace.

Dr K.O.P Matseke  
Chairperson of the Board



## CEO's Review

The 2012/13 financial year was one that saw the introduction of a new strategy for the Gauteng Enterprise Propeller (GEP). This new strategy has, at its core, the strengthening of GEP's value proposition, which is how the agency effectively combines its range of support services to various enterprises. The strategy includes a seamless blend of Loan products – aftercare, mentorship, incubation and business development – as part of a holistic solution. It also encapsulates the principle of sustainability. Among other things, this covers improving the quality of the loan book, thereby increasing the collection rate and reducing impairments. Part of the new reforms include a review of the funding model to ensure that funding goes to where it is most required, within the ambit of the Gauteng Employment, Growth and Development Strategy and addresses more effectively the triple challenges of poverty reduction, employment creation and reduction of income inequalities.

The agency had to introduce transitional arrangements to ensure the integration of the former Y-AGE programme into an internal initiative called the Youth Employment Programme (YEP). The youth database has been taken over by GEP and has been utilised to reach young people for participation in YEP and other projects, such as the Youth Placement Programme which the Department of Economic Development (DED) administers. The agency has responded to the call by the MEC for Economic Development for GEP to design a product that ensures access to finance by micro-enterprises below the Micro-Finance Fund's R10 000 lower threshold. This solution is referred to as the GEP Enterprise Start-Up Fund, through which start-up businesses are able to access non-repayable contributions of up to R9 000 per case, for business equipment and stock.

For the first time, the Gauteng Enterprise Propeller was able to meet its target to assist businesses owned by People with Disabilities (PWDs). This was possible through the partnership with the Medunsa Organisation for Disabled Entrepreneurs (MODE), which was implemented in the year under review. Support programmes for the informal sector, in response to a call by the Portfolio Committee on Economic Development, were designed and will be implemented in the 2013/14 financial year. The programme includes facilitating the registration of these businesses with the CIPC, thus formalising them and ensuring that they can also enjoy access to the plethora of interventions available from GEP, DTI, and other support organisations.

The **Investment Management** business unit, in conjunction with our regional operations, piloted the GEP Enterprise Start-Up Fund in the year under review. 50 Start-Up businesses, totalling R450 000 were approved in this pilot. The unit directly processed 64 deals through the Captive and Micro-Finance programmes. In total the Gauteng Enterprise Propeller funded small businesses to the tune of R41.1 million in the 2012/13 financial year. These businesses were in the agriculture, construction, retail and wholesale, engineering, automotive, education and entertainment sectors. Through these loans, 437 jobs were created, bringing the total number since inception to 5 332, and the number of businesses funded by GEP to 351. Of these approvals, 47% went to women-owned businesses, 51% to youth-owned, and R2.5 million or 6%, went to businesses led by people with disabilities.

The **Regional Operations** unit has in the 2012/13 financial year, assessed 679 SMMEs, leading to a total of 618 Business Development Support (BDS) interventions being awarded. Regional Operations hosted 118 training sessions for SMMEs and co-operatives in the year under review. Some 108 SMMEs were assisted with refurbishments and business equipment through the Township Business Renewal Programme (TBR). Together, these SMME-specific, non-financial support projects led to indirect sustenance of 2 377 job opportunities.

The unit has further assessed 89 co-operatives of which 81 were awarded BDS interventions. A total of 55 co-operatives were assisted through the Co-operative Assistance Programme (CAP). Indirectly, these initiatives led to the sustenance of 425 job opportunities, excluding co-operative members.

The **Enterprise Support** unit launched two incubation programmes in the year under review, one with the West-Rand District Municipality (WRDM) and another focusing on the Green Economy. These included developing and preparing 51 and 70 young people respectively to start their businesses in these sectors. Both programmes guaranteed business opportunities for participants when they complete their incubation programme. The *Intergated Co-operative Training Programme*, which is in its second year, assisted a total of 350 members of 122 co-operatives across the province with training and mentoring.

The unit continued to assist in the national and provincial efforts to drive the revitalisation of the tool, die and mould-making (TDMM) sector through the joint programmes with the Gauteng Tooling Initiative. For the 2012/13 financial year, ten TDMM businesses were assisted with progression towards international competitiveness, with a special focus on benchmarking. Through this initiative, 216 apprentices have been absorbed into the project and are receiving formal training. A total of 146 businesses completed the Plato III mentorship programme.

In conclusion, the 2012/13 financial year was closed with a renewed vigour, purpose and determination as the GEP steadfastly continues to pursue realisation of its pay-off line, **Moulding Entrepreneurs**. The staff and management of GEP will continue to pursue the new strategic objectives, as determined by the Board, with the same spirit as we enter the new financial year.

Management would also like to thank the Board of Directors; staff members; the Department of Economic Development; partners; SMMEs; co-ops and other stakeholders for their continued support.

Pilisiwe Twala-Tau  
Chief Executive Officer

# Board Members



Dr. Peter Matseke  
*Board Chairperson*



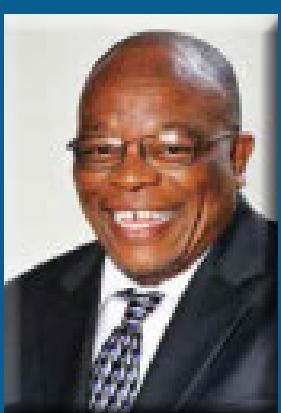
Mr. John Ngcebetsa  
*Deputy Chairperson of  
the Board*



Ms. Pilisiwe Twala-Tau  
*Chief Executive Officer*



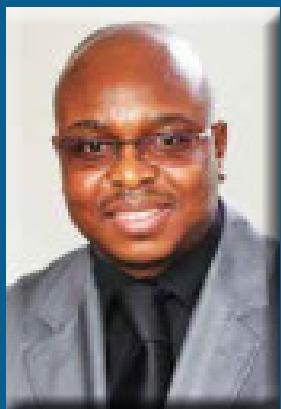
Ms. Masabata Mutlaneng



Dr. Duma Ndlovu



Dr. Thami Mazwai  
*Chairperson: Business Development Committee*



Mr. Thulani Sithole  
*Chairperson: Risk and Audit Committee*



Mr. Kethi Mkonza  
*Chairperson: Credit Committee*



Ms. Morwesi Ramonyai  
*Chairperson: Human Resources and Remuneration Committee*



Ms. Dina Maja



Mr. Makhukhu Mampuru



Ms. Zingisa Taho



Ms. Dineo Maphatiane

# **Business Units Reports**



Leslie Kwapeng  
*Acting General Manager:  
Investment Management*

## Investment Management

Strategic objectives of the business unit:

1. To provide accessible financial solutions through special projects.

### PERFORMANCE INFORMATION

Business Unit: Investment Management		Planning Statement: To effectively and timeously originate, implement and monitor GEP's investments								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
Provide accessible and timeous Financial solutions through special projects	Provision of accessible funding packages	Number of funding solutions	1 solution	2 solutions	Approval List	Internal Resources	As indicated in the Reasons for Deviation Column  The Start-up Fund afforded us the opportunity to do one extra solution	Target exceeded	MODE Programme came through as a result of the partnership with the organisation  The Start-up Fund was created due to an instruction from the MEC to cover the requirement for funding below R10k. It was not planned at the beginning of the financial year	None
		Number of captive deals approved	28 Deals	36 Deals	Approval List	Internal Resources	Weekly Management Credit Committee (MCC) sittings and good deal flow	Target exceeded by 8 deals	Exceeded due to good deal flow which couldn't be declined on viability	None

Business Unit: Investment Management		Planning Statement: To effectively and timeously originate, implement and monitor GEP's investments									
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation	
		Number of Micro deals approved	100 Deals	198 Deals	Approval List	Internal Resources	Partnerships with MODE	Target Exceeded by 98 Deals	Target exceeded largely due to the MODE packaged Funding Deal	None	
Ensure increased funding of businesses owned by transversal groups		Rand value of deals processed  % of allocated budget	R19.5m  40% to Women -owned	R19.3 Million 47%	Approval List	Internal Resources	Part of on-going Gender and Youth Mainstreaming	Target exceeded by 7%	Exceeded slightly	None	
		30% to Youth owned	R14.6m	R20.9 Million 51%	Approval List	Internal Resources		Target exceeded by 20%	Exceeded due to good deal flow from this target group	None	
		2% to people with disability	R974K	R2.5 million 6%	Approval List	Internal Resources	MODE Partnership assisted with PwD target	Target Exceeded by 4%	Target exceeded due to the MODE funding	None	

## 2012-13 Financial Year Summary

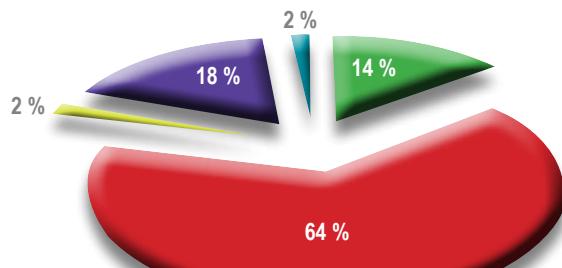
The Investment Management unit has funded 64 businesses to the tune of R41,1 million in the 2012-13 financial year. These businesses were in the agriculture, construction, retail and wholesale, engineering, automotive, education, and entertainment sectors. Through these loans the number of businesses funded by GEP since inception now totals 351: 50% are women-owned, 41% are youth- owned, and 6% are businesses

led by people with disabilities. In the year under review, 437 jobs were created, bringing to 5 332 created since inception.

The majority of the deals funded continue to come from the Johannesburg region, as can be seen below.

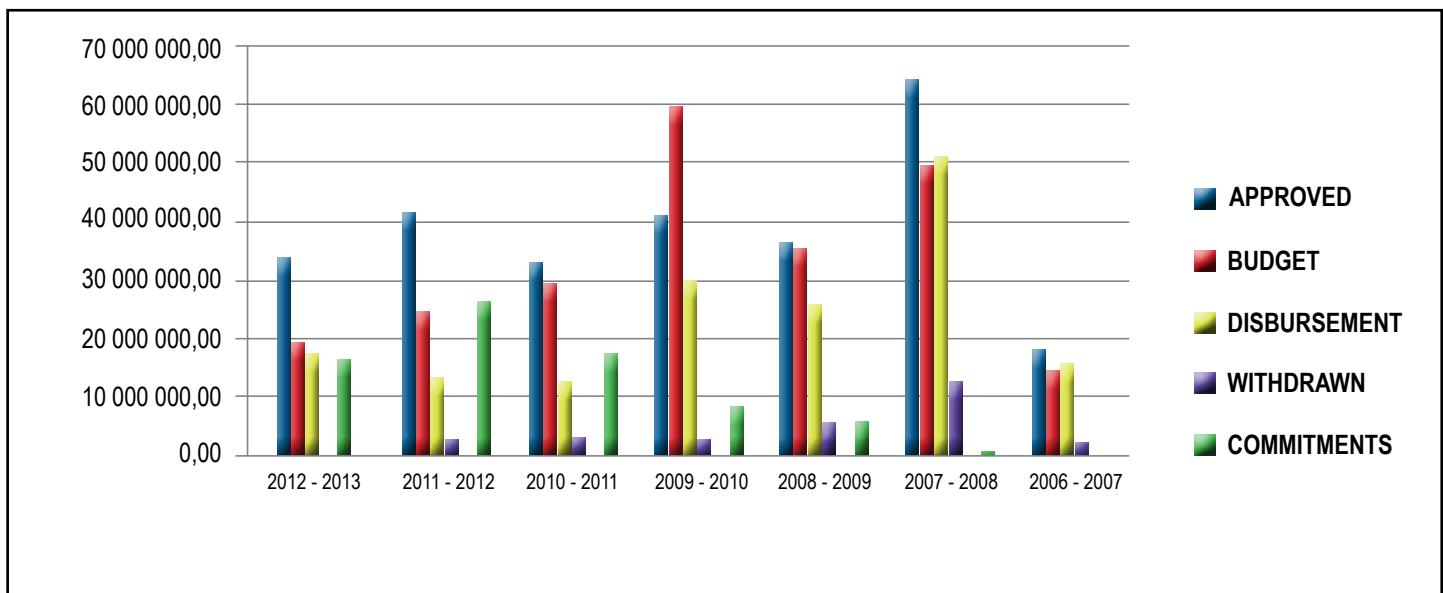
### Total

■ Ekurhuleni ■ Johannesburg ■ Sedibeng ■ Tshwane ■ West Rand



## FINANCIAL SUPPORT EXPENDITURE GRAPH

	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	Cumulative
APPROVED	34 152 971,48	42 421 281,00	33 754 957,78	41 492 789,86	37 067 198,00	64 682 169,00	18 400 000,00	271 971 367,12
BUDGET	20 000 000,00	25 000 000,00	30 000 000,00	60 000 000,00	36 000 000,00	50 000 000,00	15 000 000,00	236 000 000,00
DISBURSEMENT	17 659 767,00	13 644 930,00	12 732 036,00	29 650 096,00	25 924 941,00	51 150 276,00	15 915 020,00	166 677 066,00
WITHDRAWN	0,00	2 415 000	3 091 384,85	3 214 700,00	5 500 025,00	12 843 058,00	2 484 980,00	29 549 147,85
COMMITMENTS	16 493 204,48	26 361 351,00	17 931 536,93	8 627 993,86	5 642 232,00	688 835,00	-	75 745 153,27



- |                 |                   |             |               |
|-----------------|-------------------|-------------|---------------|
| ■ Agriculture   | ■ Construction    | ■ Education | ■ Engineering |
| ■ Entertainment | ■ General Trading | ■ ICT       | ■ Logistics   |
| ■ Manufacturing | ■ Recycling       | ■ Retail    |               |
| ■ Services      | ■ Wholesale       |             |               |



## Shozi Holdings succeed by carrying coal to Newcastle - or very close

Golden Rewards 881 CC t/a Shozi Holdings International was established in 2005. The business is owned by a husband and wife team, Simanga and Priscilla Shozi. The company is in the transportation business, carrying coal and other general freight services.

Shozi has had a contract with Eskom Primary Energy since 2005; first a one-year contract, then two years, and is now under a three-year contract which expires in 2014. The company transports coal to Eskom power stations between two routes: 191 km from Palesa (near Bronkhorstspruit) to Grootvlei (near Balfour) and 212 km from Vlakfontein (near Ogies) to Majuba (near Newcastle). However, when there is more demand for coal in other power stations, Eskom calls on Shozi Holdings to deliver to those as well.

The business has eight trucks and eight trailers which are used exclusively for the Eskom contract.

### GEP Approval

Shozi Holdings made a funding application to GEP in August 2012 to the value of R2 480 000. This was approved by GEP's Credit Committee in October the same year. The funding was required for the purchase of fuel, to purchase property which the business was renting, maintain the yard as per Eskom's requirements, and to maintain and repair trucks.

### Post Approval Occurrences

To date an amount of R1 561 077 has been disbursed by GEP, leaving an outstanding balance of R918 922,85. These funds are being held up by the delay in transferring the property into Shozi Holdings' name: the entrepreneurs did not want to invest in the property until the transfer had been finalised. The last disbursement of funds was made in May 2013.





Monde Maduna  
Regional Operations Executive

## Regional Operations

Strategic objectives of the business unit:

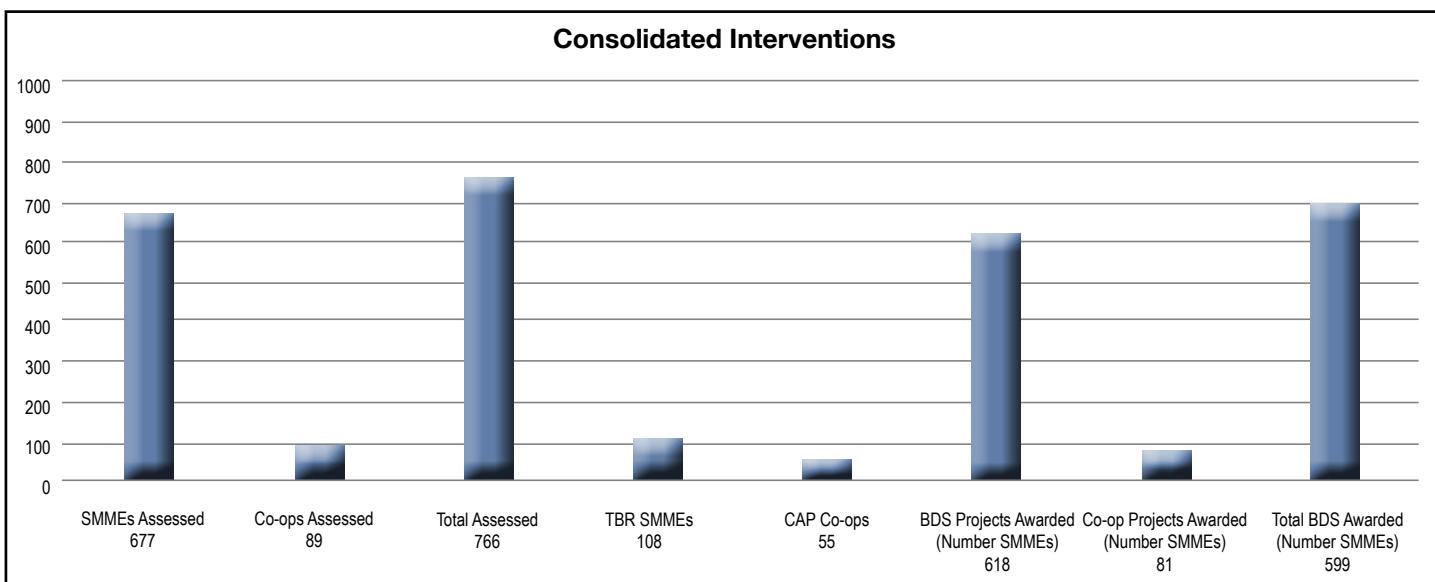
1. To provide quality non-financial support services to SMMEs and Co-operatives
2. To effectively and efficiently manage regional operations.

### PERFORMANCE INFORMATION

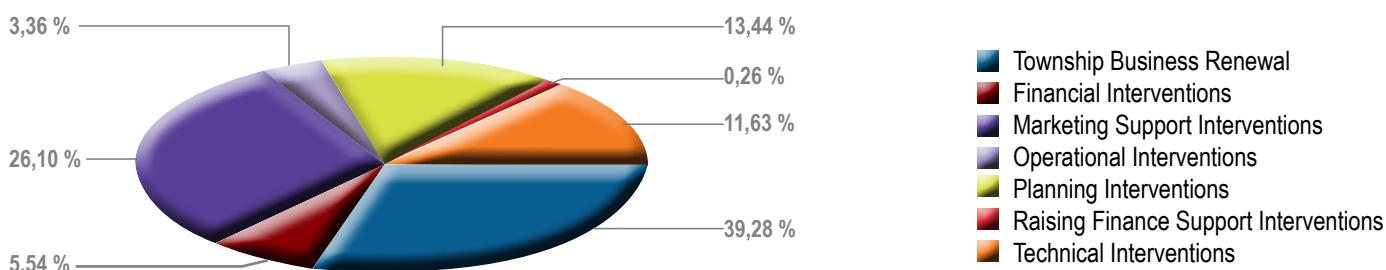
Business Unit: Regional Operations		Planning Statement: To effectively provide a one-stop shop service to SMMEs and co-operatives in Gauteng								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
Provide quality BDS training services to SMMEs and co-operatives in Gauteng	Increased number of SMMEs and co-operatives benefiting from GEP BDS intervention	Number of SMMEs assisted	600 SMMEs Assessed	679 SMMEs Assessed	Yes	Internal Resources & Service Providers	As indicated in the Reasons for Deviation Column	Target Over-achieved	With the capping of the projects, the Regional Operations team was able to do more interventions for SMMEs	None
			600 SMMEs assisted with BDS Interventions	618 SMMEs assisted with BDS Interventions (projects -based)	Yes	Internal Resources & Service Providers	As above	Target Over-exceeded	With the capping of the projects, the Regional Operations team was able to do more interventions for SMMEs	None
	Increase assistance to struggling township businesses through the Township Businesses Renewal Programme	Number of businesses assisted	100 Businesses	108 Businesses	Yes	Internal Resources	There is high demand for this intervention, hence more funds were channelled to TBR	Over - achieved	Regional Operations received an additional budget allocation in order to assist more SMMEs	None
	To train SMMEs and Co-ops	Number of training sessions held	40 Training sessions of SMMEs/ Co-operatives	118 Training Sessions:- 72 SMME Training Sessions (661 SMMEs trained)	Yes	Internal Resources	In addition, some of the sessions were delivered in conjunction with partners, further slashing the costs	Over - achieved	Training costs were slashed in half due to the use of in-house training material as opposed to SP Material	None

Business Unit: Regional Operations		Planning Statement: To effectively provide a one-stop shop service to SMMEs and co-operatives in Gauteng								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
				- 46 co-operative Training Sessions (125 co-op members trained)					SMME training was jointly delivered with partners such as AIDC & FILPRO	
				195 Women-owned SMMEs (30%)					The system (SMME PORTAL) calculates the proportion on the total number of interventions captured. This over-laps into TBR projects as well as Assessments	
				130 Youth-owned SMMEs assisted (20%)					The system (SMME PORTAL) calculates the proportion on the total number of interventions captured. This over-laps into TBR projects as well as Assessments	
				13 People with disabilities assisted (2%)					The system (SMME PORTAL) calculates the proportion on the total number of interventions captured. This over-laps into TBR projects as well as Assessments	
				Jobs sustained through BDS &TBR interventions to SMMEs					The targets were exceeded by a large margin. The setting of targets, needs to be adjusted using this baseline going forward	
To provide focused support to co-operatives	Increased number of co-operatives assisted by GEP	Number of co-operatives assisted with CAP	45 co-ops	55 co-ops	Yes	Internal Resources	Additional amount allocated due to high demand for the CAP intervention	Over-achieved	Regional Operations received an additional budget allocation in order to assist more co-operatives.	None

Business Unit: Regional Operations		Planning Statement: To effectively provide a one-stop shop service to SMMEs and co-operatives in Gauteng								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
		Number of co-ops assisted with BDS	50 co-ops	170 co-ops assisted: - Assessed =89 - BDS Projects awarded =81	Yes	Internal Resources	A lower Project threshold also allowed for higher than projected numbers	Over-achieved	Regional Operations received an additional budget allocation in order to assist more co-operatives	None
	Promotions of entrepreneurship to target groups	Number of co-ops assisted with BDS	15 Women-led co-ops (30%)	700 women-led co-ops (100%)	Yes	Internal Resources	This number is further complicated by the structure of co-op, where the members are also counted	Over-achieved	The system (SMME PORTAL) calculates the proportion on the total number of interventions captured. This over-laps into TBR projects as well as Assessments	None



### Project Categories - January, February, March 2013





## A co-operative success story that's all sewn up

In 2009 a group of five entrepreneurs who wanted to use their skills to make a difference to their lives and those of their community decided to form a co-operative. This was registered with Cipro in 2011 under the name Jonganolo Manufacturing and Multi-purpose Co-operative. The group's skills enable them to tackle any sewing project with success.

The chairman, Mr Vusumuzi Mashabane, has a certificate in fashion design from Le Style Sewing School, basic business skills from Eskom Development Foundation, and a diploma in marketing from UNISA. His experience includes eight years as sales manager at Busaf, five years as sales representative at Man Truck & Bus, and six years as the African sales representative at Bus Centre.

The Treasurer, Mr Bongani Pikinini, is a matriculant with a certificate in Quality Management and Business Practice from Damelin. He worked as a quality controller at Supreme Springs for nine years until an accident resulted in his disability.

Secretary/administrator and production manager of the co-op is Ms Caroline Mashabane. After matriculating and spending time as a legal bookkeeper with Du Prez & Nkosi, she furthered her career through Damelin Management School, obtaining certificates in Human Resource Management, and in Practical Accounting, and Basic Programming.

The other two members of the group are Mr Phoka Motaung who is



responsible for marketing. He, too, holds a matric and received a Basic Computer Certificate from Damelin Business School. He also attended a course in poultry farming from Rutec Training Centre. The fifth member of the quintet is Ms Rebecca Motloung who passed Grade 10 and worked as a general worker at Roma Dairy for four years. All are fully involved in the day-to-day operations of the business.

The co-operative manufactures fashion clothing, school uniforms, jerseys and hospital linen. It operates from a property at 18B Philandandwe in Vlakfontein, which belongs to one of the members. Their equipment, estimated worth R54 289, includes two overlockers, four lockstitch machines, one vacuum table, one coverseamer, four domestic sewing machines, two domestic overlockers and a cutting table.

The company's target market is government departments, hospitals, schools, military and the consumer. Marketing is primarily by word of mouth and referrals. In October 2011, the co-operative received a contract worth R171 000 from the Department of Health and Social Development, and was awarded another contract in September 2012, worth R 76 000, to prepare 300 school uniform packs. The business has benefited from GEP's Co-operative Assistance Programme (CAP), being provided with sewing machinery and equipment worth R 27 289. GEP also assisted in developing the business plan currently in place.

### **Overcoming challenges**

The fledgling company faced two major challenges:

- Insufficient equipment.
- Lack of marketing tools to create awareness, enhance exposure

The solution came through GEP, which first contacted and assessed the company soon after registration. GEP's Co-operative Analyst, Patrick Ndawuni, explained the benefits of an association with GEP and the role that it could play in assisting the company. Kholisa Ramolotja, the new CA, took over and assisted the co-operative in purchasing the sewing machinery mentioned.

In addition to the CAP grant for machinery, and developing a business plan, GEP also assisted Jonganol by compiling findings in the form of an ACO (Assessment of Company Operations).

As a result of GEP's assistance, Jonganol has been able to employ eight staff to help with big volumes, and has recently received a contract worth R200 000 from Bombays of Nigel Company to manufacture school uniforms for the whole of Duduza location at Ekurhuleni.

The turnover of the co-op has increased from R 171 100 in 2011 to R 247 000 in 2013.

### **A positive future**

A tender worth R120 000 to manufacture and supply Medical Linen for both private and government hospitals has been approved – order number, to follow.





Keolebogile Modise *General Manager: Enterprise Support*

## Enterprise Support

Strategic objectives of the business unit:

1. To research and develop quality products for SMMEs and Co-operatives
2. To provide effective and efficient aftercare support solutions to SMMEs and Co-operatives.

### PERFORMANCE INFORMATION

Business Unit: Enterprise Support		Planning Statement: To enhance GEP's service delivery through the research, knowledge sharing, process improvement, and development of quality products and services								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
To develop quality relevant support product and services; and ensure proper policies; procedures and systems are in place	To facilitate identification, accreditation and maintain the quality service providers	Sufficient number of quality service providers enrolled in the database (core functions)	60 Service Providers	60 Service Providers were enrolled. LOA to be issued to SP	Yes	Internal Resources	None	Target achieved	None	None
	To develop new and improved existing products and systems	Number of new products and systems developed and improved	3 Products/Systems	6 Systems/Products were developed: 1) PWD Programme 2) Mode Microfinance: - 23 completed training in JHB employing 45 people - 28 completed training in Sedibeng employing 67 people - 25 candidates screened in PTA - 33 additional screened in Sedibeng and start training on 07 March 2013.	Yes	Internal and External Resources	MODE and Start-up Products were developed to respond to MEC and Partnership conditions	Over-achieved	MODE programme came through as a result of the partnership with the organisation.  The Start-up Fund was created due to an instruction from the MEC to cover the requirement for funding below R10k. The Start-up Fund was not planned at the beginning of the financial year	None

Business Unit: Enterprise Support		Planning Statement: To enhance GEP's service delivery through the research, knowledge sharing, process improvement, and development of quality products and services								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
				Committee established: DPSA, MODE, JOCOD, GEP and Premier's Office 3) FSS Procedure Manual 4) Tracking system for Applications 5) Seta Accreditation 6) Start-up Fund						
	To develop businesses within the Tooling manufacturing sector	Number of businesses accessing the market	10 Businesses Assisted	10 businesses assessed and advised on weaknesses and interventions. Two business turnaround plans in process. 216 apprentices on 2nd year and some are doing in-service training	Yes	External Resources	None	Target achieved	None	Revised SLA under review
	Facilitate quality mentorship programme for SMMEs and Co-operatives	Number of SMMEs and Co-operatives participating in the mentorship programme (Plato Gauteng)	160 Participants	A total of 160 SMMEs participated  148 SMMEs have been enrolled in the Plato Mentorship programme  16 are enrolled on a 3 months' one-on-one mentorship programme. 7 are PWD, 5 Youth and 4 women. This forms part of the identified 98 of which 54 were PWD and 44 Youth and Women. 82 will be mentored in 2013/14	Yes	Internal and External Resources	None	None	None	Municipalities submitting Closing reports as evidence
To provide strategic direction and support to create conducive environment for business incubation and co-operatives support	To develop co-operative and incubator support programme	Number of co-operatives assisted	4 co-operatives	4 co-operatives have been assisted SEDICHEM INCUBATOR - 7 SMMEs are incubated in the chemical sector  Soshanguve Manufacturing Technology Demonstration Centre (SMTDC) - 15 SMMEs have been taken through an incubation	Yes	Internal and External Resources	None	Yes	Delay in signing of SLA	Purchase Order to be given to (BC)

Business Unit: Enterprise Support		Planning Statement: To enhance GEP's service delivery through the research, knowledge sharing, process improvement, and development of quality products and services								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
				<p>programme. 11 are male and 4 female 7 are youth and 8 are over the youth age</p> <p>Global Jewellery Academy (GJA) - 10 persons with disabilities were funded to manufacture necklaces using copper and zinc wires. This incubation programme has 10 learners with disabilities, 4 of which are females</p> <p>JOCOD - JOC-OD established a co-operative known as Green Champion Farming (GCF) and provided land for them to farm. The GCF has 7 people, 4 are youth and 2 are females and 6 are people with disabilities</p> <p>They have created 55 seasonal jobs and 8 permanent jobs</p> <p>42 were trained, 18 from JHB and 24 from Sedibeng</p>						
		Number of incubators assisted	4 Incubators	<p>6 Incubator Programmes have been facilitated:</p> <p>1) 20 SMMEs in the 4 Car wash Projects in all West Rand local municipalities</p> <p>2) 51 Youth in plumbing have been incubated by WRDM and will be given business opportunities</p> <p>3) The work with BOSABOSELE to incubate 70 youth has started to establish 7 co-operatives in the green economy</p>	Yes	Internal and External Resources	<p>Target slightly exceeded.</p> <p>The two additional Incubators came through from Municipal LED referrals through Inter-Governmental Relations (IGR) engagement</p>	Target exceeded by 2	Target exceeded due to the co-operation with the WRDM LED department which referred the 4 car wash projects	None

Business Unit: Enterprise Support		Planning Statement: To enhance GEP's service delivery through the research, knowledge sharing, process improvement, and development of quality products and services								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
	Facilitate provision of customised training to co-operatives in Gauteng	Number of co-operative members trained	200 co-operative members trained	201 co-operators were provided training on co-ops Governance in the regions of Sedibeng and Johannesburg	Yes	Internal and External (Service Provider)	None	Target exceeded slightly	More co-operators per co-op were taken on in the training as offered by the Service Providers	None
	Create market access opportunities through exhibitions and similar platforms	Number of co-operatives participating in exhibitions	40 co-operatives	51 co-ops participated in exhibitions, 41 in West Rand 10 in Kimberley	Yes	Internal Resources	As indicated in the Reasons for Deviation Column	Target Exceeded	The Kimberly exhibition was not pre-planned, but occurred at the invitation of the DtI causing us to exceed the target	None
	Establish stakeholders relations for incubators and co-operatives	Number of institutions engaged with	4 Institutions	8 institutions have been engaged with; Seda, DtI, COJ, Furntech, VUT, SAMACO (SA National co-ops Org.), WRDM and UJ	Yes	Internal and External	No additional comment	Exceeded	Some of the Institutions were referred by DED & SEDA. Increasing the number engaged	None
Provide effective and efficient After Care support	Evaluate and Monitoring the performance of funded Active Businesses	Number of SMMEs monitored and assessed by After Care	152 client visits	155 clients visited  124 Portfolios • 100 portfolios are old • 24 are new • 22 handed over for legal • 78 interventions implemented • 50 through Service Providers and the rest were done internally	Yes	Internal Resources	None	Achieved	Target was slightly exceeded. This number is also influenced by the number of new loans approved	None
	Facilitate, implement and manage tailor-made interventions	Number of SMMEs supported through After Care Interventions	As per assessment (150)	26 interventions have been identified which still have to go for committee approval	Yes	Internal Resources	There is a time-lag between the recommendation of interventions and commencement	None, as the interventions are only recommended if they are necessary	None	None
To initiate and conduct relevant research in order to ensure GEP has relevant tools, information and technology to operate efficiently	To initiate (with consultation) and conduct relevant research to provide GEP with tools, information and technology to operate efficiently	Number of research studies done	Two research studies	5 Research Studies completed and 1 in progress: 1) Market Research 2) Mineral Beneficiation 3) IHS Global 4) Insight (Municipality Stats) 5) Sector Research and recycling Impact 6) Impact Analysis (TBR, BDS & Plato)	Yes	Internal/ Service Provider	The Board made more requests than had been originally planned for	Yes	More research requests were made by the Board and various units. The purchase of secondary data, such as IHS Data came cheaper allowing for more reports to be made available	None



## To combat unemployment, a dynamic triumvirate empowers 52 youth

With unemployment, especially among our youth, being one of the country's major problems, it's rewarding to learn about a relatively large-scale success story of youth empowerment. The instigator was Vusi Montsho.

After completing a master of management (MM) at the University of the Witwatersrand 12 years ago, Vusi's entrepreneurial spirit drove him to start Bantsho Management and Marketing Strategies CC (Bantsho), a business and management consultancy. He had previously been in the business counselling and aviation industries and while a senior manager in aviation, served as a member of the Black Economic Empowerment Commission (BEECom).

In 2008, Bantsho entered into an agreement with the West Rand District Municipality (WRDM) to provide, among other services, business development advice and implementation on youth development. The agreement was designed to assist the district municipality in its support of local regional municipalities in fighting youth unemployment and so impact positively on regional economic development.

The WRDM and Bantsho requested the Gauteng Enterprise Propeller (GEP) for funding to place 52 unemployed youth who had received basic plumbing skills from Sibanye Gold Mine. As a result, these young people have been placed at the Westonaria Local Municipality in the West Rand, at a cost of R184 000, and continue to receive on-the-job training.

### Challenges

As the sphere of government closest to the people, local municipalities face a serious and urgent challenge: to combat poverty through unemployment, particularly among the youth. They have to develop and initiate programmes that can make a meaningful dent on both. It was with this in mind that Bantsho and the WRDM developed the placement programme. The ultimate aim is to further develop the plumbing skills of those 52 young men, and support them in establishing co-operatives of their own and provide services to both the public and private sectors.

In consultation with the youth, GEP assisted Bantsho and the WRDM in determining the needs of the programme for it to be sustainable. These were identified as:

- Governance training in co-operatives
- Experiential learning
- Business plan development for the co-operatives to be formed
- Marketing material
- Financial management system
- Training (basic business skills, customer care, sales and marketing, costing and pricing, practical tendering, basic financial concepts, project management)

### Solution

Realising the positive potential of this programme, the WRDM committed a further R300 000 towards its progression. This was contributed directly to the youths' stipend. When Bantsho also approached the National Youth Development Agency (NYDA) for assistance, the agency came on board and immediately provided co-operatives governance training – and committed to the further training and development of the youth. NYDA, as a custodian of youth development, has also undertaken to work with GEP, Bantsho and the WRDM to move forward and ensure the continued success of the programme.

The Westonaria Local Municipality (WLM) has also committed to developing youths' skills, not only in plumbing, but also in the following areas:

- General water maintenance
- Waste water management
- Water treatment and sewer treatment
- Upgrading of water works

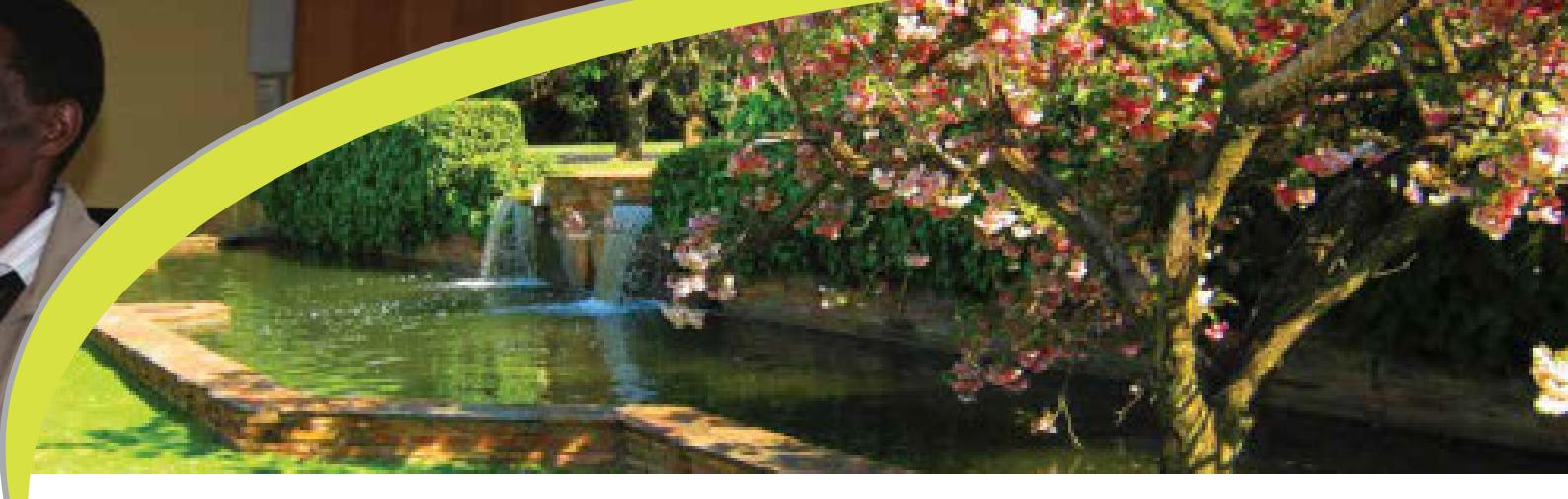
### Results

When Vusi Montsho first registered the programme with GEP in February 2013, it received a small budget and had only GEP supporting it. Now, 25 of the youth have already received co-operative governance training and will have their own co-operatives registered at no cost to them. Three dropped out to pursue other opportunities but the other 24 were scheduled to receiving further training in August 2013. While gaining experiential learning, the youth also receive a stipend from the WRDM's Extended Public Works Programme.

The Department of Water has also committed to support the programme as it is essentially a "War on Leaks".

### Impact

The project has ensured that 49 young men gain experiential learning in plumbing while providing them with an income. They are also being groomed, through training and mentoring, to build careers in the water sector by eventually starting co-operative businesses of their own.



## GEP and YEP go green in co-operatives job opportunities

Bosabosele Consulting is an innovative, Johannesburg-based management company which provides clients with a range of professional services including, but not limited to, media and communications, project management, and enterprise development training, mentorship and support.

Although Mabalane Mfundisi registered the company in 2003 it remained dormant until 2011. During this time Mabalane was employed full-time as the Project Manager for Project RAVE, a national skills development fund project of the Wholesale and Retail SETA. Project RAVE was formed to identify and help small retail companies in townships to grow into bigger operations – which gave Mabalane an insight into how to grow small businesses into fully functional and sustainable enterprises.

Between 2005 and 2011, Mabalane worked with a communications company that served the needs of community radio stations by providing content to them via satellite. Unfortunately, that company closed at the end of 2010. But it gave the impetus to Mabalane to resuscitate Bosabosele Consulting and get it fully operational.

Although the Bosabosele full-time team, led by Mabalane, is minimal, to ensure quality delivery, the company employs top consultants to provide professional, specialist services relating to the specific project being pursued at any given time.

Towards the end of 2012, Bosabosele Consulting approached the Gauteng Enterprise Propeller (GEP) regarding a youth enterprise project called Youth and Environment Project (YEP). While GEP was interested in YEP, before entering into any partnership, Bosabosele had to prove that the YEP project was solid.

### Challenges

Bosabosele set out on a journey to enlist partnerships with the kind of organisations that would convince GEP that YEP was worth a try. Since YEP was originally conceptualised as part of the bigger and broader Johannesburg Flower and Garden Show (JFGS). Mabalane, after a long struggle, managed to convince Joburg City Parks and Zoo to partner with Bosabosele in implementing the JFGS. This is an outdoor show that promotes the pristine nature of the Botanical Gardens in Emmarentia and is modelled on the world-famous Chelsea Flower Show in London, UK.

The JFGS also promotes enterprise development and, within this context, approached GEP to work in partnership with Bosabosele to create recruitment, training, mentorship and business linkages for seven youth-owned co-operatives to be established in Joburg. A major challenge was ensuring that the YEP part of the project would be implemented so that by the time the JFGS takes place, the youth-owned co-operatives are operational. This required funds to kick-start YEP and get partnership approval from GEP. Another, most difficult, challenge

was recruiting the youths to take up the offer to start their own co-operatives and operate them as business enterprises rather than as projects forced upon them just because funds would be availed at the end of training, which is the norm.

### Solution

To date YEP has trained 70 young people from Joburg Metro's seven regions to operate sustainable co-operative enterprises that will take opportunities in the environment sector. These entities are pursuing business in greening, waste materials recycling and processing, and renewable energy. A co-operative has been formed in each region, giving employment to ten youths in each of the seven regions.

Since these co-operatives would stand no chance of success without the requisite technical and business skills, the project started with a month's training which covered two specific areas: an understanding of the environment value chain and what opportunities exist to be exploited; and skills to run a successful business enterprise. As an outcome of the training, the co-operatives developed sound business plans.

### Results

The YEP co-operatives are still building the networks and contacts needed to succeed in their chosen areas of focus, but the prospects of success are great – particularly since Joburg City Parks and Zoo will provide opportunities to tender for work reserved specifically for co-operatives. Also, the Johannesburg Flower and Garden Show will happen, through the support and partnership of the Gauteng Department of Agriculture and Rural Development. This will provide the co-operatives with an opportunity to earn income from services they will render during the show – and to showcase their work at the exhibition stalls allocated to them, thus gaining additional clients.

### Impact

This project has managed to "kill two birds with one stone". On one hand it has ensured income for Bosabosele through partnership funds that GEP has made available for recruiting, training and mentoring the youths into sustainable co-operatives. It has also enabled Bosabosele to add two additional full-time staff who are working on YEP and, by extension, the JFGS projects. On the other hand, 70 youths have been given a new lease of life by being recruited into a project that has opened their eyes to the opportunities YEP provides.

GEP will now be able to provide high-level technical support to the co-operatives as and when they recruit clients. This technical support includes providing bridging capital to enable the co-operatives to undertake successfully projects they will access once they are fully operational.



Mpumi Ndebele *Specialist: Strategic Partnerships & Co-operations*



## Strategic Support

**Strategic objectives of the business unit:**

1. To manage GEP's Risk, Partnerships and to provide strategic support to the CEO.

## Strategic Support

The Strategic Support Unit is responsible for GEP's strategic Partnerships and accelerating growth of SMMEs and Co-operatives in the following sectors: ICT, Green economy and Manufacturing, through the rapid incubation programme. GEP remained relevant to key strategic partners who enhance our value delivery to our clients, hence the ability to mobilise additional resources for various GEP service delivery programmes. GEP strategic partnerships for financial and non-financial support have strengthened, resulting in the improved service delivery model in the core areas of our mandate. This has greatly improved our capacity and ability to meet SMMEs and Co-operatives needs. We hereby express our sincere thanks to all our partners for their continued support and confidence in GEP. With job creation as a key area of focus for the Gauteng Government, GEP had to review its approach to the client base to ensure that resources are mobilised and channelled towards high growth sectors with the ability to increase job creation efforts.

### Partnership with Development Finance Institutions

One of the criticisms levelled against Development Finance Institutions (DFIs) is that although development resources are abundant, there is a lack of co-ordination and a failure to work collaboratively for greater developmental impact in the SMME arena. The tendency is to work in silos and hence very little impact achieved. The value adding strategic partnerships with other SMME development role players is therefore of paramount importance in order to grapple with the challenge highlighted above. Typically, GEP looks to derive the following from other DFIs:

- Funding leveraging and co-funding opportunities
- Bench-marking
- Referrals for SMMEs and Co-ops outside the funding scope of GEP
- Knowledge and best practice sharing

The strategy Unit plays a co-ordination role in pooling together the resources from a plethora of partners in order to develop sustainable SMMEs and Co-operatives. We have also learnt that GEP cannot only depend on transfers from the Department of Economic Development to deliver on its mandate, hence the concerted effort in mobilising resources

from diverse sources. GEP has partnered with Small Enterprise Funding Agency (SEFA) in an effort to avoid duplication of service offerings to SMMEs and Co-operatives. GEP has also partnered with Small Enterprise Development Agency (SEDA) in rolling out business development interventions and referrals for SMMEs and Co-operatives for funding.

### Partnership with the Private Sector and State-owned Companies (SOCS)

GEP has partnered with the private sector and State-owned Companies to accelerate the transformation of the economy through the BBBEE elements of Scorecard. The highlight for the 2012/13 financial year is the partnership with Transnet SOC premised on the establishment of an Enterprise Development Fund Management Agreement with GEP through the Itireleng Enterprise Development Fund. This partnership has enabled GEP to mobilise R24 million for the development of SMMEs. GEP is also participating in the Transnet SMME Hub which is strategically positioned to provide a multiplicity of service offerings to SMMEs and Co-operatives under one roof.

The partnership between GEP and MAKRO aimed at assisting Retail Spaza Shops and Tuckshops with easy access to stock and favourable credit terms is one of the exciting achievements attained in the year under review. This partnership arrangement allows Spaza Shops and Tuckshops to be extremely competitive in terms of their pricing strategies and to have outstanding merchandising support from Makro.

### Partnership with Municipalities

GEP was able to formalise strategic relations with the Economic Divisions of various Municipalities such as Ekurhuleni, WestRand, City of Tshwane and City of Johannesburg as well as Municipal Owned Entities such as Joburg City Power, City Parks and Zoo with the overarching objective of assisting SMMEs and Co-operatives with access to business opportunities. GEP has been able to incubate SMMEs and Co-operatives in partnership with Municipalities. In the case of City of Johannesburg and City of Tshwane, GEP has been able to implement

the Youth Development Strategy which is premised on the creation of jobs through a deliberate process of developing SMMEs and Co-operatives that are able to supply certain goods and services to these municipalities. This is done through the incubation programme and the focus is on the youth, women and people with disabilities.

#### Partnership with Local Business Chambers and Associations

GEP managed to mobilise support and partnership from community based Business Associations and Chambers such as South African Spaza Shops and Tuckshops Association of South Africa (SASTA) and Randburg Youth Chamber of Business (RYCOB). GEP's participation in

community-led economic development efforts has made it imperative to partner with such institutions with an affinity towards our target market.

The year under review has seen GEP strategically repositioned as the first port of call for SMMEs and Co-operatives development, partnership and support. Partnerships, with the private sector to create linkages between big business and SMMEs through various enterprise development interventions, will be vigorously pursued in the 2013/14 financial year. The Unit will continue to strategically position GEP as a leader and co-ordinating arm for SMMEs and Co-operatives development support by key players in the SMME development space.

### PERFORMANCE INFORMATION

Business Unit: Strategic Support		Planning Statement: To manage GEP's Risk, Partnerships, Monitoring & Evaluation and to provide Strategic Support to the CEO								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
Implement and manage GEP Strategic Planning Mechanisms and reporting	Collect and consolidate reports for onward conveyance to EXCO; BoD; DED;GT; Gauteng Legislature	Quarterly Reports	4 Quarterly Report	4 Quarterly Report produced	Copy of quarterly reports	Internal Resources	Reports submitted as required	None	None	None
	Collate and prepare final APP/Strategic Plan for GEP	Final document	Submit by 30 September Annually	The final APP was submitted on the 29 April 2013	E-mails showing submission to DED	Internal and External Resources	New GEP Strategies developed by the Board also contributed	Submission was not done by September	The final allocation letter had not been received from the DED, therefore, the APP could not be finalised	The final APP was submitted on the 29 April 2013
	Submission to and Liaison with DED/ Legislature and other stakeholders	Submission of information & reports	Timeously per deadline per case	The agency receives numerous requests and they are dealt with on time	E-mails, signed responses to Legislature questions	Internal Resources	None	None	None	None
Monitor and evaluate impact of GEP programs	Submission of programme economic performance information	4 Quarterly reports on key sectors impacted by GEP programmatic work	4 Quarterly report	4 Quarterly Report produced	Copy of Quarterly Reports	Internal Resources	Reports submitted as required, including on the MERNS systems	None	None	None
Forge effective and sustainable partnerships and efficient stakeholder relations management	Initiate & establish 1 joint agreement with National, Provincial and Local Government - National departments - Provincial departments - Local Gov. - SOEs - DFI	Agreements (SLA/MoUs) with National, Provincial and Local Government	3 Government programmes and agreements per annum	8 Government programmes implemented: Joburg City Power, Joburg City Parks, Urban Management, DTI, Salga, Innovation Hub, GGDA	SLAs, Programme concept proposals	Internal Resources	The umbrella Partnership with COJ brought along several sub-joint programmes i.e. City Parks, City Power and Joburg Water	None	None	None
	Identify and facilitate Strategic Partnerships with corporate sector	Number of programmes or opportunities concluded	4 per annum	5 programmes concluded with private sector partners: Makro, Transnet Funding, Transnet Hub, Acelormittal, Anglo-Ashanti	MOUs/SLAs	Internal Resources	Slightly exceeded	None	None	None

Business Unit: Strategic Support		Planning Statement: To manage GEP's Risk, Partnerships, Monitoring & Evaluation and to provide Strategic Support to the CEO								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
	Identify and conclude partnerships with business chambers, academic institutions and manage special programmes	Joint programmes, and agreements with chambers (Targeting focus groups i.e. Youth; Women; PWDs & Township businesses)	5 per annum	6 joint programmes concluded with Chambers and Associations: Cham dor, Sasta, Rycob, Assemblies of God Katlehong, Daveyton Church, Soweto Youth Programme	SLAs, Training Registers	Internal Resources	While we set an annual target for this type of indicator, we generally intend to get much more.  The target is essentially the minimum that we would like to settle for	None	None	None
	Progress monitoring sessions with Stakeholders	Monthly Progress report	4 Quarterly Progress Reports	Quarterly progress reports achieved	Reports, write-ups and updates	Internal Resources	Achieved as projected	None	None	None
Implement & manage Enterprise Risk Management	Facilitate & analyse all Risks to GEP through its operations	Risk Registers	Annual Review by 30 May	Annual Review was done in Quarter 2, i.e. July 2012.	Risk Workshop registers and Risk registers including the top 10 risk report	Internal Resources	As indicated in the next three columns	Risk Assessments were not done by 30 May	It was pending the finalisation of the Board strategy.	After finalisation of the Board strategy, assessments were performed on all business units by the end of the Financial year
	Monitor GEP Management implementation of mitigation plans	Quarterly Reports	4 Quarterly Reports	Not Achieved	The company strategy was changed and the final strategy document was available in Quarter 3 - Oct 2012	Internal Resources	No additional comment	4 Quarterly Reports were not produced, as risk assessments were not performed (See comments above)	It was pending the finalisation of the Board strategy	Only one quarterly report was produced after the assessments were performed (See comments above)
	Facilitated the implementation of recommendations of Internal Audit	Quarterly Assessments	4 Quarterly Assessments	Not achieved	2 Reports, one from Internal Audit and one from Risk Management	Internal Resources	As indicated in the Reasons for Deviation Column	4 Quarterly Assessments not performed	Due to the review of the appointment of internal auditors, the assessments could not be performed pending the review of the internal audit report.  Staff capacity constraint	The assessments were only performed for Quarters 3 & 4
	Implement Fraud Prevention Plan and BCP/DRP oversight	Quarterly Monitoring Reports	4 Quarterly Assessments	3 Disaster Recovery Plan tests were done and the Fraud Plan and Policy was developed and approved	Disaster Recovery Test report	Internal Resources	Target slightly missed	1 Disaster Recovery Plan test was not performed.		Capacity was addressed and subsequent tests were performed



Mpho Shibambu *Executive Manager: Marketing and Communications*

## Marketing and Communications

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.

### PERFORMANCE INFORMATION

Business Unit: Marketing & Communications		Planning Statement: To create awareness of GEP and its services, position the GEP brand in the market, support GEP's business units in their marketing and communications needs and to provide platforms for meaningful engagement for GEP stakeholders (Internal & External)									
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation	
To increase awareness of the GEP brand	Awareness through marketing initiatives	Number of events with media related events, partnerships and own initiatives	3 events	7 events	Photographs and programmes	Marketing and Communications unit personnel	Due to limited resources, the unit had to leverage on partnerships, respond to invitations and leverage on stakeholder events to increase GEP's visibility in the market	None Target exceeded	None	None	
	Advertising	Number of marketing and advertising activities	4 activities	13 activities	Copies of adverts	Marketing and Communications unit personnel	Due to limited resources, the unit had to leverage on partnerships, respond to invitations and leverage on stakeholder events to increase GEP's visibility in the market	None, Target exceeded	None	None	
	Partnership Events	Events with private sector, parastatals and higher learning institutions	3 events	4 events	Invites, programmes and photographs	Marketing and Communications unit personnel and Regional Operations	The unit had to respond to invitations to partner in these events in response to the complaint on low visibility of GEP in the market	None, Target exceeded	None	None	

Business Unit: Marketing & Communications		Planning Statement: To create awareness of GEP and its services, position the GEP brand in the market, support GEP's business units in their marketing and communications needs and to provide platforms for meaningful engagement for GEP stakeholders (Internal & External)									
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation	
	Media engagements	Number of relationship-building sessions with media	4 media sessions	13 media sessions	Yes	Marketing and Communications unit personnel and Regional Operations	Due to limited resources, the unit had to leverage from partnerships, respond to invitations and leverage on stakeholder events to maintain GEP's visibility in the market	None Target exceeded	None	None	
Increasing awareness of GEP's products and services	Awareness through targeted events	Women, people with disabilities & youth support programme and initiatives	3 events	9 events	Programmes, invitations & photographs	Marketing and Communications unit personnel and Regional Operations	Due to limited resources, the unit had to leverage from partnerships, respond to invitations and leverage on stakeholder events to maintain GEP's visibility in the market	None Target exceeded	None	None	
	PGP and DED Event	A number of community outreach programmes	8 programmes	23 programmes	Invitations and email confirmations	Marketing and Communications unit personnel and Regional Operations	The unit responds to invitations from DED and PGP as these are programmes driven by Government to take services to the people	None Target exceeded	None	None	
	Play a role in stakeholder relations	Streamlining internal communications of GEP	Internal road shows, open days, events and electronic newsletter	6 activities	6 activities	Invitations, programmes, photographs and copies of electronic newsletter	Marketing and Communications unit, CEO's Office & Corporate Services and HR	Target achieved	None Target achieved	None	None
Support GEP with marketing collateral	Informed stakeholder	External newsletter	1 newsletter	1 newsletter	Copy of a newsletter	Marketing and Communications personnel	Target achieved	None Target achieved	None	None	
	Annual Report	Produced Annual Report	1 Annual Report	1 Annual Report	Copy of Annual Report	Marketing and Communications personnel and all GEP units	Target achieved	None Target achieved	None	None	
	Corporate Gifts	Develop corporate gift policy and guideline document	-	Corporate Gift Guideline in place	Copy available	Marketing and Communications personnel	Target achieved	None	None	None	



Lulama Zabala General Manager: Corporate Services and Human Resources



## Corporate Services

The financial year 2012/2013 has been a dynamic period for the business unit with the merger of the Human Resources and the Facilities & Information Technology units to establish the Corporate Services and Human Resources Unit. A key factor was the acknowledgement of the Unit as a strategic partner, rather than a mere support function, to the achievement of the overall strategic objectives within the organisation.

### Strategic objectives of the unit

- Position GEP as an employer of choice
- Create and sustain a fair and equitable HR environment
- Provide a stable and reliable IT platform
- Facilitate and implement increased automation and cost reductions
- Provide for GEP's physical working environment and oversee shared resources

### Achievements

Throughout this period the unit has seen a number of achievements as follows:

### Human Resources

#### - Policy Development and Review

Some of the critical policies developed and reviewed during this period included recruitment and selection, remuneration, performance management and the performance management system, study assistance, wellness, leave and payroll.

#### - Recruitment and Exits

Based on the new recruitment and selection policy, the attraction of staff was formalised and more transparent. Among other progressive practices, GEP eliminated the employment of temporary workers. The table below illustrates a summary profile of the organisation. The introduction of exit interviews assisted in keeping the organisation in check to attain or maintain its status as the employer of choice.

#### - Remuneration and Salary Structure

GEP salaries were successfully benchmarked and this enabled HR to determine salary ranges. All employees were placed within appropriate salary ranges, resulting in salary adjustments and the correction of salary anomalies. The new salary structure allowed for salary progression to deserving employees, based on performance.

#### - Performance Management

The implementation of the reviewed performance management policy and system was piloted at the executive level and performance evaluated on this basis. All executives had their scorecards drawn and signed.

#### - Staff Awards

In 2012 GEP introduced the Year End Staff Awards (YESA). This was a glitzy event recognising employee and team performances. Nominations were made by colleagues based on set criteria. The Employee of the Year award was earned by **Thami Dlamini** from the **Investment Management unit**. This non-financial prize was an outing to a luxurious venue, plus a Samsung Tablet with sponsored airtime for a year, as well as a Recognition

TOTAL NUMBER OF EMPLOYEES	FEMALES	MALES
African	75	40
Coloured	03	-
White	02	01
Indian	01	01

Certificate. The Unit of the Year was awarded to his Investment Management team, who shared a prize to an exclusive event of their choice.

#### - Skills Development and Training

A training and equity committee was established to coordinate the training requirements of GEP. This consists of representatives of each unit within the organisation to ensure compliance with the Skills Development Act. The Workplace Skills Plan was submitted and accepted by the SETA, which also agreed to fund the training of the SMMEs supported by GEP – a major milestone that would supplement the organisation's training resources.

The internship programme was a mutually rewarding success for both interns and GEP. Being part of the youth development agenda within the Department of Economic Development (DED) group, and with the exposure they got, the interns would be better equipped to compete for job opportunities in the open market. GEP would continue to open up opportunities for more young people.

#### - Study Assistance

Employees were given bursaries to further their studies in their chosen fields of interest, provided that this would add value to furthering the aims and objectives of GEP. GEP also brokered an agreement with Eduloan to provide study loans at competitive rates and conditions, not only for themselves but for their family members as well.

#### - Wellness Programme

Careways provided wellness support programmes to staff on both a self and management referral basis; a worthwhile service to employees and their families. In addition, thematic wellness events were organised to create awareness for healthy lifestyles. These included the World Aids Day candle lighting, breast cancer awareness, men's health, abuse prevention, and the women-empowerment event on Mothers' Day.

#### - Change Management

Change management processes were established to see the organisation through the reviewed strategic objectives. Some of the key success factors included the finalisation of the organisational structure, and the implementation of recommendations as per the employee survey conducted by Deloitte and Touche.

### Facilities and IT

- The upgrade of servers and software licences maintained the up-time of the network and operations at an acceptable 95%.
- The Disaster Recovery Plan was approved and the scheduled disaster recovery testing successfully implemented.
- IT contracts were reviewed and would be finalised in April 2013.
- Central procurement provided for rationalised resourcing and improvements in efficiencies.
- Skills Development and Training.





## Human Resources

Strategic objectives of the business unit:

1. To position GEP as an employer of choice.
2. To create and sustain a fair and equitable HR environment.

## PERFORMANCE INFORMATION

Business Unit: Human Resources		Planning Statement: To position the HR unit as a strategic partner within GEP and become the employer of choice within the Economic Development Industry								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
Position GEP as an employer of choice	Implement the employee survey recommendations	% of survey recommendations implemented	50% of recommendations implemented	93% of recommendations implemented	Progress Report	Internal / External	Only the implementation of the lower level structure is outstanding	Nil	N/A	N/A
	Implement Internship programme	Number of interns to complete programme	By March 2012 5 Interns	100%. 5 interns to complete programme end June 2013	Yes	Internal	Interns appointed 01 July and on one year contract ending 30th June 2013. Close out reports will be compiled in June	Nil	N/A	N/A
	Implement the skills development & ATR Plans	100% Functional & productive Training Committee to ensure compliance & coordinated training	Submission of WSP and ATR by June 2012	WSP and ATR submitted	Yes	Internal	WSP and ATR submitted	Nil	N/A	N/A
	Recruitment and alignment to organisational structure to ensure that GEP is well capacitated to achieve its mandate	80% of vacancies on GEP approved organogram filled	Ongoing capacitating of all vacant positions within GEP	4 out of 7 positions filled on high level structure	Yes	Internal	Approved structure limited to Executive positions. Lower level structure is yet to be finalised	Nil	N/A	N/A

Business Unit: Human Resources		Planning Statement: To position the HR unit as a strategic partner within GEP and become the employer of choice within the Economic Development Industry								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
	Implement Change Management Interventions	Number of change management interventions planned	2 change management interventions	2 change management interventions	Yes	Internal / External	Organisational objectives aligned to organisational structure  Establishment of the Change Management Committee and finalisation of Terms of Reference  - Salary Adjustments to establish equity - Recognition of performance excellence	Nil	N/A	N/A
	Staff events and functions	Number of staff events	6 events	6 events	Yes	Internal/ External	3 x Wellness events (Mothers' and Fathers' days; Cancer Awareness)  2 x DED-led sporting events  1 x Employee Awards	Nil	N/A	N/A
Create and sustain a fair and equitable HR environment in GEP	Continuous training and enhancement on the current 360 Degree PMS	% of employees appraised per quarter	By March 2013, all performance appraisals submitted for the financial year	Not Achieved	Yes	Internal	Performance Management policy reviewed and new policy approved by Board for pilot implementation at Executive level. To be rolled out to the rest of staff in the new financial year	Nil	N/A	N/A
	Implement Reward and Recognition Strategies	A Board approved reward strategy	Full implementation of the strategy	Full implementation of the approved Reward and Recognition Strategies as applicable	No	Internal/ External	Reward and Recognition Strategy implemented within the new Performance Management and Remuneration Policies	Nil	N/A	N/A
	Interact and consult with organised labour on matters of mutual interest	Number of policies identified for development and / or review legislation	12 policies	19 policies identified for review.	Yes	Internal and External	19 policies identified and 12 policies reviewed and some consolidated	Nil	N/A	N/A

Business Unit: Human Resources		Planning Statement: To position the HR unit as a strategic partner within GEP and become the employer of choice within the Economic Development Industry								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
							into 7 for the performance year			
	Number of Bilaterals	4 Sessions	4 Bilateral sessions	Yes	Internal	Bilaterals held every quarter to discuss matters of mutual interest	Nil	N/A	N/A	
	Annual RBO Session	1 RBO Session	Not Achieved	N/A	N/A	RBO was scheduled for 4th quarter but Union was not available to meet	Nil	N/A	N/A	





## Information Technology and Facilities

Strategic objectives of the business unit:

1. To provide a stable and reliable IT platform.
2. Facilitate and implement increased automation and cost reductions.
3. To provide for GEP's physical working environment and oversee shared resources.

## PERFORMANCE INFORMATION

Business Unit: IT & Facilities		Planning Statement: To create a working environment that is characterised by high performance and professionalism								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reasons for Deviation	Plan of action for Deviation
Provide a stable and reliable IT platform	Manage IT Environment including WAN / LAN	Ongoing Minimal downtime of the network	95% uptime	95% uptime	Yes	Internal / External	Servers upgraded/ new servers installed  DR Plan and Policy approved by RAC  IT Infrastructure and Governance draft policies finalised and due for RAC approval  IT contracts reviewed and finalised with service providers	Nil	N/A	N/A
Manage IT related Risk	Manage risk mitigating measures, i.e. DRP, Licensing	Quarterly testing of DRP	DRP Plan DRP testing Licenses	Achieved	Yes	Internal	Test reports Licences	Nil	N/A	N/A
Facilitate and implement increased automation and cost reductions	Improve Portal & CRM Functionality to meet requirements of Business. Implement Vox System for reduced	Implementation of new Portal	Finalise design and Implement phase 1	Partly achieved	Yes	Internal / External	CRM deemed unsuitable by GEP operatives  New Terms of Reference drawn for a	Bid Evaluation Committee notes	CRM to be replaced by new ERP solutions	New Tender process instituted

Business Unit: IT & Facilities		Planning Statement: To create a working environment that is characterised by high performance and professionalism								
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target 2012/13 FY	Annual Actual Achieved 2012/13 FY	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comments	Deviation	Reason/s for deviation	Plan of action for Deviation
	communication costs as well as mobility with regard to DR Plan. Design and implement a cost effective printingSolution for GEP						comprehensive ERP solution  Tender on new ERP solution processed and appointment of potential service providers to be finalised in the first quarter of the new financial year  Printing solutions budgeted for and to be implemented in the new financial year			
Provide for GEP's physical working environment and oversee shared resources	Increase savings and efficiencies	Value of savings realised	Maximise savings	Achieved	Yes	Internal	Central control and monitoring of procurement practices. Rationalise on stores and materials to minimise non-core acquisitions Encouragement of shared resources	Samples of requisitions signed off centrally		
	Ensure availability of resources including satisfactory condition	Number of complaints	Zero Complaints	Achieved	Yes	Internal / External	There were no complaints in so far as resourcing that is within GEP's or the Unit's control  All Vodacom numbers successfully ported to MTN	List of MTN user accounts		

# **Corporate Governance Report**



Lorato Sithole  
Chief Financial Officer

## Chief Financial Officer's Report

GEP continues to facilitate reducing or bridging the gap between the first and second economies in South Africa, as it has done for several years now. The country is slowly recovering from the recession of the last few years and many companies are still finding it difficult to build up their businesses, with wage and other cost pressures limiting their expansion ability and with many members of the public being restrained by having too much debt. As a result, a number of loan debtors are in arrears with their instalments and we needed to take steps during the year to recover debts from a number of slow payers.

Our lending programme has been more conservative this year as we tightened our requirements for new loans, making it more difficult for a number of potential debtors to meet our criteria. A new system of operating bank accounts jointly with the debtor has improved our collection ability as we are able to exercise much greater control over our debtors' cash flow and have a major influence on the recovery of the debtors. We increased our lending to clients with contracts and who have a reasonably secured income flow and this has enabled us to increase collections considerably over the previous year. Our debt collection unit has stepped up their efforts as well and a number of debtors have been able to increase their repayments above the minimum required in terms of the loan agreement. The advances made during the year were R38.1 million compared with R14.9 million during the previous year, an increase in lending of 155%. This increase is partly due to a number of revolving credit loans, where contract money is paid in to us each month and partly lent back again to the clients as their contracts progressed.

### Financial Performance

The provincial grant for the year was R105.9 million, much the same as the previous year, although the previous year also had some additional grants for specific projects. Interest income reduced by R4.2 million, mainly due to the interest rate reductions of the previous year having their effect over the full 12 months. Impairment of trade receivables and loans was R5.7 million, a considerable reduction from the figure of R27.4 million during the previous year. Spending on Business Development Support was much lower this year, at R14.6 million, compared with R46.3 million the previous year. The previous year's figure includes R14 million for which a special grant was received. Spending on Product Development also dropped to R3.6 million, compared with R4.3 million last year and funds used in Research and Development increased from R273 000 in 2012 to R560 000 this year. As a result of salary increases and a number of new staff, the payroll cost for the year

was R55.6 million, an increase of R7.1 million over the previous year. Total expenditure came to R112.4 million, compared with R174.1 million for the 2012 year. A large part of the decrease in spending is due to a much lower debtors impairment and the fact that last year an investment of R20 million was written off and Business Development Support expenditure was much higher. The revenue surplus for the year was R1 million, compared with a deficit of R1.7 million the year before. At the year-end we had R37.5 million in projects outstanding, compared with R45.7 million the previous year.

### Prior Year Adjustment

An adjustment of R75 million in respect of the write-down of an investment relating to the 2012 year is fully detailed in Note 35 to the financial Statements.

### Balance Sheet

The Current Asset total of loans and receivables at the year-end was R36.2 million, an increase of R10.6 million over 2012. The amount of R13.1 million (2012: R11.5 million) Receivable from Non-Exchange Transactions is in respect of a recovery claimed from the Department of Economic Development relating to outstanding grants. Under Non-Current Assets, the loan advances outstanding for Mafisa increased substantially during the year, amounting to R2.7 million, compared with R1.7 million the year before. Financial Support loans outstanding amounted to R19 million this year, compared to R13.5 million the year before. Despite capital expenditure of R1.1 million, fixed assets at year-end were down by R420 000 on the previous year due to depreciation and disposals of old items. Bank balances were reduced by R14 million during the year to R40.3 million due mainly to increases in loans and receivables outstanding. Trade and other payables this year are much higher due to the accrual of a large number of commitments paid shortly after the year-end.

### The Year Ahead

Our budget continues to be constrained by Government's great needs in every area but fortunately the Department of Economic Development has been able to increase the grant for 2013/2014 to R128.4 million, an increase of R22.5 million. We continue to exercise a very tight control on our spending in every unit in the organisation and monitor all aspects of our organisation in order to get the greatest possible benefit from the limited funds at our disposal.



Keabetswe Onuoka Company Secretary

## Governance Framework

Corporate Governance is integral to the business philosophy of GEP (the 'entity'). The Board is collectively responsible for GEP's long-term success and is committed to maintaining the highest standard of corporate governance to succeed in attaining its mandate.

The Board supports the governance principles contained in the King III Report on corporate governance for South Africa as well as the Protocol on Corporate Governance in the Public Sector.

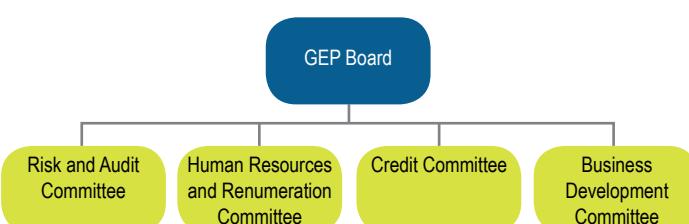
All members of the Board and employees of GEP are required to maintain the highest ethical standards in ensuring that the business practices of GEP are conducted in a manner beyond reproach. GEP employees are also obliged to observe the entity's Code of Conduct and the Policy on Conflict of Interest, both of which address honesty and integrity, whistle-blowing, and declaration of interests. They are also expected to act in GEP's best interest at all times.

During the year under review the entity particularly focused on enhancing compliance by reviewing, among others things, the following:

- Revision of the Board Charter, which included merging the Charter and the Board Code of Conduct
- Revision of Board committee charters
- Establishment of the Operation Clean Audit Committee
- Adoption of a Conflict of Interest policy
- Refinement of Delegation of Authority policy

### THE BOARD AND ITS COMMITTEES

#### Structure



#### Composition

The Board is appointed by the MEC of the Department of Economic Development in terms of Section 7 of the GEP Act 5 of 2005 and is the Accounting Authority of the entity in accordance with the Public Finance Management Act.

At the end of the year under review the Board had 13 members, including the Chief Executive Officer, who is a member of the Board by virtue of holding that office. The CEO does not receive additional remuneration or allowances for serving on the Board.

MEMBER	POSITION	DATE OF APPOINTMENT	MEETING ATTENDANCE
Dr. K.O.P. Matseke	Chairperson	September 1, 2011	8/10
Mr. J. Ngcебetsha	Deputy Chairperson	September 1, 2011	8/10
Ms. P. Twala-Tau	Chief Executive Officer	April 1, 2012	9/10
Mr. T. Sithole	Director	September 1, 2011	10/10
Mr. K. Mkonza	Director	September 1, 2011	8/10
Dr. D. Ndlovu	Director	September 1, 2011	8/10
Dr. T. Mazwai	Director	September 1, 2011	5/10
Ms. M. Mutlaneng	Director	September 1, 2011	7/10
Ms. M. Ramonyai	Director	June 1, 2012	5/10
Ms. D. Maphatiane	Director	January 1, 2013	1/10
Ms. Z. Taho	Director	January 1, 2013	1/10
Mr. M. Mampuru	Director	January 1, 2013	1/10
Ms. D. Maja	Director	February 1, 2013	1/10

The Board is responsible for providing strategic direction to GEP and ensuring that the entity fulfils its mandate as outlined in the GEP Act. The role of the Board includes establishing, reviewing and monitoring strategic objectives, approving capital expenditure, and overseeing the entity's systems of internal control, governance and risk management.

During the 2012/13 financial year, the Board met on ten occasions, focusing among other matters, on:

- Creation of a three-year strategy
- Initiating a change management process
- Establishing a risk-management framework
- Improving efficiencies in debt management
- Other strategic items, such as key projects of significant value to the entity and the province

#### Induction of new Board members

Detailed information on the operations of GEP, and key regulations pertinent to its operation, was provided to the newly-appointed members. To afford these members a good understanding of the entity's business, and their fiduciary duties, the CEO and the Company Secretary will co-ordinate an extensive induction programme. This will include an information session with management and training on the Public Finance Management Act (PFMA) in the first quarter of the ensuing financial year. Section 15 of the GEP Act makes provision for the Board to obtain the assistance of persons with appropriate expertise to assist it in performing its functions.

#### Company Secretariat

The Company Secretary plays a pivotal role in the continuing effectiveness of the Board which, with its committees, is supplied with regular, comprehensive and timely information to enable all concerned to make informed decisions.

#### Board and Board Committees Evaluation

Evaluating the effectiveness of the Board and its Committees provides continuous improvement opportunities and it is intended that an independent facilitator will manage a rigorous review process in the first half of the 2013/14 financial year.



## Board Committees

### Risk and Audit Committee

MEMBER	POSITION	DATE OF APPOINTMENT	MEETING ATTENDANCE
Mr. T. Sithole	Chairperson	November 4, 2011	7/8
Ms. M. Mutlaneng	Board member	November 4, 2011	1/8
Ms. D. Maphatiane	Board member	March 1, 2013	New Member
Ms. N. Sandlana	Independent member	February 15, 2012	7/8
Ms. L. Madavha	Independent member	February 15, 2012	7/8
Mr. M. Mcambi	Independent member	February 15, 2012	7/8

This committee supports the Board in fulfilling its responsibilities by over-seeing GEP's financial reporting processes, ensuring and monitoring the adequacy of financial and compliance controls and the business risk management processes.

At each Board meeting, the Chairperson reports details of the committee's work done in accordance with its charter, and addresses other significant matters.

### Human Resources and Remuneration Committee

MEMBER	POSITION	DATE OF APPOINTMENT	MEETING ATTENDANCE
Ms. M. Ramonyai	Chairperson	October 17, 2012	2/4
Mr. J. Ngcebetsa	Board member	November 4, 2011	3/4
Dr. D. Ndlovu	Board member	November 4, 2011	2/4
Dr. K.O.P. Matseke	Board member	November 4, 2011	3/4
Mr. M. Mampuru	Board member	March 26, 2013	New Member

**NB:** Ms. M. Ramonyai was appointed as the chairperson of the committee on 26 March 2013.

The principal responsibility of this committee is to assist the Board in discharging its corporate governance responsibilities. This includes exercising due care, diligence and skill in determining human resource strategies that foster quality of management practices, as well as aligning employees' remuneration and benefits with GEP's business objectives.

### Credit Committee

MEMBER	POSITION	DATE OF APPOINTMENT	MEETING ATTENDANCE
Mr. K. Mkonza	Chairperson	November 4, 2011	5/5
Dr. T. Mazwai	Board member	November 4, 2011	4/5
Ms. M. Mutlaneng	Board member	November 4, 2011	4/5
Ms. D. Maja	Board member	March 26, 2013	New Member
Mr. P. Sithole	Independent Member	March 26, 2013	New Member
Mr. M. Mcambi	Independent member	March 26, 2013	New Member

**NB:** The name of this committee was changed from Investment Committee to Credit Committee on 26 March 2013 to have a name in keeping with its objectives.

The primary role of the Credit Committee is to oversee, direct, and review the management of credit risk within GEP's loan portfolio. Its subsidiary role is to provide advice and make recommendations to the Board to enable it to discharge its responsibility relating to the entity's mandate.

### Business Development Committee

MEMBER	POSITION	DATE OF APPOINTMENT	MEETING ATTENDANCE
Dr. T. Mazwai	Board member	November 4, 2011	2/2
Dr. D. Ndlovu	Board member	November 4, 2011	1/2
Mr. T. Sithole	Board member	November 4, 2011	2/2
Ms. D. Maja	Board member	March 26, 2013	New Member
Mr. M. Mampuru	Board member	March 26, 2013	New Member
Ms. Z. Taho	Board member	March 26, 2013	New Member

**NB:** On 26 March 2013 the Board agreed to release Mr. Sithole from the committee to promote the independence of his role as chairperson of the Risk and Audit Committee.

The key role of this committee is to assist the Board in fulfilling its responsibilities to optimise the growth and development of SMMEs and co-operatives by reviewing and recommending business development strategies and providing advice on best practice in terms of non-financial support to SMMEs.

By reviewing general market conditions and analysing how these may promote or limit new business development opportunities, this committee ensures that GEP is ready to respond to emerging issues relating to business development.

### Board and Committees Remuneration

In terms of Section 10(4) of the GEP Act, the MEC must determine the remuneration and allowance of the members of the Board. The following fee structure was applicable during the year under review:

POSITION	MONTHLY RETAINER	SITTING ALLOWANCE
Chairperson	R12 500	R3 600
Deputy chairperson	R10 000	R3 250
Ordinary Board members	R10 000	R3 250
Independent committee members	-	R10 000



Thulani Sithole *Risk and Audit Committee Chairperson*

## Audit Committee Report

We are pleased to present the report of the Risk and Audit Committee for the year ended 31 March 2013.

The Risk and Audit Committee's role is regulated by terms of reference adopted by the Board. These terms have been drafted from sections of the PFMA, Treasury Regulations and Generally Recognised Accounting Practice (GRAP), and are in line with the King 3 Report on corporate governance.

The committee assists the Board in discharging its duties relating to risk management, thus safeguarding GEP's assets and ensuring the optimal operation of the systems in place.

In performing its duties, the committee has reviewed, amongst others, the following:

- GEP's risk management framework
- The effectiveness of GEP's internal control systems, including internal financial control and IT risks
- The external audit engagement and scope, including fees
- Actions and judgments of management relating to the annual financial statements and compliance with statutory requirements, prior to submission to the Board
- During the year under review the committee engaged with the Auditor-General (AG), on the disclosure of some key strategic projects, which resulted in the re-statement of prior year figures.

The vigorous assessment by the committee has led to significant improvement of the Annual Financial Statements (AFS), from having an emphasis of matter and fruitless and wasteful expenditure in 2011/12, to having an unqualified audit with emphasis of matter having reduced from R27 million impairment to R5 million impairment in the year under review.

In addition, in 2013 the committee introduced monthly dual reporting, which involved both a modified cash and accrual basis for better decision making.

The AFS have also improved from R30 million of irregular expenditure in 2011/12 to R2 million during the reporting period. However, the committee's goal for the ensuing year is to achieve a clean audit. In this regard the committee, management and the internal auditors will specifically focus on the supply chain processes in the following year, to enhance compliance.

As part of improving governance processes, the committee has analysed two partnership projects that are critical to the success of GEP in empowering SMMEs, some of which are operating in the informal sector but have huge employment potential. The committee also plans to have joint sittings with other Board Committees as part of streamlining risk processes so that SMMEs can be assisted efficiently and facilitate improvement on debt collection.

The committee is of the view that the systems of internal control are adequate, given the vigorous analysis of the systems and risk assessment framework. It also believes that adherence to the policies will need to improve in 2013/2014 to achieve a clean audit.

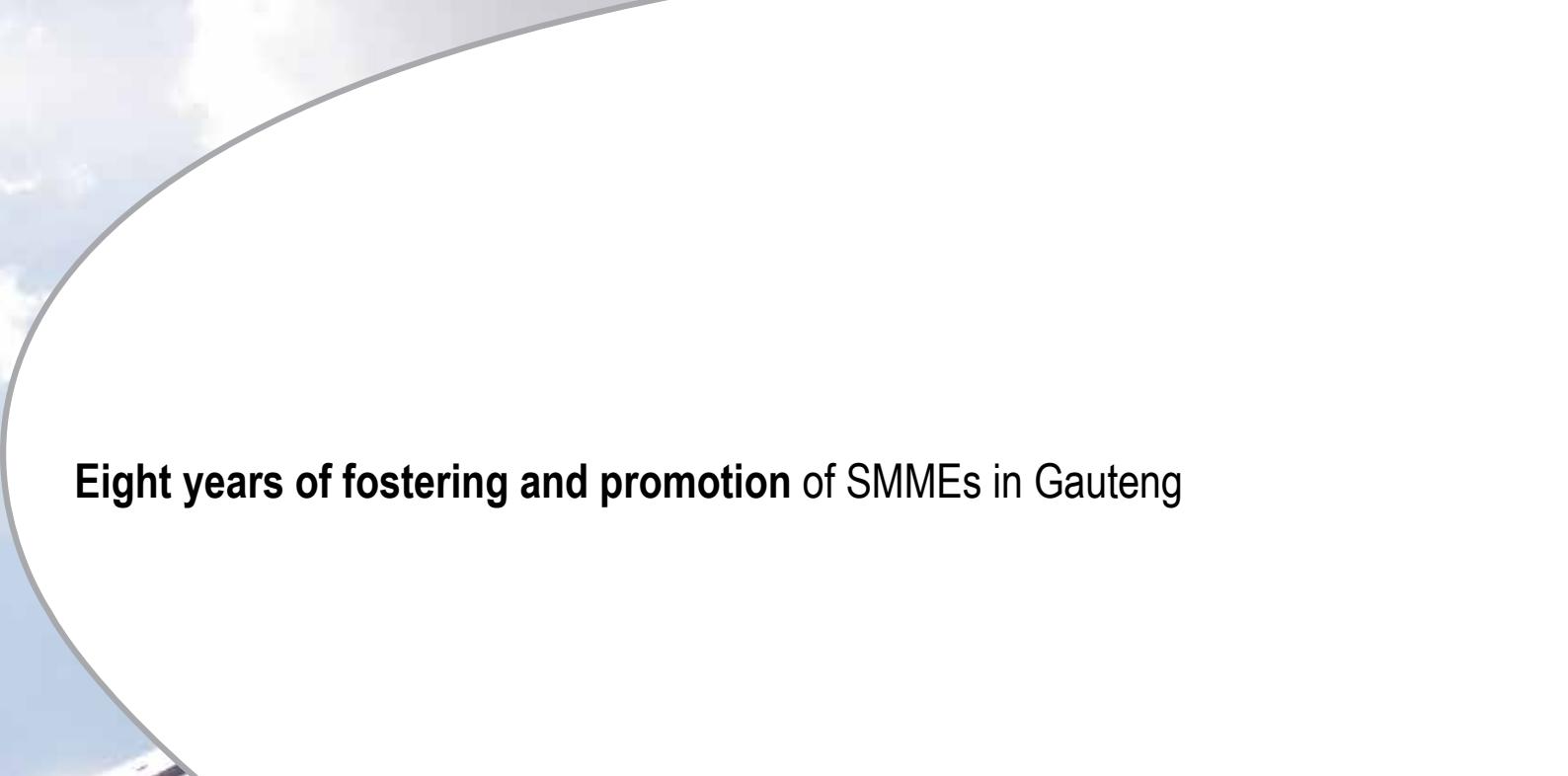
The committee has evaluated GEP's Annual Financial Statements for the year ended 31 March 2013 and, based on the information provided, concludes that the requirements of the Public Finance Management Act and International Financial Reporting Standards have been met; and that these Annual Financial Statements, read together with the report of the Auditor-General, be accepted.

### Appreciation

The committee would like to thank the Board, the late MEC, Nkosiphedule Kolisile, the Department of Economic Development team, management and the internal and external auditors for their co-operation and dedication in assisting the committee to discharge its duties in the current financial year.

A handwritten signature in black ink, appearing to read "Pte".

Mr Thulani Sithole  
Risk and Audit Committee Chair



**Eight years of fostering and promotion of SMMEs in Gauteng**



# **Financials**



## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	The enterprise renders services to provide financial and business development support to SMME's located in Gauteng, including the provision of short-term loans for project finance, working capital and start-up businesses. All financial support, in the form of loans to SMMEs, is governed by the regulations contained in the National Credit Act.
<b>Members</b>	K O P Matseke (Chairperson) J. Ngcebetshe (Deputy Chairperson) T. Mazwai K. Mkonza M. Mutlaneng D. Ndlovu T. Sithole D. Maja M. Mampuru D. Maphatiane Z. Taho M. Ramonyai
<b>Registered office</b>	6th Floor 124 Main Street Johannesburg 2001
<b>Business address</b>	6th Floor 124 Main Street Johannesburg 2001
<b>Postal address</b>	P O Box 61464 Marshalltown 2107
<b>Bankers</b>	First National Bank Limited Registration number 1929/001225/06 ABSA Bank Limited Registration number 1986/004794/06
<b>Auditors</b>	Auditor-General of South Africa
<b>Secretary</b>	K. Onuoka
<b>Company registration number</b>	Incorporated in terms of the Gauteng Enterprise Propeller Act No. 5 of 2005



## Financial Statements Contents

The reports and statements set out below comprise the financial statements presented to the Provincial Legislature:

Index	Page
Directors' Responsibilities and Approval	47
Report of the Auditor-General	48
Directors' Report	50
Statement of Financial Position	51
Statement of Financial Performance	52
Statement of Changes in Net Assets	52
Cash Flow Statement	53
Accounting Policies	54
Notes to the Financial Statements	58
The following supplementary information does not form part of the financial statements and is unaudited: Detailed Income statement	78



## Directors' responsibilities and approval of Annual Financial Statements for the year ended 31 March 2013

The entity's directors are responsible for the preparation and fair presentation of the entity's annual financial statements, comprising the statements of financial position at 31 March 2013; the statements of financial performance; the statements of the changes in net assets; statements of cash flows and the notes to the annual financial statements for the year then ended, which include a summary of significant accounting policies and other explanatory notes and the directors' report in accordance with South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP).

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

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

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

judgements and estimates.

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

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

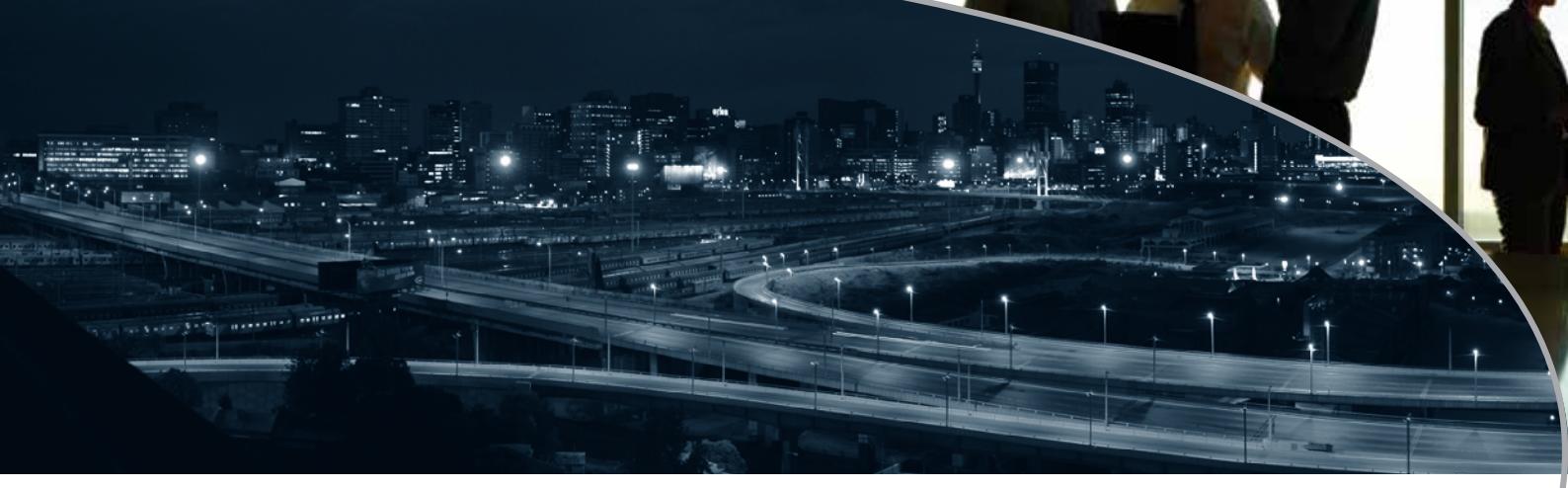
The annual financial statements set on pages 51 - 77 were circulated and approved by the board of directors on 29 May 2013 and are signed on its behalf by:

A handwritten signature in black ink, appearing to read "P. Twala-Tau".

**Ms. P. Twala-Tau**  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "K O P Matseke".

**Dr. K O P Matseke**  
Board Chairperson



# Report of the Auditor-General to the Gauteng Provincial Legislature on Gauteng Enterprise Propeller for the year ended 31 March 2013

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the Gauteng Enterprise Propeller set out on pages 51 to 77, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting Officer's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Enterprise Propeller as

at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the PFMA.

### Emphasis of matter

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

### Material Impairment

8. As disclosed in note 20 to the financial statements, material impairments to the amount of R5 686 195 were incurred on debtors, as the recoverability of these amounts are doubtful.

### Additional matter

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

### Unaudited supplementary schedules

10. The supplementary information set out on pages 78 to 79 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 11 to 37 of the annual report.

13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.



14. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

#### **Compliance with laws and regulations**

15. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

#### **Annual financial statements**

16. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(a) of the PFMA. Material misstatements of receivables, payables and commitments identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### **Procurement and contract management**

17. Contracts and quotations were awarded to suppliers whose tax matters were not declared to be in order by the South African Revenue Services as required by Treasury Regulation (TR) 16A9.1(d) and the Preferential Procurement Regulations (PPR).

18. The preference point system was not applied in some procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and TR 16A6.3(b).

19. Contracts and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with TR 16A8.3.

20. Contracts were awarded to suppliers who did not provide the entity with a Broad Based Black Economic Empowerment (BBBEE) certificate, issued by the agency accredited by the South African National Accreditation System (SANAS) or Registered Auditors approved by the Independent Regulatory Board for Auditors (IRBA) as required by the PPR.

#### **Expenditure management**

21. The accounting authority did not take effective and appropriate steps to prevent irregular expenditure as per the requirements of section 51(1)(b)(ii) of the PFMA.

#### **Revenue management**

22. The accounting authority did not take effective and appropriate steps to timeously collect all money due to the entity as per the requirements of TR 11.2.1.

#### **Internal control**

23. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and

regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

#### **Leadership**

24. The accounting authority did not adequately exercise effective oversight over matters of compliance with law and regulations and ensuring that financial statements are free from material misstatements.

#### **Financial and performance management**

25. Management did not adequately review and monitor compliance with applicable laws and regulations.

26. Management did not adequately review the annual financial statements prior to submission for audit purposes. As a result there were material misstatements in the annual financial statements which were identified by the audit.

#### **Governance**

27. The Fraud prevention plan was approved in March 2013, as a result the implementation, awareness and roll out of fraud procedures to staff was not performed.

28. The Audit Committee was not effective in exercising oversight responsibility as material non-compliance with PFMA and material adjustment to the annual financial statements were noted.

#### **OTHER REPORTS**

#### **Investigations**

29. Investigations relating to misconduct were completed during the year under review. Recommendations which include taking action against the identified implicated officials were implemented by the entity.

*Auditor General*

Johannesburg

31 July 2013



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Directors' Report for the year ended 31 March 2013

The directors have pleasure in presenting their report on the activities of the entity for the year ended 31 March 2013.

## 1. Review of activities

### Nature of the business

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

The enterprise renders services to provide financial and business development support to SMME's located in Gauteng, including the provision of short term loans for project finance, working capital and start up businesses.

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

### General review

The entity received grants totaling R105 900 000 (2012: R105 445 000) 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 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.

Supported by the Risk and 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 the estimates and judgments are prudent. They are of the opinion that the annual financial statements fairly present the state of affairs and business of the entity at 31 March 2013 and of the surplus for the year ended on that date. The external auditors, who have unrestricted access to all records and information, as well as to the Audit Committee, concur with this statement.

## 2. Going concern

The financial position of the entity, 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 entity will be able to operate within the level of its current facilities for the foreseeable future. For this reason the entity continues to adopt the going concern basis in preparing its financial statements.

## 3. Events after the reporting date

There are no material events that have taken place between the

balance sheet and the reporting date.

## 4. Board Members

The directors of the entity during the financial year were as follows:

Name	Appointment date
K O P Matseke (Chairperson)	
J. Ngcibetsha (Deputy Chairperson)	
P. Twala-Tau (CEO)	
T. Mazwai	Appointed 1 February 2013
K. Mkonza	Appointed 1 January 2013
M. Mutlaneng	Appointed 1 January 2013
D. Ndlovu	Appointed 1 January 2013
T. Sithole	Appointed 1 June 2012
D. Maja	
M. Mampuru	
D. Maphatiane	
Z. Taho	
M. Ramonyai	

## 5. Business and postal address

Business address	Postal address
6th Floor	P O Box 61464
124 Main Street	Marshalltown
Johannesburg	2107
2001	

## 6. Secretary

The company secretary is K. Onuoka.

## 7. 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 under note 25: Commitments and note 26: Contingent liabilities.

## 8. Bankers

ABSA Bank Limited
Registration number 1986/004794/06

First National Bank

Registration number 1929/001225/06

## 9. Non-current assets

There has been no material change in the non-current assets of the entity during the financial year under review.

## 10. Distributions to owners

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

## 11. Auditors

Gauteng Enterprise Propeller is audited by Auditor-General of South Africa.



## Statement of Financial Position as at 31 March 2013

Figures in Rand	Note(s)	2013	2012 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Mafisa loans	2	597,660	960,253
Financial support loans	3	12,021,459	16,340,682
Receivables from exchange transactions	4	24,204,655	9,329,058
Receivables from non-exchange transactions	5	13,133,144	11,533,144
Cash and cash equivalents	6	40,341,897	54,115,097
		<b>90,298,815</b>	<b>92,278,234</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	3,110,213	3,538,253
Intangible assets	8	206,233	317,735
Investment in associates	9	-	-
Mafisa loans	2	2,660,435	1,696,635
Financial support loans	3	19,001,908	13,531,230
Other investments	10	1	1
		<b>24,978,790</b>	<b>19,083,854</b>
<b>Total Assets</b>		<b>115,277,605</b>	<b>111,362,088</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Mafisa funds	11	12,365,929	12,174,554
Finance lease liability	12	832,457	757,923
Rent straight-lining accrual	13	197,750	71,611
Trade and other payables	14	9,440,063	6,485,022
		<b>22,836,199</b>	<b>19,489,110</b>
<b>Non-Current Liabilities</b>			
Finance lease liability	12	117,922	568,586
<b>Total Liabilities</b>		<b>22,954,121</b>	<b>20,057,696</b>
<b>Net Assets</b>		<b>92,323,484</b>	<b>91,304,392</b>
<b>Net Assets</b>			
Accumulated surplus		<b>92,323,484</b>	<b>91,304,392</b>

## Statement of Financial Performance for the year ended 31 March 2013

Figures in Rand

	Note(s)	2013	2012 Restated
Revenue from non-exchange transactions	16	105,900,000	160,556,584
Other income	17	282,993	334,688
Programs and Projects		(20,216,562)	(52,018,344)
Operating expenses		(92,169,832)	(122,065,241)
<b>Operating deficit</b>	18	<b>(6,203,401)</b>	<b>(13,192,313)</b>
Investment revenue	21	7,223,886	11,485,178
Finance costs	22	(1,393)	(166)
<b>Surplus (deficit) for the year</b>		<b>1,019,092</b>	<b>(1,707,301)</b>

## Statement of Changes in Net Assets

Figures in Rand

	Accumulated surplus	Total net assets Restated
<b>Balance at 01 April 2011</b>	<b>128,123,277</b>	<b>128,123,277</b>
Changes in net assets		
Deficit for the year	(1,707,301)	(1,707,301)
Income rolled over from previous financial year	(35,111,584)	(35,111,584)
<b>Total changes</b>	<b>(36,818,885)</b>	<b>(36,818,885)</b>
<b>Opening balance as previously reported</b>	<b>166,304,391</b>	<b>166,304,391</b>
Adjustments		
Prior year adjustments	35	(74,999,999)
<b>Balance at 01 April 2012 as restated</b>	<b>91,304,392</b>	<b>91,304,392</b>
Changes in net assets		
Surplus for the year	1,019,092	1,019,092
<b>Total changes</b>	<b>1,019,092</b>	<b>1,019,092</b>
<b>Balance at 31 March 2013</b>	<b>92,323,484</b>	<b>92,323,484</b>



## Cash Flow Statement

Figures in Rand

Note(s)

2013

2012  
Restated

### Cash flows from operating activities

#### Receipts

Cash receipts from customers and department	106,182,993	137,321,773
Interest income	7,223,886	11,485,178
Cash receipts from mafisa loans	845,471	120,772
Cash receipts from financial support loans	30,330,989	21,006,895
	<b>144,583,339</b>	<b>169,934,618</b>

#### Payments

Cash paid to suppliers and employees	(117,131,655)	(162,409,554)
Finance costs	(1,393)	(166)
Cash paid to mafisa loans	(2,412,568)	(2,527,007)
Cash paid to financial support loans	(38,126,451)	(14,921,493)
	<b>(157,672,067)</b>	<b>(179,858,220)</b>
<b>Net cash flows from operating activities</b>	<b>24</b>	<b>(13,088,728)</b>
		<b>(9,923,602)</b>

### Cash flows from investing activities

Purchase of property, plant and equipment	7	(877,308)	(662,778)
Proceeds from sale of property, plant and equipment	7	43,267	-
Purchase of intangible assets	8	(41,806)	(388,711)
Purchase of other investments		-	(20,000,000)
<b>Net cash flows from investing activities</b>		<b>(875,847)</b>	<b>(21,051,489)</b>

### Cash flows from financing activities

Increase in mafisa funding		191,375	573,442
<b>Net cash flows from financing activities</b>		<b>191,375</b>	<b>573,442</b>

<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(13,773,200)</b>	<b>(30,401,649)</b>
Cash and cash equivalents at the beginning of the year		54,115,097	84,516,746
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>40,341,897</b>	<b>54,115,097</b>

# Accounting Policies for the year ended 31 March 2013

## 1 Corporate information

The entity's financial statements for the year ended 31 March 2013 were authorised for issue in accordance with a resolution of the directors on 29 May 2013. The entity has investments in companies named Wakegem (Pty) Ltd and Watoto Kidswear (Pty) Ltd.

Gauteng Enterprise Propeller is listed as a Schedule 3c Provincial Public Entity in terms of the Public Finance Management Act, 1999 as amended.

Gauteng Enterprise Propeller's head office is located at 6th Floor, 124 Main Street, Johannesburg.

### 1.1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. (Directive 5)

The entity continues to adopt the going concern basis in preparing its annual financial statements. 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. The financial statements are presented in the nearest South African Rand.

### 1.2 Critical accounting estimates and judgements

Estimates and judgments 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 entity 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 incurring a material adjustment to the carrying amounts to 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 entity will not be able to collect all amounts due according to the original terms of receivables reorganisation. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy

or financial recognition, and default or delinquency in payments are considered indicators that the 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 4 for details of the entity's impairment.

### Depreciation and Impairment

Property, plant and equipment is depreciated on a straight-line basis over its useful life to value. Residual values and useful lives are based on management's best estimate and actual future outcomes may differ from these estimates. Refer to note 7 for details of the entity's property, plant and equipment. The entity 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 which are largely independent from other assets then the recoverable amounts of cash flows that are largely independent from other assets or groups of assets that those assets belong to are determined based on discounted future cash flows.

### 1.3 Property, plant and equipment

Property, plant and equipment are stated at the amount of the asset, and the net amount is restated to the revalued amount of the asset.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the item's carrying amount or recognised as separate property, plant and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured. 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.

Decreases that offset previous increases of the same items 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 item charged to the statement of financial performance and depreciation based on the item's original cost is transferred from 'other reserves' to 'accumulated surplus'.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their values over their estimated useful lives, as follows:

Item	Average useful life
Leased assets	2 years
Motor vehicles	5 years
Office equipment and furniture	6 years
Computer equipment	3 years

The item's residual values and useful lives are reviewed and adjusted, if



appropriate, at each statement of financial position date.

An item's carrying amount is written down immediately to its recoverable amount if the item's carrying amount is greater than its estimated recoverable amount. gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within 'Other (losses)/ gains – net' in the statement of financial performance.

When revalued items are sold, the amounts included in other reserves are transferred to accumulated surplus. Expenditure on the leasehold improvements, if material, is capitalised and depreciated over the period of the lease.

An item's carrying amount is derecognised from the statement of financial position on disposal or when no future economic benefit or service potential is expected from its use or disposal.

#### **1.4 Intangible assets**

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization 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 33%.

An item's carrying amount is derecognised from the statement of financial position on disposal or when no future economic benefit or service potential is expected from its use or disposal.

#### **1.5 Investment in associates**

Associates are all entities over which the company 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 entity's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The entity's share of its associates' post-acquisition profits or losses is recognised in the statement of financial performance, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the entity and its associates are eliminated to the extent of the entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group. Dilution gains and losses arising in investments in associates are recognised in the statement of financial performance.

#### **1.6 Financial instruments**

##### **Classification**

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

The entity does not offset a financial asset and financial liability unless legally enforceable rights to set off the recognised amounts currently exist and the entity 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 profit or loss are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue. All other financial instruments are initially measured at fair value. Subsequent to initial recognition financial instruments are measured as set out overleaf.

At reporting date, the entity determines whether there is any objective evidence that financial assets or a group of financial assets is impaired. If there is objective evidence that an impairment loss on loan and receivable or held to maturity investment carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' 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 entity derecognises a financial asset when and only when the right to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition.

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

##### **Financial Support and Mafisa loans**

Financial Support loans and Mafisa 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 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.

##### **Trade and other receivables**

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method,

# Accounting Policies (continued ...)

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 reorganization, and default or delinquency in payments (more than 60 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. gains and losses are recognized in the group's statement of financial performance when trade and other receivables are derecognised, or impaired as well as through the amortization process. When a trade debtor is uncollectible, it is written off against the allowance account for the trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

## Trade and other payables

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

## Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

## 1.7 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)

## 1.8 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.

## 1.9 Impairment of assets

The carrying amounts of assets stated in the statement of financial position, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated as the higher of the net selling price and its value in use. An impairment loss is recognised in the statement of financial performance whenever the carrying amount exceeds the recoverable amount.

In assessing value in use, the expected future cash flows are discounted to their present value that reflects current market assessment 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 that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised in previous years.

## 1.10 Short term employee benefits

The cost of short term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave,

bonuses and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

## 1.11 Provisions

Provisions for restructuring costs and legal claims are recognised when:

- the entity 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.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 1.12 Revenue recognition

### Government grants

Government grants are recognised in the statement of financial performance as and when received and to the extent the entity will comply with the conditions associated with the grant.

Grants that compensate the entity 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 entity 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.

## Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method. When a receivable is impaired, the entity 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 recognized using the original effective interest rate.

## Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Grants, transfers and subsidies are recognized as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity
- The amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.



### **Revenue from exchange transactions**

An exchange transaction is defined as one in which the entity receives assets or services, has liabilities extinguished and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Interest income is accrued on a time proportion basis, taking into account the principal amount and the effective interest rate over the period to maturity.

Tender levies are recognized as revenue when payment from bidders has been received.

### **1.13 Contingencies and commitments**

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

### **1.14 Comparative information**

Prior year comparative information has been presented in the current year's financial statements. Where necessary, figures included in the prior year financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

### **1.15 Unauthorised expenditure**

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

### **1.16 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised, therefore it must be recovered from:

- A responsible official (a debtor account should be raised); or
- The vote (if responsibility cannot be determined).

Such expenditure is treated as a current asset in the statement of financial position until such expenditure is recovered from the responsible official or written off as irrecoverable.

### **1.17 Irregular expenditure**

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention or not in accordance with a requirement or applicable legislation, the PFMA, or any provincial legislation providing for procurement procedures in that provincial legislation accounted for as revenue in the statement of financial performance.

### **1.18 Budget information**

Budget information is disclosed in terms of GRAP 24 (Presentation of Budget Information in Financial Statements) which requires that

entities, in their general purpose financial reporting, provide information on whether resources were obtained and used in accordance with their legally adopted budgets.

Budgets are prepared on the cash basis of accounting. The annual budget is prepared prior to the beginning of each financial year and is approved by the Board of Directors prior to implementation. After the end of September each year, the budget may be revised if necessary due to changes in projects being undertaken and other changes in the operations of the entity which require a reallocation of resources. All budget changes are approved by the Board of Directors prior to implementation of the revised budget.

### **1.19 Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. Related parties include:

- Entities that directly or indirectly through one or more intermediaries control or are controlled by the reporting entity.
- Key management personnel and close members of the family of key management personnel

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the government of which it forms part.

Related party transactions are measured and recognized on terms and conditions that are normal for such transactions.

### **1.20 Prior period errors**

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud. Where practical to determine the period specific or cumulative effect of the error, these are corrected retrospectively in the first set of financial statements produced after discovery of the error.

### **1.21 Events after reporting date**

Events after the reporting date are those which could be favourable, that occur between the reporting date and the date the financial statements are authorized for issue. Such events are of two types:

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

Amounts recognized in the annual financial statements are, where applicable, adjusted to reflect adjusting events after the reporting date. Non-adjusting events are not adjusted for.

# Notes to the Annual Financial Statements for the year ended 31 March 2013

Figures in Rand	Note(s)	2013	2012 Restated
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## 1. New standards and interpretations

### 1.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### Standard/ Interpretation:

- . GRAP 21 - Impairment of non-cash-generating assets 01 April 2012
- . GRAP 23 - Revenue from Non-exchange Transactions 01 April 2012
- . GRAP 24 - Presentation of Budget Information in the Financial Statements 01 April 2012
- . GRAP 26 - Impairment of cash-generating assets 01 April 2012
- . GRAP 104 - Financial Instruments 01 April 2012

#### Effective date:

#### Years beginning on or after

### 1.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2013 or later periods:

#### Standard/ Interpretation:

- . GRAP 18 - Segment Reporting No effective date determined yet
- . GRAP 20 - Related Parties No effective date determined yet
- . GRAP 25 - Employee benefits 01 April 2013
- . GRAP 105 - Transfer of functions between entities under common control No effective date determined yet
- . GRAP 106 - Transfer of functions between entities not under common control No effective date determined yet
- . GRAP 107 - Mergers No effective date determined yet

#### Effective date:

#### Years beginning on or after

## 2. Mafisa loans

Net amount outstanding at the end of the period	3,258,095	2,656,888
Balance at 1 April	2,886,937	480,702
Amount advanced	2,412,568	2,527,007
Bad debts written off	(185,254)	-
Repayment due during the year	(845,471)	(120,772)
<b>Balance at 31 March</b>	<b>4,268,780</b>	<b>2,886,937</b>
Less: Allowance for impairment of loans	(1,010,685)	(230,049)
Balance at 1 April	(230,049)	-
Current year movement	(780,636)	(230,049)
<b>Net amount outstanding at 31 March</b>	<b>3,258,095</b>	<b>2,656,888</b>
Non-current assets	2,660,435	1,696,635
Current assets	597,660	960,253
	<b>3,258,095</b>	<b>2,656,888</b>

Loans receivable consist of loans granted to SMME's to facilitate the economic growth of agricultural companies.  
The average loan is 3 years with a fixed interest rate of 8% (2012 – 8%).

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
<b>3. Financial support loans</b>			
<b>At amortised cost</b>			
Net amount outstanding at the end of the period		31,023,367	29,871,912
Balance at 1 April		46,487,624	52,573,026
Amount advanced		38,126,451	14,921,493
Bad debts written off		(11,211,013)	-
Repayments due during the year		(30,330,989)	(21,006,895)
Balance at 31 March		43,072,073	46,487,624
Less: Allowance for impairment of loans		(12,048,706)	(16,615,712)
Balance at 1 April		(16,615,712)	(9,812,534)
Current year movement		4,567,006	(6,803,178)
<b>Net amount outstanding at 31 March</b>		<b>31,023,367</b>	<b>29,871,912</b>
Non-current assets		19,001,908	13,531,230
Current assets		12,021,459	16,340,682
		<b>31,023,367</b>	<b>29,871,912</b>
Loans receivable consist of loans granted to SMME's to facilitate the economic growth of companies starting up and expanding. The average loan term is 3 to 5 years linked to the prime rate with an average interest rate at 8.5% (2012 – 8.7%).			
<b>4. Receivables from exchange transactions</b>			
Trade debtors		26,121,295	46,523,312
Impairment of trade receivables		(2,877,438)	(38,958,152)
Balance at 1 April		(38,958,152)	(18,565,170)
Current year movement		36,080,714	(20,392,982)
Net debtors		23,243,857	7,565,160
Finance lease charges paid in advance		669,827	1,022,719
Deposits and prepayments		290,971	741,179
		<b>24,204,655</b>	<b>9,329,058</b>
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, it 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.			
<b>5. Receivables from non-exchange transactions</b>			
Grants receivable		<b>13,133,144</b>	<b>11,533,144</b>
<b>6. Cash and cash equivalents</b>			
Cash and cash equivalents consist of:			
Operational bank balances		11,577,152	13,778,328
Financial support bank balances		22,156,595	31,305,052
Mafisa funds bank balances		6,565,150	8,988,717
Cash on hand		43,000	43,000
		<b>40,341,897</b>	<b>54,115,097</b>

Figures in Rand

Note(s)

2013

2012

Restated

## 7. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leased assets	379,063	(377,330)	1,733	172,313	(137,342)	34,971
Motor vehicles	597,739	(378,322)	219,417	597,739	(276,930)	320,809
Office equipment	6,378,077	(4,623,214)	1,754,863	6,283,628	(4,387,862)	1,895,766
IT equipment	4,096,862	(2,962,662)	1,134,200	4,073,242	(2,786,535)	1,286,707
Leasehold improvements	-	-	-	1,090,091	(1,090,091)	-
<b>Total</b>	<b>11,451,741</b>	<b>(8,341,528)</b>	<b>3,110,213</b>	<b>12,217,013</b>	<b>(8,678,760)</b>	<b>3,538,253</b>

### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Leased assets	34,971	206,742	-	-	(239,980)	1,733
Motor vehicles	320,809	-	-	-	(101,392)	219,417
Office equipment	1,895,766	333,418	(4,815)	-	(469,506)	1,754,863
IT equipment	1,286,707	543,890	(40,903)	-	(655,494)	1,134,200
	<b>3,538,253</b>	<b>1,084,050</b>	<b>(45,718)</b>	<b>-</b>	<b>(1,466,372)</b>	<b>3,110,213</b>

### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Leased assets	142,759	10,378	-	-	(118,166)	34,971
Motor vehicles	308,347	119,501	-	-	(107,039)	320,809
Office equipment	2,069,320	116,184	(3,325)	(50,046)	(236,367)	1,895,766
IT equipment	1,387,551	427,093	19,406	289,248	(836,591)	1,286,707
Leasehold improvements	148,349	-	-	-	(148,349)	-
	<b>4,056,326</b>	<b>673,156</b>	<b>16,081</b>	<b>239,202</b>	<b>(1,446,512)</b>	<b>3,538,253</b>

### Pledged as security

There are no restrictions and pledges as security against the property, plant and equipment.



Figures in Rand

Note(s)

2013

2012

Restated

### **8. Intangible assets**

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
<b>Computer software</b>	<b>823,336</b>	<b>(617,103)</b>	<b>206,233</b>	<b>781,529</b>	<b>(463,794)</b>	<b>317,735</b>

#### **Reconciliation of intangible assets - 2013**

	Opening balance	Additions	Transfers	Amortisation	Total
<b>Computer software</b>	<b>317,735</b>	<b>41,806</b>	<b>-</b>	<b>(153,308)</b>	<b>206,233</b>

#### **Reconciliation of intangible assets - 2012**

	Opening balance	Additions	Transfers	Amortisation	Total
<b>Computer software</b>	<b>60,801</b>	<b>388,711</b>	<b>(53,569)</b>	<b>(78,208)</b>	<b>317,735</b>

### **9. Investment in associates**

Name of entity	Carrying amount 2013	Carrying amount 2012
Watoto Kidswear (Pty) Ltd	300,000	300,000
Balance at 1 April	300,000	300,000
Less: Share of deficit at 31 March	(300,000)	(300,000)
<b>Balance at 31 March</b>	<b>-</b>	<b>-</b>

No financial information was received from Watoto Kidswear (Pty) Ltd in the current financial year as the company is no longer trading. Watoto Kidswear (Pty) Ltd shares were taken as part of the funding structure under the umbrella of our Financial Support program. Our intention was to execute a deal that minimizes the cash flow impact on the SMME in the short term; hence the split between debt and equity.

#### **Movements in carrying value**

Shares	60	60
Balance at 1 April	299,940	299,940
Share of deficit at 31 March	(300,000)	(300,000)
<b>Carrying value at the end of period</b>	<b>-</b>	<b>-</b>

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012
		Restated	
<b>10. Other investments</b>			
Name of entity		Carrying amount 2013	Carrying amount 2012
Wakegem (Pty) Ltd		1	1
Balance at 1 April		1	-
Transfer of assets		-	1
<b>Balance at 31 March</b>		<b>1</b>	<b>1</b>
<b>Movements of carrying amounts</b>			
Balance at 1 April		1	-
Transfer of assets		-	1
<b>Carrying value at the end of period</b>		<b>1</b>	<b>1</b>
In line with the objectives of the entity, the Department transferred an investment in Wakegem (Pty) Ltd in the previous financial year with a nominal value of R0. During the previous financial year, a further injection of R20 000 000 was made into the investment. The investment was subsequently materially impaired to a value of R1.			
<b>11. Mafisa funds</b>			
<b>At amortised cost</b>			
Funds received from the Department of Agriculture		<b>12,365,929</b>	<b>12,174,554</b>
These funds are being 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. There are loans amounting to R 3 687 218 (2012: R4 673 857) approved against these funds.			
<b>Current liabilities</b>		<b>12,365,929</b>	<b>12,174,554</b>
<b>12. Finance lease liability</b>			
<b>Minimum lease payments due</b>			
- within one year		832,457	757,923
- in second to fifth year inclusive		117,922	568,586
- later than five years		-	-
less: future finance charges		950,379	1,326,509
<b>Present value of minimum lease payments</b>		<b>(669,827)</b>	<b>(1,022,719)</b>
		<b>280,552</b>	<b>303,790</b>
<b>Present value of minimum lease payments due</b>			
- within one year		245,704	179,944
- in second to fifth year inclusive		34,848	123,846
		<b>280,552</b>	<b>303,790</b>
Non-current liabilities		117,922	568,586
Current liabilities		832,457	757,923
		<b>950,379</b>	<b>1,326,509</b>

The finance lease liability relates to equipment lease contracts. The lease period is for 2 years per cell phone. The lease commencement period varies from one contract to another.

# Notes to the Annual Financial Statements (continued ...)

Figures in Rand

Note(s)

2013

2012

Restated

## 13. Rent straight-lining accrual

### Total straight-lining accrual

#### Operating lease accrual

**197,750**

**71,611**

The straight-lining accrual relates to rental and lease contracts with escalation clauses. Rentals payable under the contracts are charged to the statement of financial performance on a straight-line basis over the term of the contract.

## 14. Trade and other payables

### Trade and other payables

#### Accrued leave pay

#### Accrued 13th cheque

4,548,117

2,822,471

4,340,402

3,210,661

551,544

451,890

**9,440,063**

**6,485,022**

Trade payables are non-interest bearing and are settled on a 30 day basis. Due to the short term nature of the payables, management believes that the carrying amount approximates their fair value.

## 15. Guarantees issued

As at 31 March 2013 (2012 R nil) there were no funds pledged and guarantees issued by Gauteng Enterprise Propeller.

## 16. Revenue

The amount included in revenue arising from non-exchange transactions is as follows:

Provincial grants	105,900,000	105,445,000
Transfer from the Department	-	20,000,000
Income rolled over from previous financial year	-	35,111,584
	<b>105,900,000</b>	<b>160,556,584</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Other income	282,993	334,688
Interest received	7,223,886	11,485,178
	<b>7,506,879</b>	<b>11,819,866</b>

### Total revenue

Transfer from the Department	-	20,000,000
Other income	282,993	334,688
Interest received	7,223,886	11,485,178
Provincial grants	105,900,000	105,445,000
Income rolled over from previous financial year	-	35,111,584
	<b>113,406,879</b>	<b>172,376,450</b>

## 17. Other income

SETA subsidy	184,302	90,443
Sundry income	6,500	121,015
Training fees	62,800	51,513
Insurance claims received	29,391	71,717
	<b>282,993</b>	<b>334,688</b>

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
<b>18. Operating deficit</b>			
Operating deficit for the year is stated after accounting for the following:			
<b>Operating lease charges</b>			
Contractual amounts		12,133,972	7,962,924
Loss on sale of property, plant and equipment		2,451	-
Depreciation on property, plant and equipment		1,619,680	1,524,720
Employee costs		55,617,611	48,562,412
Research and development		560,137	273,174
<b>19. Employee related costs</b>			
Basic		39,429,667	33,233,594
Bonus		1,987,157	1,691,531
Medical aid		2,518,577	2,050,147
UIF		173,906	151,624
SDL		486,464	455,747
Leave pay provision charge		1,404,286	1,546,278
Employee care		129,492	69,428
Travel, motor car, accommodation, subsistence and other allowances		3,795,454	3,838,612
13th Cheques		1,848,176	1,623,325
Acting allowances		299,406	647,004
Retirement benefits		3,545,026	3,255,122
		<b>55,617,611</b>	<b>48,562,412</b>
<b>20. Debt impairment</b>			
Write offs			
. Mafisa loan		185,254	-
. Financial support loans		11,211,013	-
. Trade and other receivables		34,157,012	-
		<b>45,553,279</b>	-
Provision for debt impairment			
. Mafisa loan		780,636	230,049
. Financial support loans		(4,567,006)	6,803,178
. Trade and other receivables		(36,080,714)	20,392,982
		<b>(39,867,084)</b>	<b>27,426,209</b>
		<b>5,686,195</b>	<b>27,426,209</b>
<b>21. Investment revenue</b>			
Interest revenue			
Financial support loans		6,165,633	9,023,735
Bank		1,058,253	2,461,443
		<b>7,223,886</b>	<b>11,485,178</b>
<b>22. Finance costs</b>			
Interest paid		1,393	166

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand

Note(s)

2013

2012

Restated

### 23. Taxation

SA normal taxation comprising:-

- Current taxation: not applicable
- Deferred taxation: not applicable

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The company is exempt from Income Tax in terms of Section 10(1)(cA)(i) of the Income Tax Act.

### 24. Cash used in operations

Surplus (deficit)	1,019,092	(1,707,301)
<b>Adjustments for:</b>		
Depreciation and amortisation	1,619,680	1,524,720
Loss on sale of assets	2,451	-
Debt impairment	5,686,195	27,426,209
Adjustment for accrued sundry income	-	(15,111,585)
(Increase)/decrease in financial support loans	(7,795,462)	5,854,993
Increase in mafisa loans	(1,567,097)	(2,175,827)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	(12,951,895)	(12,796,610)
Receivables from non-exchange transactions	(1,600,000)	(11,533,144)
Trade and other payables	2,955,041	(2,245,570)
Finance lease liability and rent straight-lining provision	(456,733)	840,513
	<b>(13,088,728)</b>	<b>(9,923,602)</b>

# Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
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## 25. Commitments

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

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

### Approved and contracted

#### Details of contracts in force at 31 March

. Financial Support loans approved but not yet paid	27,495,368	32,244,352
. Various programs in progress	-	9,159,807
. Service providers not yet paid for goods and services delivered	-	2,833,722
. Orders placed but goods or services not delivered	6,894,400	1,468,077
. Various contracts currently in progress	3,145,545	-
	<b>37,535,313</b>	<b>45,705,958</b>

### Operating leases

#### Minimum lease payments due

- within one year	1,604,081	1,157,631
- in second to fifth year inclusive	3,689,495	3,458,399
	<b>5,293,576</b>	<b>4,616,030</b>

Operating lease payments represent rentals payable for the use of the office properties and equipment. Leases escalate at rates between 5% and 8% per annum. Leases are in operation for 3 regional offices and two satellite offices. Leases for premises without current lease agreements are in the process of being renegotiated.

## 26. Contingencies

### Service providers

In addition to the commitments set out under note 25, at 31 March 2013 the entity was in the process of negotiating a settlement amount with one of its service providers. The settlement may result in a cash outflow from the entity. The financial effect of the obligation could not be reliably estimated due to on-going discussions. The information usually required by the Standard of GRAP on provisions, contingent liabilities and contingent assets is not disclosed on the grounds that it might materially prejudice the outcome of the final settlement amount.

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
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### 27. Related parties

#### Relationships

Watoto Kidswear (Pty) Ltd	Associate
Department of Economic Development	Government Department
Department of Agriculture	Government Department
Wakegem (Pty) Ltd	Investee

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

#### Related party balances

##### Investment in associate

Watoto Kidswear (Pty) Ltd	300,000	300,000
Shares at cost	(300,000)	(300,000)
<b>Less: Impairment of shares</b>	<b>-</b>	<b>-</b>
<b>Net amount</b>	<b>764,883</b>	<b>731,272</b>
Loan account 1 April	11,516	33,611
Current year movement	(776,399)	-
<b>Amount written off</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March</b>	<b>764,883</b>	<b>-</b>

#### 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.

Funding from Gauteng Provincial Department of Economic Development	105,900,000	105,445,000
Loan funding from the Department of Agriculture	197,927	573,442
Wakegem (Pty) Limited	-	20,000,000

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
<b>27. Related parties (continued)</b>			
<b>Remuneration of directors and key management</b>			
Directors – Fees for attendance at meetings			
K O P Matseke (Chairperson)		191,496	113,981
J. Ngcabetsha (Deputy Chairperson)		157,836	94,031
P. Twala-Tau (CEO)		2,117,612	181,083
L. Mngomezulu		-	62,500
P. Mgulwa		-	60,299
D. Coovadia		-	70,598
M. Mokoena		-	70,598
T. Mazwai		161,275	94,031
T. Sithole		185,163	97,464
D. Ndlovu		157,646	90,598
K. Mkonza		150,956	87,165
Z. Taho	(Appointed 01 January 2013)	33,440	-
D. Maphatiane	(Appointed 01 January 2013)	33,440	-
D. Maja	(Appointed 01 February 2013)	23,440	-
M. Mampuru	(Appointed 01 January 2013)	33,440	-
M. Ramonyai	(Appointed 01 June 2012)	124,077	-
<b>Directors total</b>		<b>3,369,821</b>	<b>1,022,348</b>
Risk and Audit Committee Members			
L. Mothibi		-	10,299
M. Manyama-Matome		-	3,433
N. Sandlana		81,517	20,366
N. Mcambi		81,517	20,366
L. Madavha		91,706	20,366
<b>Committee members total</b>		<b>254,740</b>	<b>74,830</b>
<b>Total paid to directors</b>		<b>3,624,561</b>	<b>1,097,178</b>

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
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### 27. Related parties (continued)

#### Senior management

	Salary	Acting allowance	Bonus	Total
P. Twala-Tau	2,108,654	-	8,958	2,117,612
- Chief Executive Officer				
L. Sithole	1,272,888	-	63,596	1,336,484
- Chief Financial Officer				
K. Modise	1,247,678	14,443	61,295	1,323,416
- Gen. Man. Enterprise Support				
M. Maduna	935,102	-	46,824	981,926
- Exec. Man. Regional Ops.				
K. Onuoka	754,701	-	18,567	773,268
- Company Secretary				
L. Kwapeng	935,102	108,056	46,824	1,089,982
- Exc. Man: Office of CEO				
L. Zabala	675,385	-	-	675,385
- Gen. Man: Corporate Services and HR				
M. Shibambu	564,098	-	-	564,098
- Gen. Man: Marketing				
<b>Total emoluments</b>	<b>8,493,608</b>	<b>122,499</b>	<b>246,064</b>	<b>8,862,171</b>

#### Directors attendance at meetings

	Board	Risk and Audit	Hr and Rem.	Bus. Dev.	Credit Com.
K O P Matseke	8/10	Non-member	(Chair) 3/4	Non-member	Non-member
J. Ngcabetsha	8/10	Non-member	4/4	Non-member	Non-member
M. Mutlaneng	7/10	1/8	Non-member	Non-member	4/5
T. Mazwai	5/10	Non-member	Non-member	(Chair) 2/2	4/5
T. Sithole	10/10	(Chair) 7/8	Non-member	2/2	Non-member
D. Ndlovu	8/10	Non-member	2/4	1/2	Non-member
K. Mkonza	8/10	Non-member	Non-member	Non-member	(Chair) 5/5
P. Twala-Tau	9/10	8/8	4/4	2/2	5/5
D. Maja (Appointed 01 February 2013)	2/2	Non-member	Non-member	Non-member	Non-member
D. Maphatiane (Appointed 01 January 2013)	1/2	Non-member	Non-member	Non-member	Non-member
M. Ramonyai (Appointed 01 June 2012)	5/7	Non-member	2/3	Non-member	Non-member
Z. Taho (Appointed 01 January 2013)	2/2	Non-member	Non-member	Non-member	Non-member
M. Mampuru (Appointed 01 January 2013)	2/2	Non-member	Non-member	Non-member	Non-member

#### Audit committee members attendance at meetings

L. Madavha	7/8
N. Mcambi	7/8
N. Sandlana	7/8

# Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
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## 28. Financial instruments disclosure

The entity's financial instruments consist mainly of cash at bank and cash equivalents, trade and other receivables, financial support debtors, Mafisa debtors and trade and other payables. All financial instruments are carried at fair value. The bank deposits and balances, receivables and payables approximate their fair value due to the short term nature of these instruments. The fair values have been determined by using available market information and appropriate methodologies.

### Fair values

The carrying amount 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 overdue debts. Trade and other payables – subject to normal trade credit terms and a relatively short payment cycle.

The cost approximates its fair value

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

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

Financial support loans held to maturity	31,023,367	29,871,912
Mafisa loans	3,258,095	2,656,888
Trade receivables	24,204,655	9,329,058
Bank deposits and balances	40,341,897	54,115,097
	<b>98,828,014</b>	<b>95,972,955</b>

### Financial assets by category

Loans and receivables	<b>98,828,014</b>	<b>95,972,955</b>
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As at 31 March 2013 R29 644 807 (2012: R68 438 359) of the financial support and Mafisa loans were in default.

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

Trade payables	9,440,063	6,485,022
Finance leases	950,379	1,326,509
	<b>10,390,442</b>	<b>7,811,531</b>

### Financial liabilities by category

Measured at amortised cost	<b>10,390,442</b>	<b>7,811,531</b>
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## Notes to the Annual Financial Statements (continued ...)

Figures in Rand

Note(s) 2013

2012

Restated

### 29. Risk management

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

The entity'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 various risks are managed as follows:

#### Credit risk

Potential concentration of credit risk consists mainly of cash and cash equivalents and trade receivables and financial support debtors.

The entity 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 counter party is managed by monitoring the 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 2013, the entity did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

#### Financial assets

Bank deposits are linked to the South African prime rate.

The net interest income at 31 March 2013 was R7 223 886 (2012: R11 485 178).

The interest rate re-pricing profile at 31 March is summarized as follows.

	0 – 12 Months	Beyond one year	Total floating rate borrowings/ investments
Financial support loans	12,021,459	19,001,908	31,023,367
Mafisa loans	597,660	2,660,435	3,258,095
Investment in associated companies	-	300,000	300,000
Cash and cash equivalents	40,341,897	-	40,341,897
	<b>52,961,016</b>	<b>21,962,343</b>	<b>74,923,359</b>

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 is used and presents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant the entity's surplus for the year ended 31 March 2013 would have increased by R849 098 (2012: R918 096).

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

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
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### 29. Risk management (continued)

#### Liquidity risk

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

The maturity profiles of the financial instruments are summarized as follows.

Financial assets	0 – 12 Months	1 – 5 Years	Beyond 5 Years	Total
Financial support loans	12,021,459	19,001,908	-	31,023,367
Mafisa loans	597,660	2,660,435	-	3,258,095
Investment in associated companies	-	300,000	-	300,000
Cash and cash equivalents	40,341,897	-	-	40,341,897
	<b>52,961,016</b>	<b>21,962,343</b>	-	<b>74,923,359</b>

Financial liabilities	0 – 12 Months	1 – 5 Years	Beyond 5 Years	Total
Trade and other payables	9,440,063	-	-	9,440,063
Finance lease liability	832,457	117,922	-	950,379
	<b>10,272,520</b>	<b>117,922</b>	-	<b>10,390,442</b>

#### Interest rate risk

The entity's interest rate profile consists of floating rate loan and bank balances which exposes the entity to fair value interest risk and cash flow interest risk and cash flow interest rate risk.

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
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### 30. Unauthorised expenditure

There was no unauthorized expenditure noted for the financial year under review.

### 31. Fruitless and wasteful expenditure

Opening balance	874,276	728,760
Condoned	(874,276)	-
Current year	-	145,516
	-	<b>874,276</b>

#### Analysis of fruitless and wasteful expenditure

Incident	Disciplinary Steps	
Interest levied for late payment on property rental invoice.	Landlord now submits invoices electronically before the 27th of every month	- 166
The CRM system was discontinued during the financial year.	Action condoned on the basis of the investigation report	- 109,440
Payment was made to fraudulent bank account.	The matter was reported accordingly to SA Police Services and ABSA	- 35,910
		- <b>145,516</b>

There was no fruitless and wasteful expenditure noted for the financial year under review. Amounts spent on fruitless and wasteful expenditure for the comparative year, as defined by Section 81 of the Public Finance Management Act of 1999 as amended, amounted to R145 516.

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
<b>32. Irregular expenditure</b>			
Opening balance		32,105,084	-
Condoned		(33,765,324)	-
Current year		4,493,936	32,105,084
		<b>2,833,696</b>	<b>32,105,084</b>

During the year under review expenditure on expired contracts prior to their renewal amounting to R4 493 936 (2012: R32 105 085) was spent in an irregular manner as defined by the PFMA of 1999, as amended. The details are as follows:

### Details of irregular expenditure

Non compliance with supply chain laws and regulations	4,493,936	32,034,699
Employees acted in higher vacant posts for an uninterrupted period exceeding 12 months	-	70,385
	<b>4,493,936</b>	<b>32,105,084</b>

### 33. Medical aid information

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

### 34. Retirement benefit information

It is the policy of the entity to encourage, facilitate and contribute to the provision of retirement benefits for all permanent employees. To this end the entity's permanent employees are required to be members of an independently administered provident fund.

The total cost charged to the Statement of Financial Performance of R3 545 026 (2012: R3 255 122) represents contributions payable to those schemes by the entity at rates specified in the rules of the schemes. The entity has no post retirement obligations for retirement benefits.

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012 Restated
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### 35. Prior period errors

The following errors relating to the previous financial year were corrected during the current financial year:

Statement of financial position	Amount as previously reported	Amount as restated	Difference	Note
<b>Current assets</b>				
Mafisa loan	1,043,397	960,253	(83,144)	35.4
Financial support loan	16,214,839	16,340,682	125,843	35.4
<b>Non-Current Assets</b>				
Mafisa loan	1,843,541	1,696,635	(146,906)	35.4
Financial support loan	13,427,024	13,531,230	104,206	35.4
Other investments	75,000,000	1	(74,999,999)	35.1 & 35.2
<b>Cash flow statement</b>				
	Amount as previously reported	Amount as restated	Difference	Note
Cash flows from operating activities	(13,592,389)	(9,923,602)	3,668,787	35.3
Cash flows from investing activities	(16,809,258)	(21,051,489)	(4,242,231)	35.3
Cash flows from financing activities	-	573,442	573,442	35.3

#### 35.1 Transfer of asset

This asset is in respect of shares in Wakegem (Pty) Ltd which were transferred from the Department of Economic Development. This asset was previously recorded at a cost of R55 000 000 on the statement of financial performance and statement of financial position. During the current financial year it was discovered that the cost of R55 000 000 had already been written down to R0 by the Department of Economic Development and as such was transferred at the same value to the entity. The adjustment is to reverse the cost of R55 000 000 previously recognised.

#### 35.2 Other investments

During the previous financial year, a further investment of R20 000 000 was made in Wakegem (Pty) Ltd. This investment was recorded at cost. During the current financial year, a valuation was performed the results of which indicated that the investment was impaired. Based on this valuation, management took a decision to reflect the investment at its appropriate fair value of R1.

The effect of adjustments under 35.1 and 35.2 is that the surplus of R73 292 698 previously reported on the statement of financial performance has been restated to a deficit of R1 707 301. The other investment of R75 000 000 previously reported on the statement of financial position is currently reported at R1.

#### 35.3 Reclassification on the cash flow statement

During the current financial year the cash receipts and cash payments on the Financial Support and Mafisa loan books were reclassified to reflect their nature correctly. These loans were reclassified from cash generated as a result of investing activities to cash generated as a result of operating activities.

Further the cash received from the Mafisa fund was also classified from cash generated as a result of investing activities to cash generated as a result of financing activities.

These reclassifications have a nil net effect on the overall cash generated by the entity.

#### 35.4 Reclassification on the Mafisa and Financial Support Loans

During the current financial year a comprehensive review of the Mafisa and Financial Support loans was undertaken in order to ensure that the presentation provides more detailed and useful information in the financial statements. A reclassification was required to bring the comparative numbers in line with the updated presentation. This reclassification has a nil net effect on the overall statement of financial position of the entity.

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand	Note(s)	2013	2012
		Restated	

### 36. Statement of budget and actual information

2013

	Original budget	Budget adjustments	Final budget	Actual outcome	Variance
<b>Financial Performance</b>					
Grants	105,440,000	-	105,440,000	105,900,000	460,000
Other income	115,643	-	115,643	282,993	167,350
Interest on bank accounts	3,171,075	-	3,171,075	1,058,253	(2,112,822)
Interest on loans	-	-	-	6,165,633	6,165,633
Receipts on loan book	28,855,434	-	28,855,434	30,330,989	1,475,555
<b>Total revenue</b>	<b>137,582,152</b>	-	<b>137,582,152</b>	<b>143,737,868</b>	<b>6,155,716</b>
Employee costs	(56,892,006)	(4,200,000)	(61,092,006)	(55,658,687)	5,433,319
Depreciation and amortisation	-	-	-	(1,619,680)	(1,619,680)
Doubtful and bad debts	-	-	-	(5,686,195)	(5,686,195)
Operating expenses	(15,190,146)	(12,400,000)	(27,590,146)	(29,206,662)	(1,616,516)
Programs/projects	(21,300,000)	2,900,000	(18,400,000)	(20,216,563)	(1,816,563)
Capital expenditure	(500,000)	-	(500,000)	(919,114)	(419,114)
Loans advanced	(43,700,000)	13,700,000	(30,000,000)	(38,126,451)	(8,126,451)
Adjustment for capital movements in loans	-	-	-	8,714,576	8,714,576
<b>Total expenditure</b>	<b>(137,582,152)</b>	-	<b>(137,582,152)</b>	<b>(142,718,776)</b>	<b>(5,136,624)</b>
<b>Surplus/(Deficit) for the year</b>	<b>-</b>	-	<b>-</b>	<b>1,019,092</b>	<b>1,019,092</b>

## Notes to the Annual Financial Statements (continued ...)

Figures in Rand

Note(s)

2013

2012

Restated

### 36. Statement of budget and actual information (continued)

2012

	Original budget	Budget adjustments	Final budget	Actual outcome	Variance
<b>Financial Performance</b>					
Grants	91,445,000	35,000,000	126,445,000	125,445,000	(1,000,000)
Rollover income	-	35,111,584	35,111,584	35,111,584	-
Other income	58,693	-	58,693	334,688	275,995
Interest on bank accounts	3,355,580	(295,580)	3,060,000	2,461,443	(598,557)
Interest on loans	-	-	-	9,023,735	9,023,735
Receipts on loan book	21,406,403	-	21,406,403	21,006,895	(399,508)
<b>Total revenue</b>	<b>116,265,676</b>	<b>69,816,004</b>	<b>186,081,680</b>	<b>193,383,345</b>	<b>7,301,665</b>
Employee costs	(49,540,126)	-	(49,540,126)	(48,562,412)	977,714
Depreciation and amortisation	(1,996,800)	-	(1,996,800)	(1,524,720)	472,080
Doubtful and bad debts	(3,000,000)	-	(3,000,000)	(27,426,209)	(24,426,209)
Operating expenses	(17,788,750)	(1,187,212)	(18,975,962)	(44,552,066)	(25,576,104)
Programs/projects	(18,590,000)	(60,183,174)	(78,773,174)	(52,018,344)	26,754,830
Capital expenditure	(350,000)	-	(350,000)	(1,061,867)	(711,867)
Loans advanced	(25,000,000)	(8,445,618)	(33,445,618)	(14,921,493)	18,524,125
Adjustment for capital movements in loans	-	-	-	(5,023,535)	(5,023,535)
<b>Total expenditure</b>	<b>(116,265,676)</b>	<b>(69,816,004)</b>	<b>(186,081,680)</b>	<b>(195,090,646)</b>	<b>(9,008,966)</b>
<b>Surplus/(Deficit) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,707,301)</b>	<b>(1,707,301)</b>

## Detailed Income Statement

Figures in Rand

Note(s)

2013

2012

Restated

### **Revenue**

Grants from province	105,900,000	105,445,000
Transfer from department	-	20,000,000
Other income	282,993	334,688
Interest income	7,223,886	11,485,178
Rolled over income	-	35,111,584
<b>Total revenue</b>	<b>113,406,879</b>	<b>172,376,450</b>

### **Expenditure**

Personnel	(55,617,611)	(48,562,412)
Depreciation and amortisation	(1,619,680)	(1,524,720)
Finance costs	(1,393)	(166)
Debt impairment	(5,686,195)	(27,426,209)
Repairs and maintenance	(1,199,174)	(840,884)
General Expenses	(48,261,283)	(95,729,360)
<b>Total expenditure</b>	<b>(112,385,336)</b>	<b>(174,083,751)</b>
<b>Operating surplus (deficit)</b>	<b>1,021,543</b>	<b>(1,707,301)</b>
Loss on disposal of assets	(2,451)	-
 <b>Surplus (deficit) for the year</b>	 <b>1,019,092</b>	 <b>(1,707,301)</b>

## Detailed Income Statement (continued ...)

Figures in Rand

Note(s)	2013	2012 Restated
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### 37. General expenses

Advertising promotion and marketing	2,457,521	1,654,393
Auditors remuneration	1,726,911	2,378,807
Bank charges	45,413	19,273
Board meetings	22,123	21,031
Bursaries	493,251	716,482
Consulting and professional fees	2,432,996	2,171,143
Courier services	16,819	251,624
Discount allowed	320,008	-
Entertainment	66,408	350,149
IT expenses	1,055,531	1,310,407
Insurance	279,912	409,509
Library maintenance	118,236	196,044
Maintenance of software	512,124	146,747
Motor vehicle expenses	76,366	69,620
Office equipment rental	340,265	68,607
Office rent and utilities	12,133,972	7,962,924
Printing and stationery	636,385	928,839
Recruitment	331,769	1,066,974
SMME business development support	14,559,501	46,286,789
SMME product development	3,598,744	4,297,612
SMME research and development costs	560,137	273,174
SMME seminars and training	1,288,180	636,055
SMME sponsorships	210,000	524,714
Severance package	840,128	246,216
Telephone and fax	2,168,843	2,137,222
Training	746,247	825,829
Travel - local	94,887	54,043
Travel - overseas	150,208	-
Travel reimbursement	978,398	725,134
Write off of investment	-	19,999,999
	<b>48,261,283</b>	<b>95,729,360</b>

## NOTES

## NOTES

## NOTES

## NOTES

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**economic  
development**

Department: Economic Development  
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