

ANNUAL REPORT 2015/16





GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA



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ORGANISATIONAL INSIGHT



OUR FUNCTION

Contribute to, and facilitate revitalization of Gauteng's township economies.

- GEP will focus on supporting the development of township enterprises, co-operatives and SMMEs that will produce goods and services that meet the needs of township residents and sell their excess produce to other regions, provinces and cross-border markets.

Increase the participation of SMMEs and Co-ops in the Province's mainstream economy.

- GEP will provide unique and tailored financial and non-financial support services to meet the specific needs of its targeted beneficiaries. The financial services will be in the form of direct and in-direct lending. The non-financial services will focus on building entrepreneurial and economic sector technical skills. Both services will provide applying an integrated life cycle approach.

Contribute to the growth and development of the 11 identified sectors.

- GEP will develop the capabilities of SMMEs and Co-ops to become noteworthy role-players in the value chain of services offered by these and other economic sectors through its flagship project of sector specific centres of excellence. One of the game changer projects that GEP will implement is an Entrepreneurship Fund to increase the financial resources required to provide and sustain the revised trajectory development path for SMMEs and Co-ops.

VISION

Sustainable SMMEs and Co-ops propelled into the mainstream economy of Gauteng.

OBJECTIVES

To provide unique, tailored financial and non-financial services that enable SMMEs and Co-ops to become active participants in Gauteng's mainstream economy.

VALUES

Excellence: We strive to serve as an agency of excellence in providing unique, tailored financial and non-financial services to SMMEs and the Co-ops in Gauteng

Leadership: We will lead in reshaping the role and position of SMMEs and Co-ops away from the marginal to the mainstream economy.

Professionalism: We will provide speedy, responsive and relevant professional services in accordance with the Batho Pele principles.

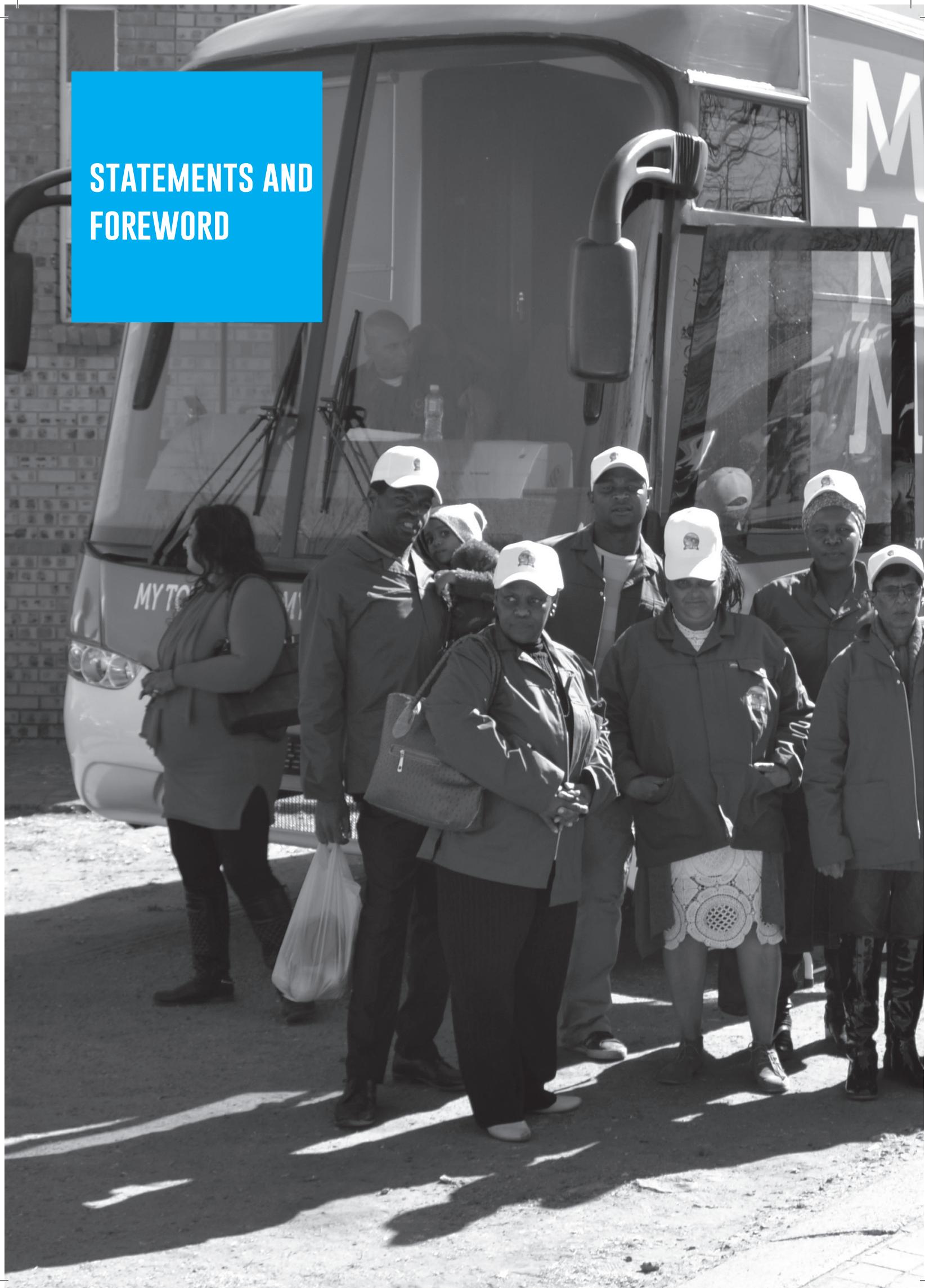
Equality: We will facilitate equity, redress and access to economic opportunities and decent employment.

Innovation: We will foster, and practice, high levels of innovation, effective and efficiency.

Good Governance: We will consistently act with integrity and ensure accountability and good governance.

Partnerships: We will forge long term and sustainable strategic partnerships that will contribute to achieving GEP's goals and objectives.

STATEMENTS AND FOREWORD







MEC'S FOREWORD

Lebogang Maile

Member of the Executive Council: Economic Development and Agriculture and Rural Development

Introduction

Gauteng Enterprise Propeller was incorporated in terms of the Gauteng Enterprise Propeller Act (NO.5 of 2005) and listed as schedule 3c Provincial Public Entity in terms of the Public Finance Management Act, with a mandate to promote, foster and develop small enterprises in Gauteng as an agency for the Gauteng Economic Development (GDED).

The Gauteng Enterprise Propeller continues to support small businesses in the Gauteng province. Over the past few years, GEP has also increased its products offerings to cater for informal businesses with a special focus on the township economy. The provision of support to the township SMME's, cooperatives and the informal businesses is in line with the National Development Plan, the National Cooperatives Strategy and the Gauteng Informal Business Upliftment Strategy. Through the Ntirhisano Programme, GEP has increased its footprints in the Gauteng City Region (GCR) despite its limited budget.

It is worth noting that GEP's mandate has over the past three years increased drastically, whilst the budget allocated to meet these needs remained static. However, the Gauteng Department of Economic Development continues to mobilise funding to ensure that GEP meets its provincial mandate. The case in point has been the provision of Transformation, Modernisation and Reindustrialisation (TMR) funding to GEP and later, the transfer of recapitalisation fund to meet GEP's commitments.

The year 2015/16 marked a 10 year anniversary of GEP. Given its role and im-

pact in the SMME space, it deserves to be celebrated notwithstanding a number of mammoth challenges besetting the organisation. One of the major challenges has been poor debt collection, coupled with some allegations of corruption and collusion. Furthermore, there were problems related to the disjuncture between the growing staff members and the low budget allocated to the core business of entrepreneurship development. This calls for the agency to mobilise external resources in order to meet the growing provincial demands and to turn the ailing economy around.

GEP Turn-around Strategy

A series of meeting with various stakeholders including the Gauteng Legislature indicated that GEP needed to come up with an urgent Turn-around Strategy to resuscitate the then ailing organization.

Some of the core issues that affected GEP included:

- Negative financial position
- Allegations of Corruption and Collusion
- Poor Performance
- SMME's and Service Providers not paid for work done, and or contracts
- Poor management of Strategic Partner contracts
- Low staff morale
- Irregular expenditure with no consequence management

We can proudly report that at the end of the current financial year, GEP did not

have any irregular expenditure as indicated on the Auditor General's report. Furthermore, major highlights of our Turn-around strategy were as follows:

- Decisively acted against all GEP staff implicated on the Forensic Investigation. The investigation by GDF is ongoing.
- Placed a moratorium on all applications (Pause Review and Re-alignment) which assisted the Agency to clearly identify its core challenges;
- Convened SMME Open day to determine those owed by GEP;
- Centralisation of the GEP product offerings to monitor and reduce collusion and corruption;
- Re-capitalisation of GEP to improve on performance and address the provincial mandate;
- Improvement of GEP's financial position and stability;
- Revised the structure which led to the reduction of the remuneration budget from R115 million to R88 million
- Improved overall reliability of Performance Information (Improved from Qualified in 2014/15 to Unqualified in the 2015/16 financial year).
- Audit outcomes were improved compared to the previous financial year.

Through the PRR and the Catch-up plan, GEP was able to increase its performance level from 60% in the third quarter to 85% in the last quarter.



GEP's future

Looking into the future, GEP will be a major player in driving the township economy and the creation of sustainable businesses. With the development of a new strategy, GEP will respond efficiently and timeously to the needs of the SMME's. It will continue to augment partnerships with various funding bodies, big banks, institutions of higher learning, private sector and other related stakeholders. This will ensure that GEP increase its footprints in all the corridors of the Gauteng's economy. In the near future, there will be

a strong focus on business development support and joint funding on high impact projects. By so doing, GEP will be generating more income to sustain and stabilise the organisation whilst also focusing more on the development side of SMME's and Cooperatives. The focus on the stabilisation and sustainability of GEP would ensure that the organisation is well positioned to change the economic landscape and realization of a smart and an entrepreneurial province.

Mr. Lebogang Maile

Member of the Executive Council:
Economic Development and Agriculture
and Rural Development

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THE GAUTENG ENTERPRISE PROPELLER CONTINUES TO SUPPORT SMALL BUSINESSES IN THE GAUTENG PROVINCE. OVER THE PAST FEW YEARS, GEP HAS ALSO INCREASED ITS PRODUCTS OFFERINGS TO CATER FOR INFORMAL BUSINESSES WITH A SPECIAL FOCUS ON THE TOWNSHIP ECONOMY

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CHAIRPERSON'S REPORT

Lebogang Magagane

Board Chairperson

Overview

I am pleased to begin my report by acknowledging the active involvement and commitment rendered by management in carrying out the organisation's mandate given the limited resources. The responsiveness to our requests has been overwhelming and your passion and enthusiasm, fuelled by your dedication to ensuring we deliver on what we've set out in our strategy is encouraging.

The Gauteng Department of Economic Development under the auspices of the Provincial Government has implemented programmes to promote job creation and entrepreneurship with a particular focus on emerging sectors. It is also important to note that an integral role of the National Development Plan is to promote job creation and economic growth with SMMEs seen as playing a vital role in stimulating the economy in South Africa, thus the focus on their development to promote economic growth and generate employment.

The Gauteng Enterprise Propeller has been entrusted by the Gauteng Department of Economic Development to provide financial and non-financial support to SMMEs towards facilitating their development and sustainability through contributing to the creation of an enabling environment for growth of SMME.

We plan to achieve this through our revised strategy that aims to reposition the entity in line with the Provincial Government focus on Transformation Modernization and Re-industrialisation, the alignment of which will contribute in altering the structure and environment of the economy and consequently benefit the Township economy.

Strategy

This year, GEP celebrated its 10th year of existence. This created an opportunity for GEP to reassess its business focus by putting strategies that are aimed at elevating initiatives that will help to transform the provincial economy and to remove barriers of entry for emerging entrepreneurs in the mainstream of the economy.

This Revised GEP Strategic Plan specifically aligns GEP's work to the Gauteng Provincial Government's (GPG) TMR strategic direction which includes the elements of revitalising the Province's township economies; increasing the participation of SMME's and Co-ops in Gauteng's 11 identified sectors towards growing and developing these sectors and changing their ownership patterns; as well as supporting SMME's and Co-ops to contribute to the GDP and the creation of decent work.

Central to the strategy plan is the development and support of township SMME's and cooperatives that will produce goods and services that meet the needs of township residents and sell their excess goods to other regions, provinces and cross-border markets.

A distinguishing feature of the GEP's strategic approach going forward is to create a niche offering of the unique and tailored financial and non-financial support. This shift includes handholding SMMEs and providing business development support that would ensure the survival and creation of sustainable productive industrialists. The production of goods will encourage the stimulation of the local content, resuscitate this ailing economy and assist Gauteng in reclaiming its space as a leading economic hub and an entrepreneurial province.

The Strategy also focuses on forming strategic partnerships with other development Finance Institutions ("DFI") and Government departments to enable the organization to focus on its core functions while drawing on skills and abilities in existing organisations. Such an integrated approach would assist in increasing the pool of resources and giving access to markets to SMMEs. The strategy plan also places a strong focus on project development and preparation which will remove barriers to entry in certain industries and give SMMEs opportunities to attract potential investors and project financing locally and internationally.

Reviewing the current year

There are a number of highlights for 2016, all of which relate directly to the revised Strategy and the effectiveness period undertaken in an effort to improve our efficiency and effectiveness as an Agency.

Pause, Review and Realign

During the year under review, GEP experienced financial constraints due to the changing economic landscape and the strategic focus as per the new business model to address TER and TMR imperatives. The entity successfully implemented a moratorium on new business financial and non-financial support which assisted GEP to determine its true commitments and provided us with an opportunity to reflect and assess resources, structure and processes of the organization in relation to delivering on the new revised mandate.

The objective of the review was assess the current structure of the organization and its layout in relation to delivering its mandate and to also assess whether the organization is resourced appropriately



with the right skill set to deliver against the strategic imperatives of the TER and TMR strategy. Post the moratorium process, GEP managed to align its organisational resource, reposition GEP, enhance internal processes and also secured additional function from shareholder during Q3 – Q4, which consequently presented a challenge for management to disburse all of it before the year ended.

Loan Management System (LMS)

The system was introduced at the end of the 14/15 financial year with the expectation that it would lead to an effective monitoring of our loan book. During the 15/16 financial year the effectiveness of the system was tested and it did not yield the desired results highlighting the need to conduct a cost benefit analysis and post implementation review to ensure that identified gaps were closed.

In analysing our loan book, defaulting debtors were handed over to attorneys for legal collections and the internal debt management efforts have been further bolstered by the involvement of post investment support, including mentorship to maximise the ability of SMMEs to repay their debt. Unfortunately given the kind of clientele we serve, a significant portion of the loan book had to still be written off notwithstanding all efforts made in collecting. It should be noted that in spite of the write off, we still continue to make concerted effort to trace and recover all outstanding debt.

Invoice Discounting Product

During the year under review, the invoice discounting product was introduced as a funding solution to assist SMMEs in im-

proving their cash flow. The product was aimed at discounting invoices for services rendered in the Public Service. It should be noted that the invoice discounting product was introduced at a time when greater emphasis was being put on timorous payment of invoices by the Government. With the majority of Gauteng Provincial departments having adopted the call for paying SMMEs within 30 days, this has persuaded GEP to discontinue the product going forward and focus on other products.

GEP is always looking at developing products and services to respond to the challenges faced by SMMEs and Co-operatives in an innovative fashion. This approach to SMME development has ensured the continued relevance and strategic positioning of GEP within the SMME development rubric.

Looking Forward

In addition to the on-going programs initiated in the current year, the Board is also working on several other initiatives to cater to the needs of our clients as captured in the strategy.

The next phase of effectively implementing the strategy is to ensure that the agency increase financial resources required to support the efforts of accelerating SMMEs and Cooperatives into the mainstream economy. GEP recognises the need to create alliances with similar institutions to augment much needed financial resources to cater for the entity's mandate through referrals and revenue generation strategies and thus plans to introduce a Revenue Generation Unit which is expected to augment the financial resources to support qualifying and emerging busi-

nesses in the Province. The revised strategic approach will be a key driver for optimising GEP's performance to achieve long term sustainability and improve value provided towards SMME development.

GEP also plans to introduce an SMME's and Cooperatives Ecosystem to ensure an integrated development support to small businesses, which forms part of the handholding initiative proposed in our strategy. This program aims to graduate incubated SMMEs throughout the value chain and to achieve this we would have to mobilise academic institutions, research bodies, well-established businesses, sector experts and mentors, government departments, investors, development finance bodies and others that contribute towards the development of SMMEs.

Acknowledgement

It's been a great honour to continue serving as the Chairperson of Gauteng Enterprise Propeller, I am humbled by the opportunity to work with and serve the citizens of Gauteng. As the Board, we strive to ensure that our processes and programs are inclusive, responsive and centred on the needs of our clients.

I would like to thank my Board members for their dedication as well as their relentless involvement and support provided over the past year. I would also like to express the Board's gratitude to the GEP Management for their commitment and hard work during a testing year.

Finally, I wish to thank all our stakeholders, particularly the GEP employees for their ongoing commitment to the repositioning of our business operations in light of the TER/TMR imperatives. Furthermore the



success registered would not have been possible without the on-going support of the Honourable MEC Maile. We truly appreciate your guidance in executing our responsibilities to realise the Provincial developmental objectives of building an economically inclusive Environment for SMMEs.

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

Lebogang Magagane
Board Chairperson

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THE GAUTENG ENTERPRISE PROPELLER HAS BEEN ENTRUSTED BY THE GAUTENG DEPARTMENT OF ECONOMIC DEVELOPMENT TO PROVIDE FINANCIAL AND NON-FINANCIAL SUPPORT TO SMME'S TOWARDS FACILITATING THEIR DEVELOPMENT AND SUSTAINABILITY THROUGH CONTRIBUTING TO THE CREATION OF AN ENABLING ENVIRONMENT FOR GROWTH OF SMME'S

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A photograph showing a man in a blue long-sleeved shirt and a black beanie operating the controls of a large piece of heavy machinery, likely a bulldozer or excavator, at a construction or industrial site. The background shows some structures and equipment under a clear sky.

ACTING CHIEF EXECUTIVE OFFICER'S REVIEW

Leah Manenzhe
Acting Chief Executive Officer: Gauteng Enterprise Propeller

During the 2015/16 financial year, GEP went through a review of its operations to better position itself to support the Provincial objectives, with greater emphasis on the provision of both financial and non-financial support to township businesses. In this regard, we are pleased to report that the review concluded with GEP revising and getting approval of a new strategy geared towards the sustainability of SMME's and Cooperatives, tailor made support, hand-holding, project preparation and creation of SMME's eco-systems.

The 2015/16 Annual report shows a meaningful acceleration of the TMR (Transformation, Modernization and Reindustrialization) funding, TER (Township Economy Revitalization) Funding, as well as Informal Businesses funding, which was achieved despite a difficult operating environment. The achievements attained were a direct result of the PRR (Pause, Review, Realign) process, which was imposed during the 2nd quarter of the 2015/16 period to re-position GEP, and determine issues that had led to the Agency's negative financial position resulting in poor performance in Quarter1, low staff morale, and general allegations of corruption and collusion in the organization. Investigations are ongoing, and the Agency is committed to rooting out elements of unethical behavior within its operation. It is on these bases that a centralized process was introduced, vetting of staff, and continuous forensic sampling of our processes has been introduced. The role of entrepreneurship in revitalizing the economy has become critical, and it is our intention to ensure that all resources set aside to develop SMME's and Cooperatives are utilized to benefit our entrepreneurs.

Serving business startups and entrepreneurs who do not qualify for traditional funding is a mammoth task. When one starts a business, it can be daunting to look at the statistics without considering the lessons they hold. Research shows that 75%-80% of the start-up businesses fail within their first two years of operation as a result of lack of financial acumen and business skills. We have since decided that skills development and capacity-building must go hand in hand with entrepreneurship if there is to be real sustainability in start-up businesses. In this regard, GEP introduced hand-holding products to ensure that SMME's and Cooperatives continue to receive active to improve sustainability. Over and above this, GEP has had to determine products such as project preparation in order to increase chances of startups securing alternative funding from Banks and other DFI's.

Some of the highlights for the period under review included inter-alia:

- Improved the reliability and completeness of Information
- Improved Performance Information Audit from qualified in the 2014/15 period, to Unqualified in the 2015/16 financial year;
- Delivered TMR Projects worth R78m, which created well over 76 permanent jobs, and 1015 temporary jobs. These projects will be launched in the 2016/17 financial year to showcase value and impact;

Whilst there were areas of success, the following remained a challenge in the 2015/16 financial year:

Writing Off Bad Debt

GEP's business is to fund SMMEs who are in the entry phase of the formal economy, facing cash flows problems that impede their sustainability. These lead to their inability to repay the loan advanced to them. During the period under review the legal process was followed to trace defaulting debtors and it was found that most of them had gone bankrupt and subsequently liquidated. These led to GEP writing off debt amounting to R38 million.

GEP is committed to finding creative ways to address them in the 2016/17 period, namely:

- Loan Collections: Whilst we acknowledge that GEP's clients are high risk (startups); there is a need to investigate alternative packages to reduce the loan risks and focus on business development funding.
- High staff turnover: Staff retention plans, Succession planning, Training and Development of staff must be a focus area for GEP in order to retain the knowledge base.
- Increased demand of GEP products and services whilst the budget remained limited: Alternative funding sources to be investigated and concluded in order to augment the Agency's resources
- Distinction between entrepreneurs and job seekers: A scientific tool to be developed to assist with quick identification of job seekers versus entrepreneurs. It is very costly to try to convert a job seeker into an entrepreneur.
- Responsiveness to Clients: One of the urgent areas to resolve in the 2016/17



ACTING CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

period is our responsiveness to clients. We are looking at establishing a capacitated Call Centre, with a full CRM software aimed at assisting with tracking of applications, and reporting on efficiencies in resolving client queries, amongst others.

The entity managed to resolve most of the concerns that were raised by Standing Committee on Public Accounts (SCOPA) which included the following:

- Progress report on the outcome of the disciplinary action that was taken against officials who were responsible for committing R30 000 000 to fund SMMEs.

The progress report on the investigation was concluded during the year under review. The findings didn't warrant the disciplinary measures as there was a misunderstanding and misinterpretation of the financing arrangement between GEP and the service provider.

- As at the end of March 2016, 85% of commitments were paid. GEP will make

a follow up for the remainder of the 15% commitments not yet paid due to outstanding contractual obligations by SMME's and Co-ops in the 16/17 financial year.

- Zero value assets which were found to be obsolete were disposed and the useable assets were reassessed. During the year under review there were no issues raised on assets.

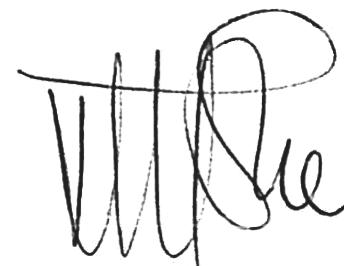
- To address the issues of poor leadership, the shareholder seconded staff from the Department of Economic Development (DED) and further appointed representatives to the Board. Critical positions were advertised, post the approval of the revised organizational structure.

It is worth noting that the agency is in the final stages of regrading all the positions in order to eliminate salary disparities.

Finally, let me take this opportunity to thank the Shareholder for their continuous support, the Board of Directors for

their oversight, Executive Management and all staff of GEP for persevering under very difficult working conditions in 2015/16.

We shall continue to find innovative and sustainable ways to increase GEP's footprint in an effort to address historical challenges, including sustaining jobs, and accelerating delivery at all levels of Government.



Ms. Leah Manenzhe

Acting CEO: Gauteng Enterprise Propeller

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**THE ROLE OF ENTREPRENEURSHIP IN REVITALIZING
THE ECONOMY HAS BECOME CRITICAL,
AND IT IS OUR INTENTION TO ENSURE THAT
ALL RESOURCES SET ASIDE TO DEVELOP SMME'S
AND COOPERATIVES ARE UTILIZED TO BENEFIT
OUR ENTREPRENEURS**

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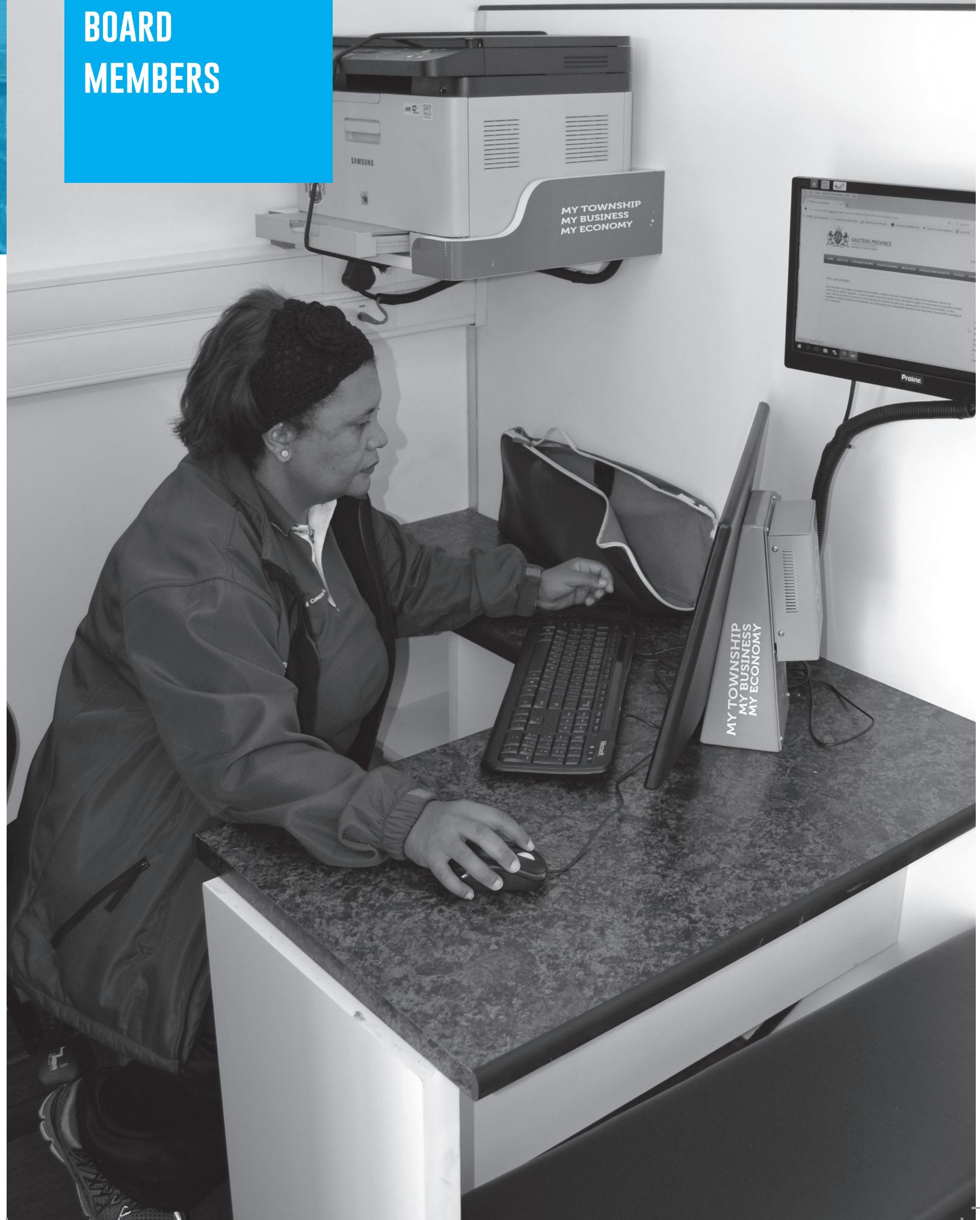
Decent Employment
Through Inclusive
Economic Growth



DESENT EMPLOYMENT
THROUGH INCLUSIVE
ECONOMIC GROWTH

GAUTENG
PROVINCE
GOVERNMENT OF SOUTH AFRICA
Gauteng Economic Development Agency (GEDA)

BOARD MEMBERS





Lebogang Magagane
Board Chairperson



Thulani Sithole
Deputy Chairperson



Leah Manenzhe
Acting Chief Executive Officer



Mamoroke Lehobye
Chairperson: Risk &
Audit Committee



Millicent Maroga
Board Member



Innocentia Motau
Board Member



Mary-Jane Ramusi
Board Member



Rodney Kekana
Chairperson: Human Resources
and Remuneration
Committee



Morwesi Ramonyai
Chairperson: Business
Development Committee



Claire Busetti
Board Member



Kingsley Duba
Board Member



Tshilidzi Ratshitanga
Board Member



Monde Africa
Board Member

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56 Eloff Street,
Johannesburg
Tel: 011 355 8000
Fax: 011 355 8694
www.edcdev.gpg.gov.za



CODED 4



For the period under review, the business unit developed the 2015/16 Annual Performance Plan (APP) which was approved by the board in line with the new approved five year strategy 2015 to 2019. The monitoring of the annual performance plan continued, specifically on the catch-up plan developed during the third quarter, post the moratorium. In addition, the unit reviewed the strategic plan to ensure alignment with the Township Economic Revitalisation strategy (TER) and the organisational structure and to meet the shareholder expectation.

The GEP Board approved the 2015-2019 strategy which aims to focus on the creation of sustainable SMME's and put a strong emphasis on handholding and development support. The following are the game changers developed to drive the impact aligned to TMR interventions; namely:

- Sector Specific Centers of Excellence;
- Gauteng Entrepreneurship Fund;
- SMME and Co-op Ombudsman;
- Business Ideas Bank;
- GPG Procurement set-aside for SMMEs and Co-ops;
- Easing doing business for SMMEs and Co-ops; and
- Direct and Indirect Lending.

This Revised GEP Strategic Plan specifically aligns the GEP's work to the

Gauteng Provincial Government's (GPG) TMR strategic direction which includes the elements of revitalizing the Province's township economies; increasing the participation of SMME's and Co-ops in Gauteng's 11 identified sectors towards growing and developing these sectors and changing their ownership patterns; as well as supporting SMME's and Co-ops to contribute to the GDP and the creation of decent work.

The GEP's revised Vision is:

"Sustainable SMMEs and Co-ops propelled into the mainstream economy of Gauteng".

This revised Vision recognises the central role of SMMEs and Co-ops in creating a better life for all during the second phase of the country's transition from apartheid to a national democratic society based on the principle of shared socio-economic development.

Revised mission

"To provide unique, tailored financial and non-financial services that enable SMMEs and Co-ops to become active participants in Gauteng's mainstream economy"

GEP's key major Strategic thrust are the following:

- Facilitate the revitalisation of the Gauteng township economy;
- Increase the participation of SMME's and Cooperatives into the mainstream economy; and

- Contribute to the growth and development of the 11 priority sectors.

Central to these strategic thrusts is the support to the development and support of township SMME's and cooperatives that will produce goods and services that meet the needs of township residents and sell their excess goods to other regions, provinces and cross-border markets.

For GEP to realize these objectives, a unique and tailored financial and non-financial support services will be provided to meet the needs of the specific beneficiaries. Fundamental to the provision of the financial support is the focus on productive skills to assist in the manufacturing of goods and creation of sustainable businesses. GEP is currently working on the SMME's and Cooperatives Ecosystem to ensure an integrated development support to small businesses. This includes amongst the mobilisation of academic institutions, research bodies, well-established businesses, sector experts and mentors, government departments, investors, development finance bodies etc.

Such an integrated approach would assist in developing new quality products, access to markets and funding. A strong focus on project development and preparation will increase opportunities for SMME's to attract potential investors and project financing locally and internationally. This major game changer intends to create capacities for SMME's to become noteworthy role players in the value chain of services offered by these and other economic sectors.



STRATEGIC PLANNING, MONITORING AND EVALUATION (CONTINUED)

A distinguishing feature of the GEP's strategic approach going forward is to move the agency from being "everything to everyone" to creating a niche offering of unique and tailored financial and non-financial offerings. This shift to handholding and business development support that is sustainable would ensure the survival and creation of productive manufacturers and industrialists. The production of goods would encourage the stimulation of the local content, resuscitate this ailing economy and assist Gauteng in reclaiming its space as a leading economic hub and an entrepreneurial province.

The strategic partnerships will enable the organization to focus on its core functions while drawing on skills and abilities in existing organisations. A key advantage of this approach is that it enables the pooling of resources which broadens the purse and opportunities. For GEP to realize its strategic imperatives of TMR, TER and GIBUS within the GCR, a strong resource mobilisation is required.

The high impact TMR projects also characterises the GEP shift and the balance that is required to amplify the creation of decent jobs and stimulate the local economy.

Central to GEP's game changes is the SMME's and Cooperatives Ecosystem, the Entrepreneurship Fund, the Gauteng Entrepreneur Award and the Business Ideas Bank (Entrepreneur Booster Pitching). The later, Entrepreneurship Booster Pitching which promotes the competition of business ideas and models would enhance the match-making or investor attraction. Some of the successful businesses would be exposed to international investors as well as businesses.

In realizing the mandate of GPG in procuring 75% of its goods from local businesses and 30% set aside for local townships, GEP has started to train and position SMME's to benefit from the GPG procurement spend. Again, GEP has started to prepare develop and cluster SMME's producing

a similar product to increase their capacity and bargaining clout. Collectively or clustered approach would see most township businesses benefiting enormously from government procurement plans and also respond positively to the set aside products such as bread, milk and meat in the province. An approach of this nature would also see the local businesses reclaiming their positions from both the foreign-owned and the well-established businesses.

As part of accountability to the mandatory statutory bodies and service delivery to communities, the unit participated in various stakeholder engagements participation in such as Ntirhisano, Gauteng Department of Economic Development (GDED), Legislature and Standing Committee on Public Accounts SCOPA and Community Outreach programs.

Mr. Thulani Guliwe

Acting Specialist: Strategy, Planning, Monitoring & Evaluation

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THE GEP BOARD APPROVED THE 2015-2019 STRATEGY WHICH AIMS TO FOCUS ON THE CREATION OF SUSTAINABLE SMME'S AND PUT A STRONG EMPHASIS ON HANDHOLDING AND DEVELOPMENT SUPPORT

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MARKETING AND COMMUNICATIONS

Thenjiwe Dube

Acting General Manager: Marketing and Communications

Pause, Review and Realign (PRR) process

At the beginning of August till October 2015, GEP placed a moratorium on new applications for both financial and non-financial support. This period is known as Pause, Review and Realign (PRR) was aimed at addressing challenges that GEP was facing at the time. In the main were backlogs of commitments, put processes and systems in place to enforce adherence to contractual obligations in respect of loan repayments and review products and services. To give credibility to the process, Gauteng MEC for Economic Development, Environment, Agriculture and Rural Development Lebogang Maile convened an Open Day to engage all clients who had whose proposals were approved by GEP but were not funded. To date, GEP has realigned its operations to improve and maximize its operations. Among others, the following were achieved:

- a new organisational strategy was developed and approved,
- a new debit system has been introduced to for a seamless debt collection,
- a revenue generation and sustainability plan was developed. Its aim is to re-position GEP through sustainable programmes with partners, mobilise funding both locally and internationally to support SMMEs and Cooperatives and to develop supplier developmental programmes.
- commitments that were approved have been paid off,
- new products and services were introduced and
- Regional operations were streamlined

to address the influx of applications for support.

DEVELOPING BRAND AWARENESS

Website updates

During the year under review, the division made changes on the website and the process is ongoing. The unit provided information on the trajectory of GEP since its inception to date. This was aimed showcasing the success stories of GEP as it celebrated its 10th Year Anniversary. The new look and feel of the website attracted a total of 46 496 visitors.

Social Media

Facebook proved to be the best tool among youth who aspire to be entrepreneurs and those who want assistance with regard to skills development. This platform was also used to disseminate information with regard to workshops, roadshows and to respond to queries. During the financial year, a total of 5 868 Likes were received.

MEDIA ADVERTISEMENTS AND NOTICES

Open Day

During the MEC's Open Day 12 community and commercial radio stations were used to make announcements to GEP clients. It is estimate that 2,5 million listeners were reached.

Post Moratorium advertisement

GEP lifted the three months moratorium on new applications for financial and non-financial support that was placed in 2015. For this campaign, GEP utilised local and commercial radio stations and reached over 5 million listeners.

In addition several community and national newspapers were used.

Promotion of GEP Products and Services

GEP embarked on a brand awareness campaign to announce the new products and services that have been introduced. Regional commercial radio stations were used and this gave brand GEP an estimated reach of 2 million.

Stakeholder Relations

GEP continued to strengthen and promote its brand by partnering with various private and public stakeholders. During the Global Entrepreneurship week, GEP exposed its SMMEs and Co-operatives to events and workshops that were facilitating discussions on funding, skills development, training, mentorship and access to markets among others.

QONDIS' ISHISHINI LAKHO AND NTIRHISANO CAMPAIGNS

GEP brand continued to be visible during the Qondis' Ishishini lakho and Ntirhisano campaigns.

In 2015, the Department of Economic Development launched a campaign titled Qondis'ishishini Lakho which encourages informal businesses to be formalised. GEP played an important role in so far as the registration process as well as the recruitment and mobilisation of the businesses on the ground in the Gauteng Province.

Ntirhisano

Another project supported was Ntirhisano where GEP was expected to respond to queries that were emanating during Premier David Makhura's visits to various areas.

MARKETING AND COMMUNICATIONS (CONTINUED)

These roadshows also showcased several projects that GEP supported including several business hubs in the regions. Some areas of the Gauteng City Region were reached and several informal businesses were registered.

Ms. Thenjiwe Dube

Acting General Manager:
Marketing and Communications

GEP EMBARKED ON A BRAND AWARENESS CAMPAIGN TO ANNOUNCE THE NEW PRODUCTS AND SERVICES THAT HAVE BEEN INTRODUCED. REGIONAL COMMERCIAL RADIO STATIONS WERE USED AND THIS GAVE BRAND GEP AN ESTIMATED REACH OF 2 MILLION



INFORMATION AND COMMUNICATIONS TECHNOLOGY

Patrick Mosiallhaga
Chief Information Officer

IT Governance

The IT Governance practices continue to be maintained and improved to ensure matured IT Governance processes. The Department has continued with the implementation and improvement on IT Governance processes and practices as prescribed by the Department of Public Services and Administration, Corporate Governance of ICT Policy Framework and in alignment with the King III code of best practice on IT Governance, including the Board Briefing on IT Governance publication by the IT Governance Institute. As stated, IT Governance processes and practices are well entrenched at GEP and IT performance reports are tabled at the EXCO, Board and Board Committees to enable these governance structures to judiciously measure IT Performance and fulfill their oversight IT Governance roles and responsibilities.

IT Strategy

The Department is in the process of developing the GEP IT Strategy to enable, support and align IT with the GEP Strategic Plan. As stated, the IT Strategy is being reviewed to align with the GEP Corporate Objectives, including the Shareholder's Economic Transformation, Modernization and Re-Industrialization aspirations. We are very excited about the innovative programs that will be identified to enable and support achievement of the overall GEP and shareholder objectives.

IT Contribution to improvement of the GEP Loan Book

The Loan Management System (LMS) was initiated to automate the back office debt management business processes

and procedures. The Loan Management System has continuously been improved to streamline the business processes, improve reporting and enable informed decision making.

GEP Standard Operating Procedures

The Department was instrumental in developing the enterprise wide Standard Operating procedures. These will help in identifying areas of improvement in our business processes and hence result in improved business performance.

GEP Customer Portal

The GEP Customer Portal, which is used by the Regional Operations business units for their business development interventions, for example, Township Business Renewal, Start-Ups, Community Fund, Co-Operatives Assistance Programs, etc., has constantly been improved to meet stakeholder requests, like refinement of CIPC and Exhibition components of the Portal; and reporting format requirements from the Department of Trade and Industry (DTI) and the Shareholder.

The platform on which the portal runs has been kept up to date with new and emerging technologies and is being expanded to respond to the TMR objectives.

GEP Website, Facebook and YouTube

Focus was also expended on the GEP Website and digital social media platforms. The GEP Website platform has been kept up to date with new and emerging technologies to enhance customer and stakeholder experience. For example, GEP Information can be accessed on the GEP Website via any user interface (PC, Tablet, Mobile, etc.

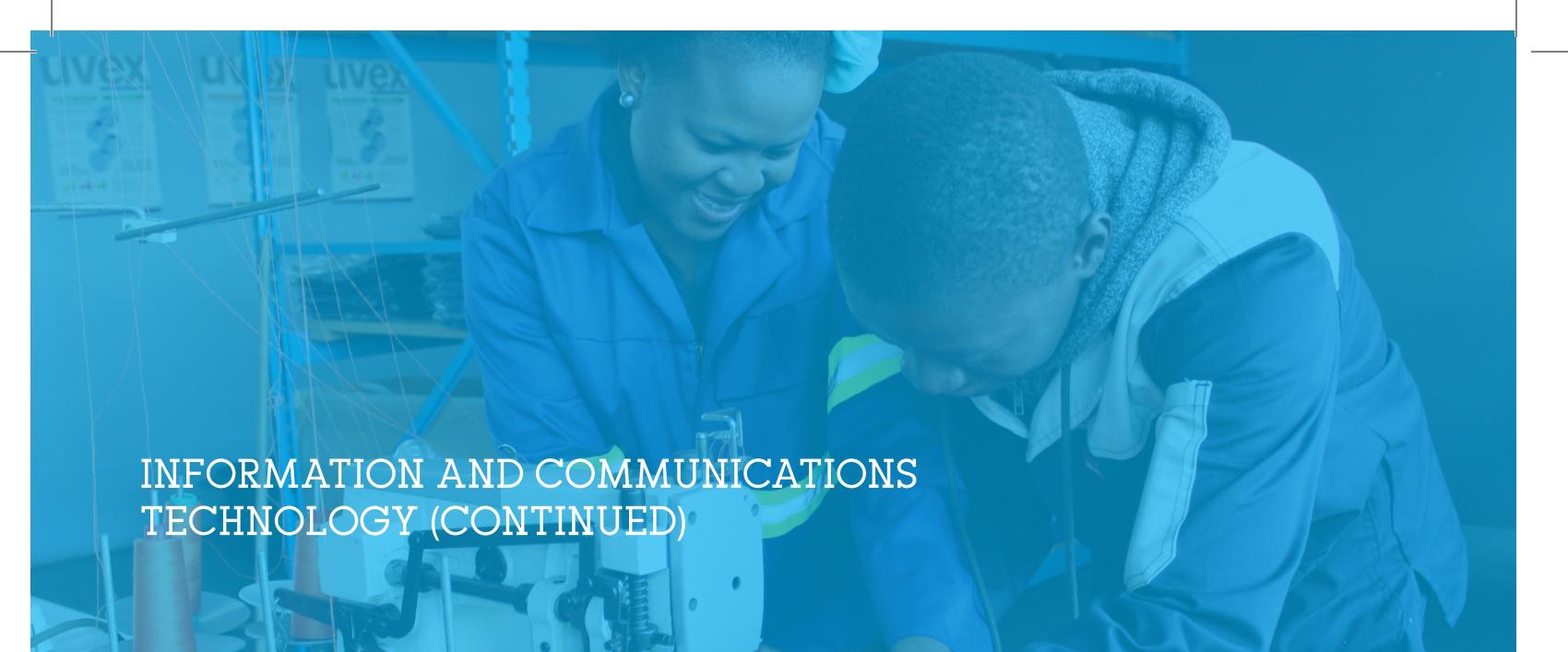
The GEP Facebook page has been extensively used to extend our market reach, branding, and enhance our communications initiatives. The number of visitors to the page is being monitored and is on the increase. We have also implemented a dedicated YouTube channel which will be used to improve on our future communications efforts, and Twitter feasibility is being explored for use to facilitate interactive communications.

IT Customer Satisfaction

The Department always strives to improve the quality of services that it delivers to its internal customers. To this end, a customer satisfaction survey was conducted at the end of the third quarter to ensure that the department can identify areas of improvement and improve on the levels of service that it provides to its internal customers. The customer satisfaction survey results were positive, with the overall internal customer satisfaction being 65%. The department is focused on continuous improvement and addressing the areas of our internal customer's concerns and will be conducting the fourth quarter internal customer satisfaction survey to assess whether there has been improvements.

IT Business related risk and Information Security

GEP has developed the IT Security Framework that is meant to protect the Confidentiality, Integrity and Availability of Information and Information Resources. The Framework is aligned to the Code of Good Practice Information Security Standard (ISO/IEC 27002). Information security processes and controls have been implemented in accordance with the approved Information Security polices in



INFORMATION AND COMMUNICATIONS TECHNOLOGY (CONTINUED)

order to:

- Ensure that critical information is withheld from those who should not have access to it and that business transactions can be trusted
- Protect the confidentiality, availability and integrity of GEP information and information resources
- Ensure that IT services are usable, can appropriately resist attacks and recover from failures
- Comply with the legislative, contractual and statutory requirements regarding GEP information and information resources.

The continuous improvement of the processes and controls is an ongoing process and has resulted in 60% of the Auditor general Findings successfully addressed, with the 40% partially resolved due to developments outside of GEP's control. However, plans are in place to mitigate the 40% partially resolved Audit Findings. In addition, successful implementation of risk mitigation strategies and processes have seen a real reduction in both the number of IT-related business risks and the impact (likelihood and frequency) of the residual risks.

Mr. Patrick Mosialthaga
Chief Information Officer

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THE DEPARTMENT WAS INSTRUMENTAL IN DEVELOPING THE ENTERPRISE WIDE STANDARD OPERATING PROCEDURES. THESE WILL HELP IN IDENTIFYING AREAS OF IMPROVEMENT IN OUR BUSINESS PROCESSES AND HENCE RESULT IN IMPROVED BUSINESS PERFORMANCE

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RISK MANAGEMENT AND AUDIT

Tebogo Marishane

Acting Specialist: Risk Management and Audit

Part A - Risk Management

Strategy, Policies and Frameworks

The GEPs risk management processes and systems are guided and clearly set out in its risk management strategy and policy which have been approved by the Board. These documents are in line with the Public Sector Risk Management Framework and other latest developments on risk management. The framework also clearly spell out the risk management responsibility of everyone in with GEP, and not only of the Board, Management or the Risk unit.

Risk identification, analyses and evaluation

The strategic and operational risks of GEP were identified through a risk identifications process. These risks were analysed in terms of their likelihood and impact. An action plan indicating control measures for addressing the risks, the due dates and responsible officials for addressing the operational risks was developed with the managers of the areas of operation where these risks arose. These managers are required to report on the implementation of mitigating tasks to reduce or eliminate the risks in their units.

Assurance

Assurance that the risks identified and associated controls are appropriate and effective is the responsibility of the assurance providers, as identified in the assessment. Internal audit utilizes the risk assessment in the formulation of the internal audit plans.

Reporting

The risk management unit submitted quarterly reports to the EXCO. The Specialist Risk and Audit would then report to

the Risk and Audit Committee to enable the committee to perform its oversight function on risk management.

Monitoring

Monitoring of the risk management process and function in GEP is done by the Operation Clean Audit Committee (OPCA) and the Risk and Audit Committee quarterly.

Communication

To inculcate a culture of risk management and fraud management in GEP, risk and fraud awareness sessions are held in all the regional offices and at the Head Office.

Level of maturity

Risk Management has been implemented in the GEP since 2012 and systems and the framework are in place. The Board and staff members are aware of their responsibilities with regard to risk management. A lot of work is still required to ensure that risk management is inculcated into the culture of the organization

Business Continuity Management

The entity has established the following as building blocks for business continuity.

Business Continuity Policy, Business Continuity Management Implementation Strategy, Business Continuity Plans for each business division and IT Disaster Recovery Plans.

Business Continuity Management awareness across the organization and testing of the business continuity plans will be implemented in the next financial year.

Part B – Internal Audit

In terms of section 51 (1) (a) (ii) of PFMA the accounting authority is required to maintain a system of internal audit under the control and supervision of the Audit Committee. GEP has outsourced its internal audit function. The purpose, authority and responsibility of the function is formally defined in the internal audit charter also there is an internal audit plan both of which are approved by the Risk and Audit Committee.

Audit Action Plans

During the period under review significant improvement has been made by the entity in resolving the auditing findings raised by the Auditor General in 2014/15 financial year. The improvements realised in resolving the Auditor Generals Findings is at 63%, while internal audit finding were resolved at 70%. This was due to the effective implementation of action plans developed to address prior year audit findings.

Risk Management and Audit Unit will continue to work and provide support to management in ensuring monitoring and adherence to the audit actions plans as this will ensure that the 2015/16 audit findings raised by internal and external auditors are timeously addressed and resolved to avoid recurrence in the future.

Lastly, I would like to appreciate the continued support provided by the internal and external auditors notwithstanding the Acting Chief Executive Officer's patience and guidance, management and staff in ensuring smooth audit process is realised during the period under review.

Mr. Tebogo Marishane

Acting Specialist: Risk Management and Audit



STAKEHOLDER MANAGEMENT AND PARTNERSHIPS

Mpumelelo Ndebele

Specialist: Strategic Partnerships, Stakeholder Relations & Resource Mobilisation

GEP Partnerships

For the period under review, the unit partnered with a number of strategic partners in an attempt to have an integrated and greater economic impact as opposed to isolated pockets of excellence in the SMME development arena. GEP also supported very exciting projects in collaboration with key strategic partners.

Supplier Development Programme.

GEP placed 19 SMMEs to be capacitated through the United Nations Supplier Development Programme. The aim of the programme was to integrate the SMMEs into the supply/value chains of Transnational Corporations (TNCs), large local companies such as Original Equipment Manufacturers (OEMs) as well as State-Owned Enterprises (SOE's) in South Africa, jointly referred to as Anchor Companies. The SMMEs were capacitated through a 10-month in-depth technical mentorship programme.

Sector Development Programme.

To contribute to the development of GPG priority sectors, the unit facilitated the incubation of SMMEs in the Film and Furniture industries. In this regard, 65 SMMEs were incubated in the Film and related industries, exceeding the targeted 60. In the furniture industry, 22 SMMEs were incubated, greater than the targeted 6.

The Stakeholder Management and Revenue Generation

During the year under review, the unit developed the Revenue and Sustainability Plan. The purpose of the program is to mobilize funding and other resources from development finance institutions, business chambers, government departments and private sector organizations into joint action and partnering in the allocation of resources for SMME development.

According to the GEP Act of 2005 section5c, GEP is mandated to undertake activities in the Province, nationally and internationally to attract support for small enterprise development in the province.

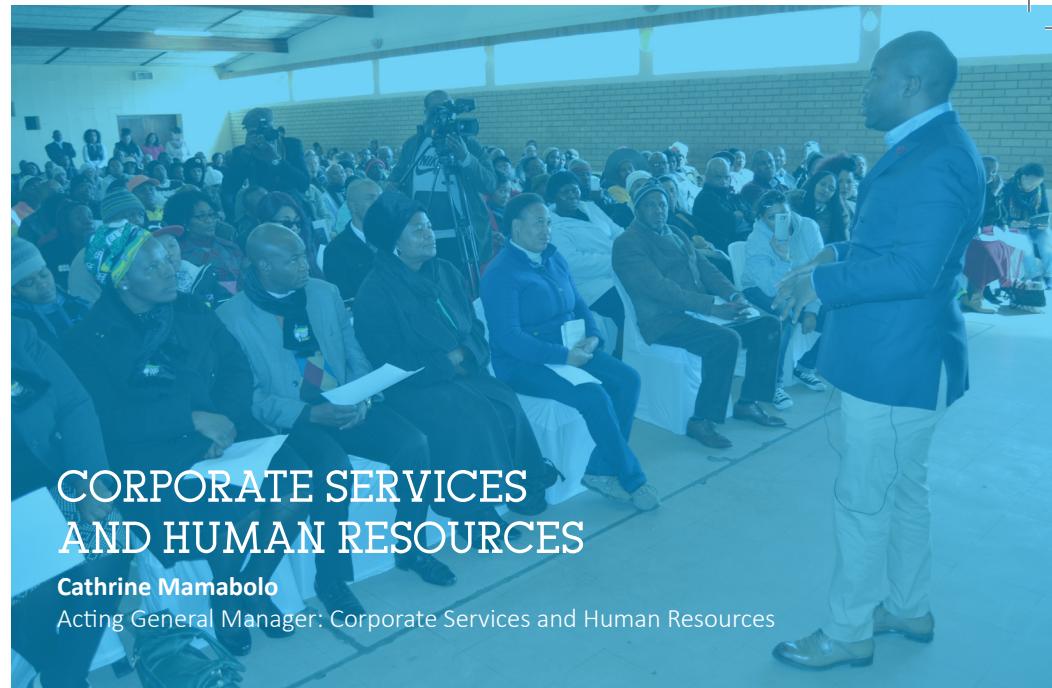
Mpumelelo Ndebele

Specialist: Strategic Partnerships, Stakeholder Relations & Resource Mobilisation

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CORPORATE SERVICES AND HUMAN RESOURCES

Cathrine Mamabolo

Acting General Manager: Corporate Services and Human Resources

Performance Management System

For the year under review, the Performance Management Policy was duly reviewed and a new Performance Management Framework, Performance Management Guidelines and Employee performance Management pack were developed. This was aimed at ensuring a more dynamic performance-driven environment. The project however resulted in the revamp of Executives' scorecards to strengthen the measurement of performance and was cascaded to the lower levels of the organization.

Skills development and employment equity

The existence of a functional Skills Development and Equity Committee is in line with the Skills Development Act no 97 of 1998 and Employment Equity Act no 55 of 1988 as amended. The main reason behind such legislations are many, including among others the need to eradicate the past legacy of discrimination that has led to major inequalities in the labor market; the need for economic growth; the satisfaction of constitutional requirements; and the standards of the International Labour Organizations that have been ratified by South Africa.

The Skills Development and Equity Committee is currently functional and in line with legislative guidelines to ensure that there is consultation and representation throughout the organization on matters affecting skills development and equity.

Workplace Skills Plan and Annual Training Report

All forty (40) training interventions target

ed as per the Workplace Skills Plan (WSP) including bursaries awarded to employees, were achieved. The compliance and achievement of the training targets as per the WSP resulted in GEP receiving a mandatory grant amounting to R 216, 317 70. This constituted about 20% of the 1% of the salary bill paid towards the Skills Development Levy. It is a refund against all monies contributed towards the skills development levy regardless of how much was spent on training.

Youth Career Development/Internship

Owing to financial constraints, there was no intake of new Interns, however the GEP partnered with the Gauteng City Region Academy (GCRA) in order to assist with skills transfer and capacitation of the Qondis' Ishishini Lakh - Field Workers by providing portable skill that will help prepare them for the world of work. The programme will assist also in closing the gap on the identified potential areas of development.

Review of the Organisational Structure

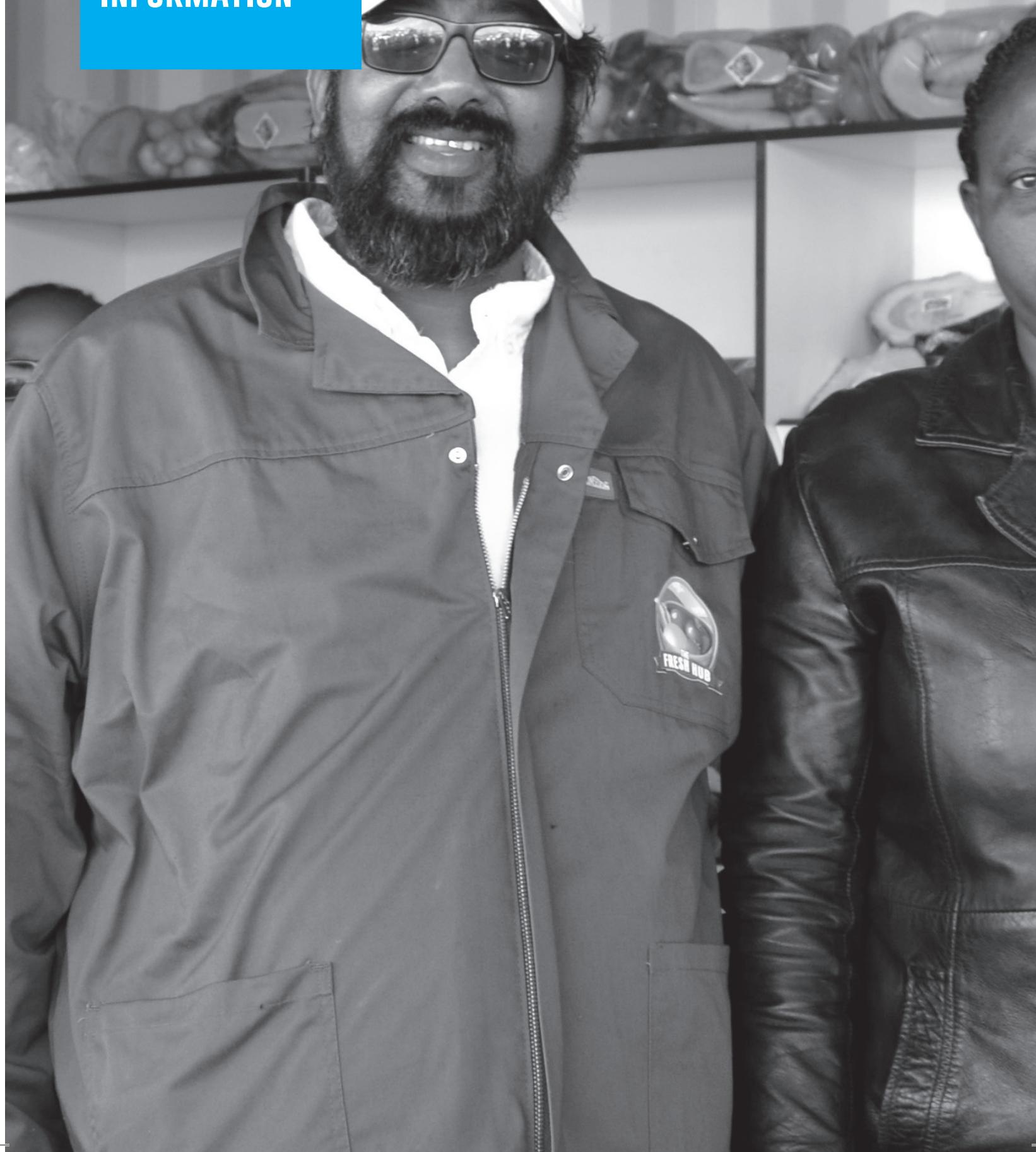
The GEP organisational structure was reviewed in line with the approved 2015-2019 organisational strategy and subsequently approved by the Board on the 24 May 2016. The structure was developed in a way that it responds and deliver on both the provincial and national mandate. The MEC's Advisory Committee on the review of agencies of the Gauteng Department of Economic Development recommended that GEP budget allocation should focus more on the core business as opposed to Support Services. In the reviewed structure the ratio has changed

proportionally from support to the core business, the current scale is 63% in favour of the core and 37% for Support Services. In addition, the compensation budget was reduced from R115 million in the previous structure to R88 million.

Cathrine Mamabolo

Acting General Manager: Corporate Services and Human Resources

ORGANISATIONAL PERFORMANCE INFORMATION





Township Economy Revitalization (TER) Program

In line with the objectives of the Township Economy Revitalization (TER) Program to revive township economies, the unit continued to fund township-based SMMEs and Cooperatives through the Township Business Renewal (TBR) Programme and Cooperatives Assistance Program (CAP) respectively. In this regard, 401 SMMEs were funded through the TBR program, surpassing the targeted 250 SMMEs. The benefits of the Cooperatives Assistance Program (CAP) were provided to 132 Cooperatives, greatly exceeding the targeted 55 Cooperatives.

Business Development Support (BDS)

Pillar 2 (Entrepreneurship Development) of the Township Economic Revitalization Strategy, espouses Business Development Support, amongst the forms through which township-based SMMEs and Cooperatives should be supported with the aim of propelling their graduation to the mainstream economy. The efficiency of the Regional Operations can be largely credited with the Agency's consistent momentum in the provision of Business Development Support (BDS) Interventions to SMMEs and Cooperatives.

In the period under review, 775 SMMEs were assisted with various Business Development Support interventions, greater than the targeted 700 SMMEs. The total consist of 208 youth-owned SMMEs that were attracted through the Qondishishini Lakho campaigns. In the same breath, 136 Cooperatives benefited from Business Development Support interventions exceeding the targeted 65 Cooperatives.

Youth Entrepreneurship Development

To address the challenge of Youth Unemployment, GEP contribute to the provision of enterprise support to youth-owned business. In this regard, six youth-owned SMMEs were funded in the period under review with loans worth R4, 3m.

Informal Business Support

GEP is central in the provision of enterprise support to Informal businesses, with a view of contributing to the graduation of the informal businesses to the formal economy in line with the objectives of the Gauteng Informal Business Upliftment Strategy. In this regard, the Regional Operations unit provided tailor-made Training to 297 Informal business exceeding the targeted 400. The unit also formalized 457 Informal businesses through CIPC Registrations greater than the targeted 100.

The demand for CIPC Registrations was also stimulated by the Qondishishini Lakho campaigns spearhead by the Department and GEP, to encourage Informal businesses to formalize with a view of accessing non-financial and financial support provided by Public Entities.

In view of the persisting challenge of unemployment faced by the Province, GEP contributed to the sustenance of 1144 jobs through BDS Interventions provided to SMMEs while 397 jobs were sustained through the provision of CAP and BDS Interventions to Cooperatives.

ORGANISATIONAL PERFORMANCE INFORMATION

Unit: Investment Management										
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation	
Provide accessible and timeous Financial solutions	Development of funding solutions	Number of funding solutions developed	2	2	MOUs, Memos and Proof of Payments	MINCAP and GGB Partnerships	-	-	-	
Provide accessible and timeous Financial solutions	Provision of accessible and Timeous funding packages	Number of captive deals approved	50 Deals	16	List of Approved Loans	Internal Resources	(34)	The target was not achieved due to the negative financial position of GEP in Q1. Furthermore, at the beginning of the quarter2, a moratorium on new applications was placed which meant less deals approved through committees. Recapitalisation funding was secured in Q3. As a result, there was insufficient time to process and approve deals.	Captive deal applications will be sourced from amongst the Proposals received in response to the issued Call	
Provide accessible and timeous Financial solutions		Number of captive applications assessed	350 Applications	149	Register of Assessed applications	Internal Resources	(201)	Captive deal applications will be sourced from amongst the Proposals received in response to the issued Call		
Provide accessible and timeous Financial solutions		Number of Micro deals approved	120 Deals	9	List of Approved Loans	Internal Resources	(111)	Micro deal applications will be sourced from amongst the Proposals received in response to the issued Call		
Provide accessible and timeous Financial solutions		Number of micro applicants assessed	250 Deals	39	Register of Assessed applications	Internal Resources	211	Micro deal applications will be sourced from amongst the Proposals received in response to the issued Call		
Ensure increased funding of businesses owned by transversal groups	Provision of funding solutions to transversal groups	% of total amount Approved	% of approved amount	24%	List of Approved Loans	Internal Resources	(16%)	Women-owned businesses will be sourced from amongst the Proposals received in response to the issued Call and assessed funding applications in the 2016/2017 financial year		
			30% to Youth owned	14%	List of Approved Loans	Internal Resources	(16%)	Youth-owned businesses will be sourced from amongst the Proposals received in response to the issued Call and assessed funding applications in the 2016/2017 financial year		
			2% to people with disabilities	1%	List of Approved Loans	Internal Resources	(1%)	PWD-owned businesses will be sourced from amongst the Proposals received in response to the issued Call and assessed funding applications in the 2016/2017 financial year		
To improve the quality of the loan book	Recovery on debtors invoiced	% recovery of invoices	90% invoices recovered	84% (R8.4m collected/R10m targeted collection)	LMS Report	Internal Resources and MINCAP Partnership	(6%)	The deviation was due to the migration of the Debit order system from ABSA to FNB. The migration process took long, and clients had to be informed of the new Naedo system.	Overdue loan repayments will continue to be followed-up through Debt Collection and Post Investment efforts in the 2016/2017 financial year	
To Facilitate Business Sustainability	Reduce invoices owed to Businesses	Number of Business Invoices Discounted	50 Business Invoices	-	MOU, Memo, List of supported SMMEs and Proof of Payment		(50)	The target was not achieved due to the following reasons: 25% costs levied on the product deterred the SMME's.	The disbursement of funding to beneficiaries will be concluded in the 2016/2017 financial year	

ORGANISATIONAL PERFORMANCE INFORMATION

Unit: Enterprise Support										
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation	
To Ensure enhanced products, services, systems & interventions	Develop & enhance products, services, systems & interventions	Number of new systems and products developed/ improved	5	3 (GGB CSI, TMR loans and Invoice Discounting)	MOUs, List of approved loans, Memos and Proof of Payments	Internal Resources	(2)	Pending implementation of products recommended by the Pause, Review and Realign period Report	The target is discontinued in the 2016/2017 financial year and relegated to the Operational Plan	
	Facilitate mentorship programme	Number of SMME's/Coops participating in Mentorship Programme	180	184	Mentorship Programme Report	Internal Resources and IBASA Partnership	+4	-	-	
	Youth Entrepreneurial Programme	Number of Youth Businesses Supported	1000 Youth Businesses	1088	Lists of supported SMMEs, Portal Report	Internal Resources	+88	-	-	
	Develop business skills and facilitate access to micro finance for businesses owned by PWD	Number of PWD entrepreneurs supported	250	431	List of supported SMMEs	Internal Resources	+181	-	-	
To develop business within key growth sectors	To develop Businesses within the Tooling Manufacturing sector	Number of Tooling SMME's Incubated over a 3-5yr period	15	15	GTI Report	GTI Partnership	-	-	-	
Unit: Regional Operations										
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation	
Provide Quality Non-Financial Support and Training Services to SMMEs and Cooperatives in Gauteng	Increased assistance struggling township businesses through the Township Business Renewal programme	Number of Township Businesses supported through the Township Business Renewal programme	250	401	Lists of supported SMMEs, Portal Report	Internal Resources	+151	-	-	
	Increased number of SMMEs benefiting from GEP BDS Interventions	Number of SMMEs assisted	700 SMMEs	775	List of supported SMMEs, Portal Report	Internal Resources	+75	-	-	
	To train SMMEs and Co-ops	Number of SMMEs/Co-ops Trained	100 SMMEs/ Co-ops Trained	251	List of supported SMMEs, Portal Report	Internal Resources	+151	-	-	
	Increased number of cooperatives assisted by GEP	Number of Co-ops assisted with the CAP	55 co-ops	135	List of supported SMMEs, Portal Report	Internal Resources	+77	-	-	
		Number of Co-ops Assisted with BDS	65 co-ops	136	List of supported SMMEs, Portal Report	Internal Resources	+71	-	-	
	Jobs sustained or created through BDS Interventions to SMMEs	Number of Jobs Sustained or Created through BDS Interventions	648 jobs	1144	Portal Report	Internal Resources	+496	-	-	

ORGANISATIONAL PERFORMANCE INFORMATION

Unit: Regional Operations										
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation	
	Promotion and support of entrepreneurship to target groups	Number of Township Co-ops and Coops assisted from the target groups	30% of Women owned Co-ops & SMME's benefiting from all interventions	88% (1768/2005)	Lists of supported SMMEs	Internal Resources	+58%	-	-	
			20% of Youth-owned Co-ops & SMME's benefiting from all interventions	62% (1248/2005)			+42%	-	-	
			2% of PWD-owned Co-ops & SMME's benefiting from all interventions	1% (15/2005)			(1%)	The target is not achieved due to the shortage of deals sourced from PWD-owned businesses through walk-ins	We will partner with PWD organisations and structures to increase the number of applications.	
	Jobs sustained through BDS & CAP Interventions to Co-ops	Number of jobs sustained	640 jobs	397	Portal Report	Internal Resources	(243)	The target is demand driven, dependent on the number of Cooperatives provided with BDS and CAP Interventions	The performance indicator is discontinued in the 2016/2017 APP	
Support for start-ups, survivalists, and Informal Businesses	Start-Up Businesses assisted through GEP Community Fund	Number of Start-Up Businesses Assisted	345	646	List of supported SMMEs, Portal Report	Internal Resources	(301)	-	-	
	Increase the capacity of Informal Traders in readiness for the formal economy	Number of Informal Traders Trained	400 Township Informal Traders	297	List of Trained Informal Traders	List of Trained Informal Traders	(103)	There was less demand for training from amongst the informal Traders sourced by GEP compared to the demand for Formalization through CIPC Registrations	The performance for Informal Traders trained and the Informal Traders formalized through CIPC Registrations, is consolidated into one performance indicator in the 2016/2017 financial year to achievement of the target.	
	Facilitate the formalization of Informal businesses through CIPC Registration	Number of Informal Traders assisted towards formalization	100 Informal Traders	457	List of registered Informal businesses	List of registered Informal businesses	+357			
Unit: Business Incubation and Cooperatives										
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation	
To provide strategic directions and support to create conducive environment for business incubation and cooperatives support	SMME and Cooperative Incubator Support programmes	Number of cooperatives and SMMEs incubated in 11 sectors	190	397	MOUs, Memos and Lists of supported businesses	Internal Resources and Partnerships	+207	-	-	
		Number of small & emerging businesses incubated	75	75	List of supported businesses	Internal Resources and Partnerships	-	-	-	

ORGANISATIONAL PERFORMANCE INFORMATION

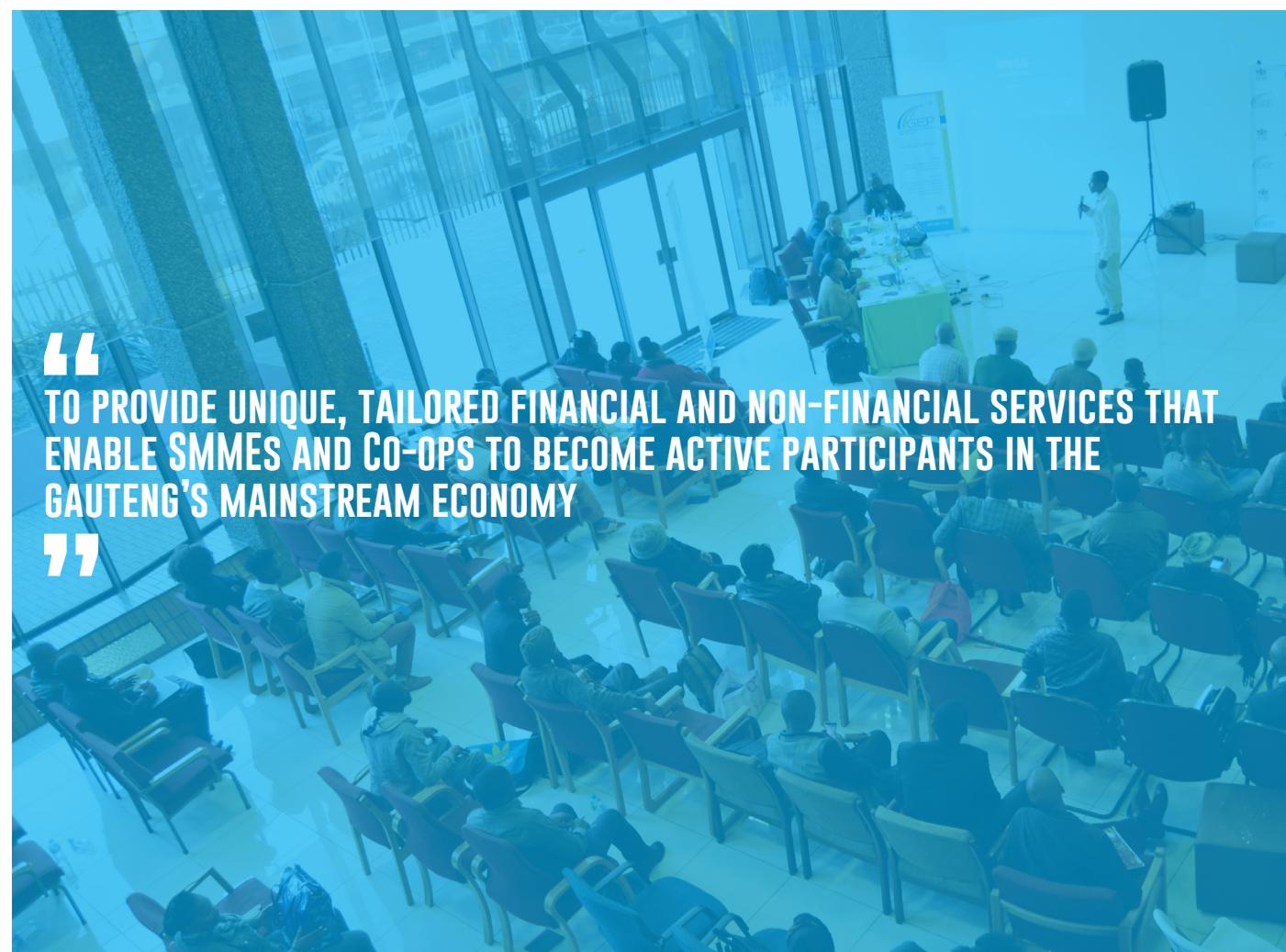
Unit: Business Incubation and Cooperatives									
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
	Cooperative Development	Number of Township co-operatives participating in exhibitions	100	147	Attendance Register	Internal Resources	+47	-	-
To provide strategic directions and support to create conducive environment for business incubation and cooperatives support	Cooperative Training	Number of cooperatives members trained	250	258	Attendance Register	Internal Resources	+8	-	-
Unit: Post Investment									
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
Provide effective and efficient after care support Services	Evaluate and Monitor the performance of funded business	Number of SMMEs monitored and assessed by Post Investment	180	61	Assessment forms of monitored SMMEs	Internal Resources	(119)	The target was not achieved due to lack of capacity and the deployment of available staff to TMR projects in the first and second quarters	The target is discontinued in the 2016/2017 financial year and relegated to the Operational Plan
		Number of SMME's/Coops supported through Post Investment Interventions	162	-	-	Internal Resources	162	The funding of approved interventions were deferred to the next financial year, due to the lack of capacity.	Post investment support will form part of the hand-holding approach
Unit: Special Projects									
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
To Ensure enhanced products, services, systems & interventions	Facilitate the Supplier Development programme	Number of small and emerging businesses participating in the supplier development programme	12	20	List of supported SMMEs	Partnership	+8	-	-
To develop business within key growth sectors	To develop Businesses within the film sector	Number of Businesses in Film and related industries incubated	60	65	List of supported SMMEs	Urban Brew and Makplan Partnerships	+5	-	-
	To develop Businesses within the furniture sector	Number of furniture Making SMME's/Coops Participating in Incubator Support Programme	6	22	List of supported SMMEs	Internal Resources	+14	-	-
	To develop Businesses within the infrastructure sector	Number of Individuals in Infrastructure and related industries incubated	500	598	Attendance Registers	Internal Resources and Partnerships	+98	-	-

ORGANISATIONAL PERFORMANCE INFORMATION

Unit: Special Projects										
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation	
To Ensure enhanced products, services, systems & interventions	Youth Entrepreneurial Skills Development Program	Number of Youth Participating in YESDP	1000	775	List of Youth	-	(225)	The target was not achieved due to the change in programme (YESDP) to Qondishishini Lakh programme which emphasis the registration and formalization of businesses.	The target is discontinued in the 2016/2017 financial year and relegated to the Operational Plan.	
Unit: Office of the CEO										
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation	
Effective and efficient Management of GEP	Financial accountability and compliance to prescribed regulations and guidelines	Percentage of invoices paid within 14 days	100%	100%	Payments Report	Internal Resources	-	-	-	
		Variance between budget & actual	<5%	<5%	Expenditure Report	Internal Resources	-	-	-	
Unit: Risk Management										
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation	
Effective and efficient Management of GEP	Financial accountability and compliance to prescribed regulations and guidelines	Percentage of resolved AG audit findings	100%	63%	Risk Register	Internal Resources	(37%)	Lack of budget in Q1 Moratorium of contracts, recruitment as well as capacity issues.	The outstanding Audit findings will be prioritised in the current financial year.	
Unit: Human Resources Management										
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation	
Effective and efficient Management of GEP	Employment equity targets achieved	Percentage of women in Senior Management Positions	50%	50%	Organizational Structure and List of Female Senior Managers	Internal Resources	-	-	-	
		Vacancy rate	10%	34%	Organizational Structure and List of vacant positions	Internal Resources	(24%)	Structure was reviewed to reduce Remuneration Budget.	The was a moratorium on new appointments	

ORGANISATIONAL PERFORMANCE INFORMATION

Unit: Marketing and Communications									
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
Effective and efficient Management of GEP	Improved efficiency and effectiveness of GEP business processes	Number of GEP sponsored events promoted	4	4	Schedule of events	Internal Resources	-	-	-
Unit: Information Technology Management									
Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Actual	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
Effective and efficient Management of GEP	Improved efficiency and effectiveness of GEP business processes	% Satisfaction levels on internal cooperative partnerships	70%	93%	Satisfaction survey	Internal Resources	+23%	-	-
		% Overall satisfaction on Quality of IT Services	70%	65%	Satisfaction survey	Internal Resources	(5%)	-	-



BUSINESSES SUPPORTED BY GEP



Gauteng Enterprise Propeller Funded Business

In the Financial Year 2015/16, GEP supported a total of 1207 SMMEs and Cooperatives financially with Township Business Renewal Programme, CAP, Community Fund, Captive Deals and Micro Deals. Some of the businesses supported are as follows:

Umbala Paints

GEP has funded Umbala Paint with paint manufacturing equipment worth R1 million. This is black owned company based in Tembisa Township. The funding contributed to the expansion of company operations in Kwa Zulu Natal, and the supply of its products in Namibia and Botswana. Importantly, Umbala was able to increase the number of employees to 23.

Lerumo Satellite

GEP funded Lerumo Satellite with an amount of R950 000 to train 9 SMMEs in the ICT sector. The trained SMMEs are now sub -contracting with Lerumo on bigger projects under their management.

Lerumo Satellites is an innovative company 100% black owned and has more than 5 years' experience in Satellite Installation and in the IT Industry.

Soweto Car Boutique

GEP funded Soweto Car Boutique with an amount of R200 000 to purchase equipment that specialises in servicing of cars in Soweto. The company, which is 100% black owned provides automotive repair and engine overhauling to its clients in the township. Since it received the additional funding, the company employed three more staff.

Filpro

Filpro (Pty) Ltd is a BBBEE company that was established to assist Informal Service Centres (known as Backyard Mechanics) with formalising their businesses. Filpro began in 2011 with the programme roll out being in Gauteng; the company is based in Gauteng but also has offices in KZN. Since inception Filpro has identified 920 Informal Service Centres in Gauteng, they currently have 520 committed companies in the programme in Gauteng. These companies have been assisted with Soft Skills training, company registrations, mentorship/ coaching; some participants have received signage and shelters.

Lordwick Investments

Lordwick Investments is a 100% Black owned company based in Johannesburg. The company specialises in virtual space and physical office space rental as well as full office automation. GEP funded Lordwick Investments with an amount of R1.2 m to purchase office equipment, office furniture and technology of office infrastructure. Since the company received funding from GEP, they managed to create 7 new jobs.

Temaretha Farming Primary Cooperative

Temaretha farming Primary Cooperative was formed in 2010 by a group of 5 ladies, 4 youth and 1 adult. The company specialises in piggery farming. They are based in Nigel. GEP assisted the company in purchasing equipment at an amount of R30 000 and was assisted with an additional loan amount of R350 000 to purchase pig feed and a hammer mill. The company initially employed 5 members of the cooperative and created additional 10 jobs to mainly youth in the nearby townships of Nigel, Springs and Devon.

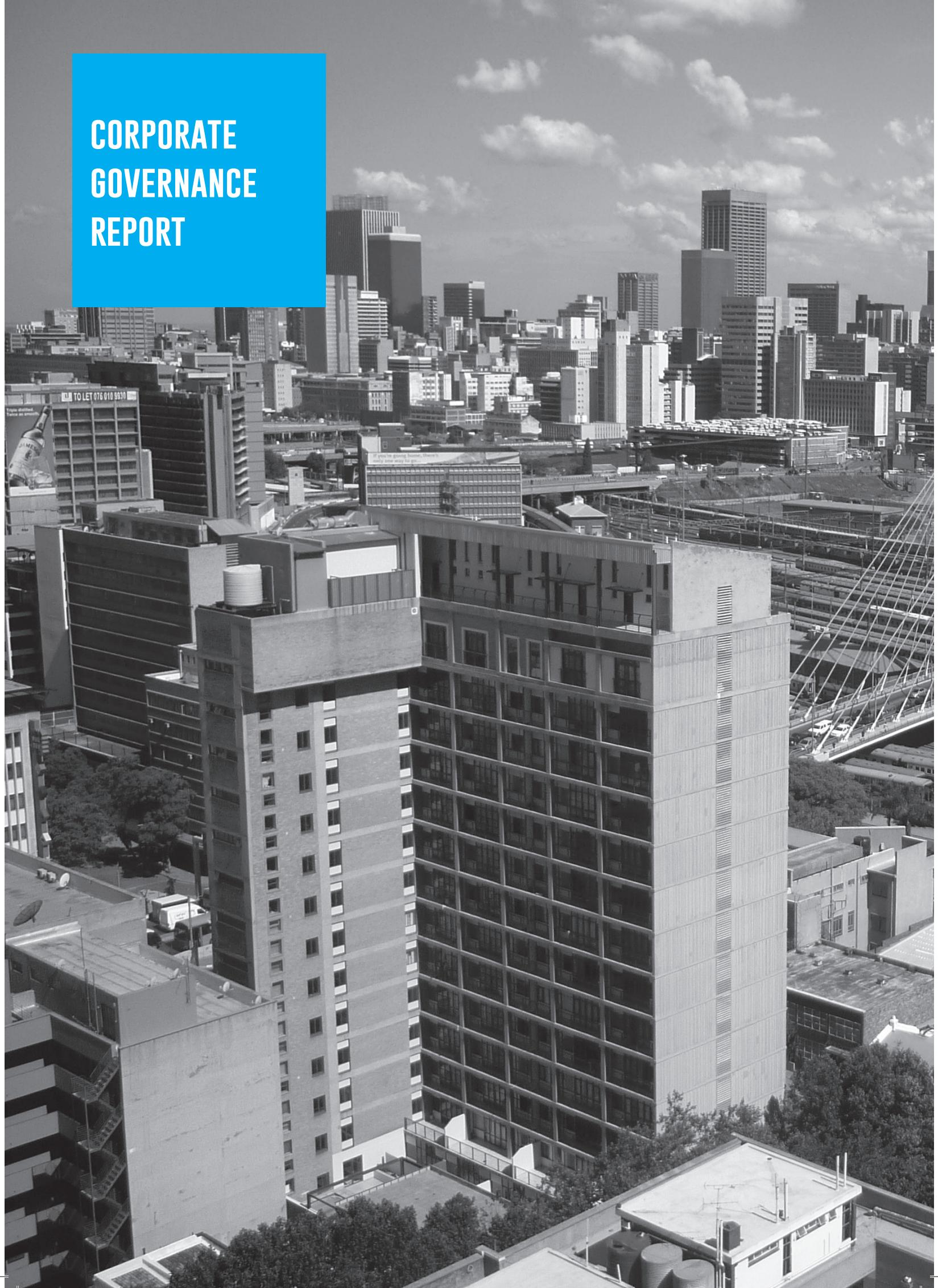
Sketa Trade and Investments

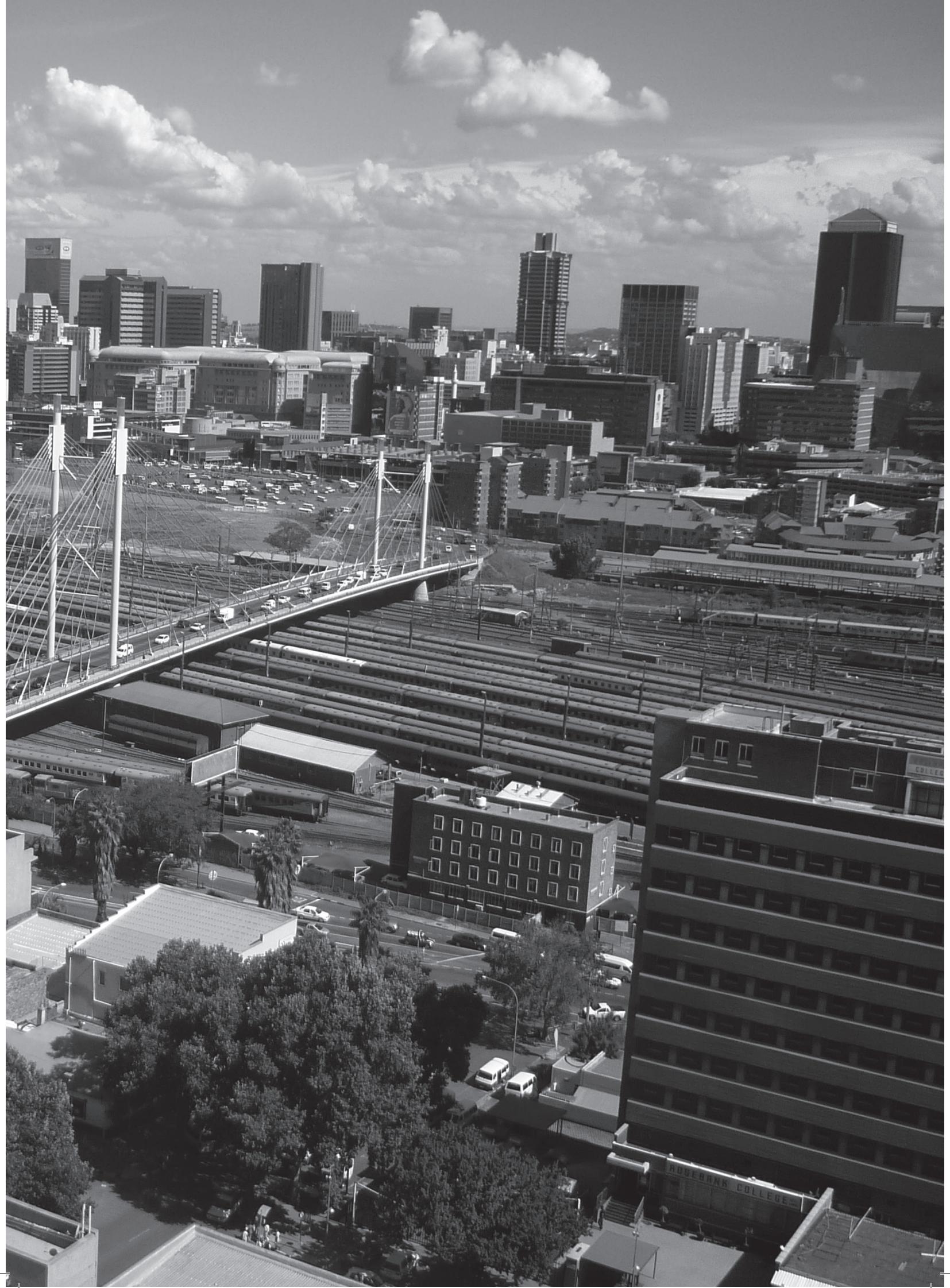
Sketa Trade and Investments is a 100% Black owned company based in Johannesburg, Booysens. The company is a supplier of meat and meat products throughout South Africa and Southern African Development Countries (SADC). GEP funded Sketa with an amount of R6.3 million to set-up a meat processing factory and buying specialized meat transporting vehicle, stock, equipment and working capital. The business has created 35 permanent jobs. It has now acquired 5 new mega shops in the townships within Gauteng where they will employ not less than 120 people.

Lodisize (Pty) Ltd trading as Fundz Safety and Industrial Supplies

The company manufactures and distributes protective clothing and equipment to companies, municipalities and mainly construction companies. The company is based in Rosslyn and is 100% black owned. Fundz Safety and Industrial Supplies was funded with a loan of R689 000 to buy material for production. Since the loan was granted their turnover increased by almost 60%. The company started with 2 employees and currently employs five (5) permanent and nine (9) casual staff.

CORPORATE GOVERNANCE REPORT







CORPORATE GOVERNANCE FRAMEWORK

Thapelo Letlojane
Acting Company Secretary

1. Introduction

Gauteng Enterprise Propeller is an entity of the Gauteng Department of Economic Development established in terms of the GEP Act of 2005 and as defined in section 1 of the Public Finance Management Act.

The GEP corporate governance structure specifies the distribution of rights and responsibilities among different participants in the organisation such as the board, management, shareholders, and various stakeholders and lays down rules and procedures for decision-making.

2. GEP Governance Framework

GEP's Governance Framework is built on principles of the King III Report of Corporate Governance and Protocol of Corporate Governance that governs the state owned entities.

The role of the Board is to:

Provide input, review proposals and approve the strategy.

Scrutinise the performance of management in meeting agreed goals, objectives and monitor the reporting.

Review the integrity of financial information and determine whether internal controls and systems of risk management are robust.

3. The Board Structure

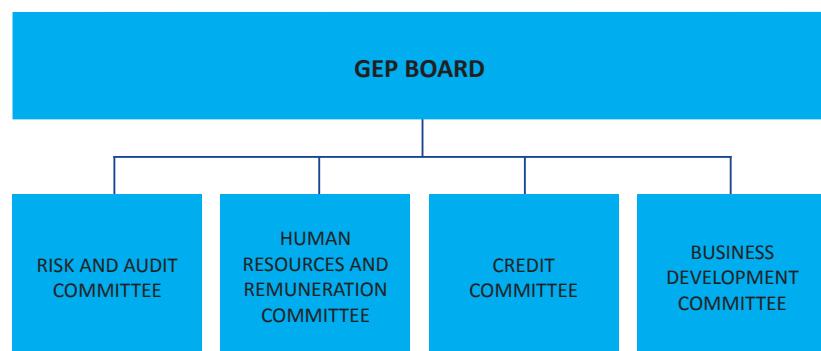
The GEP recognises the importance of the King III Report of Corporate Gover-

nance which revolves around leadership, building proper governance structures by instilling ethical values of responsibility, accountability, fairness and transparency.

GEP has an approved Board Charter which is reviewed on annual basis and includes details such as roles, responsibilities and composition of the Board. The Board is

further supported by four board committees as depicted on the diagram below. These Committees have delegated responsibility to assist the Board on specific matters but this doesn't relieve the Board from its responsibility.

GEP has established governance structure as depicted below:



4. Composition of the Board

The GEP Board is comprised of 12 members constituted by the Member of Executive Council ("the MEC") of the Gauteng Department of Economic Development in terms of section 7 of the GEP Act.

During the year under review, the erstwhile Chairperson, Dr KOP Matseke tendered his resignation in May 2015 and Ms L Magagane was appointed the Chairperson of the Board with effect from the 8th June 2015. Ms I Motau was also appointed as a member of the Board to fill the vacancy.

Mr Sithole was also appointed as Deputy Chairperson of the Board, following the promotion of Ms L Magagane.

The Chief Executive Officer is an ex-oficio member of the Board but does not

receive additional remuneration or allowance for serving in the Board.

The GEP Board members are fully independent and don't hold any executive roles within the entity. Furthermore, members have diverse skills, experience in various sectors of our economy.

5. Board and Committee Meetings

The Board and Committee meetings are scheduled annually in accordance with the approved corporate calendar approved by the Board. The special Board and Committee meetings are convened as and when required to address specific matters. Feedback from each of the Committees is provided to the Board by respective Committee Chairpersons at the next Board meeting.



The following meetings were held during 2015/16 financial year:

5.1. Board Meetings

NO.	MEMBER	POSITION	MEETING ATTENDANCE
1.	Dr KOP Matseke ¹	Chairperson	2/11
2.	Ms L Magagane ²	Chairperson	11/11
3.	Mr T Sithole	Deputy Chairperson	11/11
4.	Mr R Kekana	Board Member	9/11
5.	Mr M Africa	Board Member	9/11
6.	Mr T Ratshitanga	Board Member	5/11
7.	Mr K Duba	Board Member	5/11
8.	Ms M Lehobye	Board Member	7/11
9.	Ms M Ramonyai	Board Member	4/11
10.	Ms C Busetti	Board Member	8/11
11.	Ms M Maroga	Board Member	9/11
12.	Ms M Ramusi	Board Member	6/11
13.	Ms I Motau ³	Board Member	5/11
14.	Ms P Twala-Tau ⁴	Chief Executive Officer (ex officio member)	5/11
15.	Ms L Manenzhe ⁵	Acting Chief Executive Officer (ex officio member)	5/11

Notes:

¹Resigned from the Board effective 5th May 2015

²Appointed to the Board Chairperson effective 8th June 2015

³Appointed to the Board effective 11th June 2015

⁴Resigned on the 15th May 2015

⁵Appointed on the 1st June 2015

5.2. Human Resources and Remuneration Committee

NO.	MEMBER	POSITION	MEETING ATTENDANCE
1.	Mr R Kekana	Committee Chairperson	4/4
2.	Ms L Magagane	Committee Member	3/4
3.	Mr K Duba	Committee Member	3/4
4.	Ms I Motau	Committee Member	1/4

5.3. Risk and Audit Committee

NO.	MEMBER	POSITION	MEETING ATTENDANCE
1.	Ms M Lehobye	Committee Chairperson	6/6
2.	Mr T Sithole	Committee Member	5/6
3.	Ms M Ramusi	Committee Member	5/6
4.	Ms I Motau	Committee Member	4/6

5.4. Credit Committee

NO.	MEMBER	POSITION	MEETING ATTENDANCE
1.	Mr M Africa	Committee Chairperson	2/4
2.	Ms L Magagane	Committee Member	2/4
3.	Mr T Ratshitanga	Committee Member	1/4
4.	Ms C Busetti	Committee Member	4/4
5.	Ms M Ramusi	Committee Member	3/4

5.5. Business Development Committee

NO.	MEMBER	POSITION	MEETING ATTENDANCE
1.	Ms M Ramonyai	Committee Chairperson	7/7
2.	Ms C Busetti	Committee Member	6/7
3.	Ms M Maroga	Committee Member	4/7
4.	Mr T Sithole	Committee Member	7/7

6. Induction Programme and Continuous Development

GEP Board members receive an appropriate level of induction into the work of the entity and covers the operations of the company, governance and regulatory frameworks, existing governance models, roles and responsibilities of the Board members, Board structures, risk management to mention a few.

The last Board Induction was conducted for Ms I Motau who joined the Board on the 11th June 2015.

Furthermore, the Board members receive various educational research papers that affect the Board operations and the entity

as a whole. This process is done through the BoardWorks electronic portal created for Board meetings information.

7. Board Evaluation

The Board Evaluation was concluded in July 2016 by the Institute of Directors, Southern Africa (IoDSA). The evaluation covered the performance of Board and Committees which included the evaluation of the Chairperson, members of the Board and key members of the management team.

The report recommended possible interventions to improve the performance and governance structures of the entity. The reports are being discussed at various

platforms and forms part of the agenda on a continuous basis.

The report outlined and recommend improvement on the following:

- GEP Governance Structures; and
- Review and development of Board Committee systems and processes;

8. Board Remuneration

The remuneration and allowance of the Board was determined by the MEC in line with section 10(4) of the GEP Act.

	RETAINER FEE	MEETING FEE
Chairperson of the Board	R12 500	R3600
Deputy Chairperson and members	R10 000	R3250

9. Ethics Management and Code of Conduct

- The entity is in the process of embedding an ethics culture and the comprehensive Code of Conduct and the Ethics is being developed.
- The Management Ethics Committee will

also be established as per the resolution of the employee's strategy break-away session.

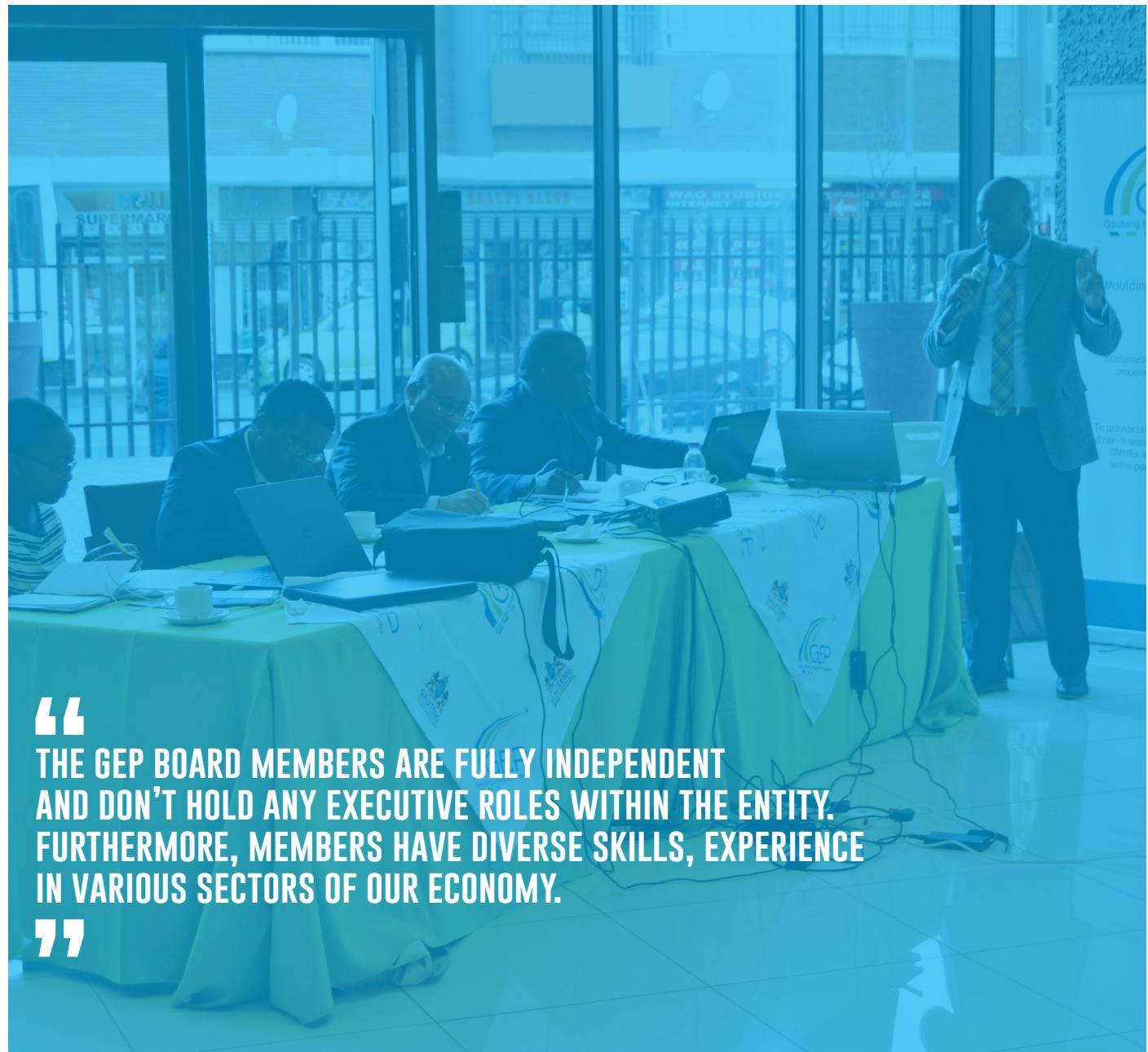
- Ethics training will also be embedded within the GEP's Induction Programme for Management and the Board.

10. Achievements and Focus in 2016/17 Financial Year

- Enhanced Stakeholder Management through the Risk and Audit Committee of the Board with a particular focus on financial management, corporate governance and compliance.

- Successfully coordinated Board and Committee meetings as prescribed by the GEP's governance framework.
 - Annual Work Plans for Board and Committees were developed and prepared on the basis of the intended strategies, budget and also to assist in tracking progress by the implementation agents through feedback to Board and various Committees. These plans further assist the Board to monitor and evaluate activities effectively.
 - During the year under review, the Board successfully convened a two days Strategy Session with particular focus on re-engineering the GEP business processes and re-organisation in line with the anticipated shared services model as proposed by the Gauteng Department of Economic Development ("the Shareholder").
 - The Acting Chief Executive Officer's engagement sessions were introduced where the ACEO engages the Executive Team and Senior Management to discuss issues that affect the organisation which includes but not limited to the Annual Performance Plan deliverables, strategy implementation, resolving audit issues and to solicit their inputs and commitment in addressing these issues.
 - The GEP is in the process of establishing an Deals Screening Panel which will primarily be responsible for recording all funding and loan application proposals from clients, screen and make comprehensive recommendations to various committees in line with the Delegations of Authority.
- The Panel is mandated to promote fairness and transparency in recommending proposals to relevant Committees. The Panel will not relieve Management Business Development Committee and Management Credit Committee from recommending the proposals to Board Committees for approval.

Thapelo Letlojane
Acting Company Secretary





RISK AND AUDIT COMMITTEE

Ms Mamoroke Lehobye

Risk and Audit Committee Chairperson

Overview

We are pleased to present the report of the Risk and Audit Committee ("the Committee") for the year ended 31st March 2016.

The Committee is an essential part of the entity's governance framework to which the Board has delegated oversight of the entity's financial reporting, risk management, compliance, internal and external audit.

The Committee's role is regulated by a Charter adopted and reviewed annually by the Board. The Committee's work plan is aligned with the corporate calendar that incorporates required activities and allows flexibility of additional topics. Furthermore, the Charter has taken into account the provisions of the Public Finance Management Act, National Treasury Regulations and Generally Recognised Accounting Practice (GRAP).

Significant highlights

The Committee had initiated engagement with all its stakeholders to align the entity's governance, risk management and internal control needs as well as expectations of the Committee to ensure that there is an improvement in the management of strategic, operational and financial risks within GEP.

During the year under review, the Committee focused its attention on the following:

- The Committee assessed its composition which led to the recruitment of a co-opted member with ICT expertise. Her participation in the committee is aimed at enhancing the Committee effectiveness in monitoring the Information, Communica-

tion and Technology projects and related risks.

- Ensured that the Standard Operating Procedures for all various departments within GEP were developed. These procedures outlined the activities for each business unit in order to promote efficiencies, produce quality outputs and assist various divisions to carry out departmental operations effectively.
- Developed key controls and reporting risk areas as assessed by financial management, the internal auditors and the Auditor General.
- Leveraged value for internal controls beyond compliance.
- Ensured that the Acting Chief Financial Officer has direct access to the Committee which enabled GEP to address gaps identified during the previous financial year.

- Enhanced the Risk and Audit Committee Charter to benchmark with the best corporate governance practices.

- Ensured that the agenda of the Committee is prepared in consultation with management and the Chairperson of the Board and other Committee Chairpersons to ensure a holistic risk management process.

- Monitored and reviewed compliance processes through the newly established compliance unit.
- Ensured that the entity did not incur Irregular and Wasteful Expenditure and we endeavoured to ensure that officials are held accountable for misuse of public funds.

- Guided the establishment of the revenue generation unit to augment the grant received from the Gauteng Department of Economic Development.

Internal and External Auditors

The Committee Chairperson regularly meets with the Internal Auditors as well as the lead external audit partners (Auditor General, South Africa) outside formal committee meetings as prescribed in the Charter to discuss matters of concern for the organisation and areas that require improvement.

Reporting

The financial performance, risk, audit and compliance reports are presented at Committee meetings on a quarterly basis and the Committee provides valuable feedback to management as part of its oversight and responsibility.

Financial Performance

The entity did not record a loss during the financial year under review as it was the case in the previous financial year. The measures were put in place to improve financial management processes and to ensure that mitigating measures in place were effective.

Those measures included the introduction of the revenue generation unit within GEP and partnerships were revived to augment the MTEF allocation received from the shareholder. This was as a result of the organisational structure approved by the Board.

Audit Opinion

The Committee received and acknowledged the Audit Opinion and Management Report for the year ended 31st



March 2016 and meaningful engagements were held with the Auditor General. The engagements provided insights on areas of focus to ensure that mitigating controls were identified to address the weaknesses.

The Committee considered the accounting practices and internal financial controls that have led to the compilation of the annual financial statements to be appropriate. In reviewing the Annual Financial Statements, the Committee:

- Comprehensively discussed the financial statements with the Auditor-General and the Board;
- Reviewed and provided comments on the Management Report with particular attention to areas that required improvement;
- Reviewed and was satisfied with the independence of the External Audit; and
- Reviewed adjustments that resulted from the external audit process.

Conclusion

Having considered and analysed the information provided to the Committee on a quarterly basis as and when required. The Committee confirms that:

- The internal controls of the entity had been effective in all material aspects throughout the year under review;
- The controls had ensured that GEP's assets had been safeguarded;
- Proper accounting records had been maintained and the financial statements were supported with evidence; and
- Resources had been utilised efficiently.

Appreciation

The Committee would like to thank the Board, the Honourable MEC Maile, Gauteng Department of Economic Development, management, internal auditors and external auditors for their support in assisting the Committee in discharging its duties in the current financial year. We

look forward to attain our goal of a clean audit in the coming financial year.

Mamoroke Lehobye CA (SA)

Risk and Audit Committee Chairperson

“

THE COMMITTEE HAD INITIATED ENGAGEMENT WITH ALL ITS STAKEHOLDERS TO ALIGN THE ENTITY'S GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL NEEDS AS WELL AS EXPECTATIONS OF THE COMMITTEE TO ENSURE THAT THERE IS AN IMPROVEMENT IN THE MANAGEMENT OF STRATEGIC, OPERATIONAL AND FINANCIAL RISKS WITHIN GEP.

”





ACTING CHIEF FINANCIAL OFFICER'S REVIEW

Nomfanelo Genuka
Acting Chief Financial Officer

The financial year 2015/16 started with immense challenges but yet ended in good financial health. GEP had to deal with continuous shrinking budget whilst the demands for services and products have increased. As consequences of this, the biggest chunk of the budget was allocated to personnel and less on core mandate of GEP. In view of this, GEP had to develop mechanisms to capacitate and fund the core mandate, and this was achieved towards the end of 2015/16 financial year.

GEP continues to exercise tight controls and oversight over its spending in order to derive maximum value from the limited and insufficient resource allocated. Stringent measures were also instituted to reduce to reduce the debtor's book, as a result mechanism were put in place to collect monies due to GEP from the clients that are written off.

Of fundamental importance in the previous financial year was the implementation of the TMR program. GEP was able to approve high impact project beyond the normal thresholds and this was a learning exercise for the organization and the Board. We developed a TMR framework to provide guideline on the approval of the high impact projects. On the other hand, GEP increased its support to informal businesses and township businesses. GEP remains committed in supporting small businesses participating in the supplier development programs, township businesses and the Township Renewal. The organization has seen an increase in the support of businesses within various townships. One of the critical game changers was the centralization of GEP product offerings and increase access. This was done in order to reduce potential corruption, biasness and also increase

participation of SMME's especially from the under-served regions.

FINANCIAL POSITION STATEMENT

Assets

The total assets at 31 March 2016 were R171.5m, which is an increase of R85.8m from the previous financial year. This is also reflected in the net cash inflow from operating activities in the cash flow statement when compared with the net cash outflow in the previous financial year.

The current assets at 31 March 2016 were R138.7m, which is an increase of R74.1m from the previous financial year. This is reflected in the increase in cash and cash equivalents of R92.5m from the previous financial year and a decrease in current receivables of R18.4m.

Liabilities

The total liabilities at 31 March 2016 were R28.0m, which is an increase of R16.8m from the previous financial year of R11.2m. The increase is attributable to the unspent grants and receipts of R16.4m at year end.

Net Assets Value Statement

The net assets of the organisation has increased in the period to R143.6m which is the result of the positive movement of R69.1m which has been recorded.

FINANCIAL PERFORMANCE STATEMENT

GEP recorded a surplus of R69.1m for the year in review and this is favourable compared to the deficit of R19.7m reported in the previous financial year. The current financial performance is attributable to the following:

Revenue

The total revenue for the organisation was R309.0m for the year compared to R185.5m in the previous year. The increase of R123.5m was a result of provincial grants increasing by R137.2m compared to the previous year and this offset the Transnet Itereleng Fund of R10.6m and Mafisa funds of R7.5m which was recognized in the previous year and not repeated in the current year.

Expenditure

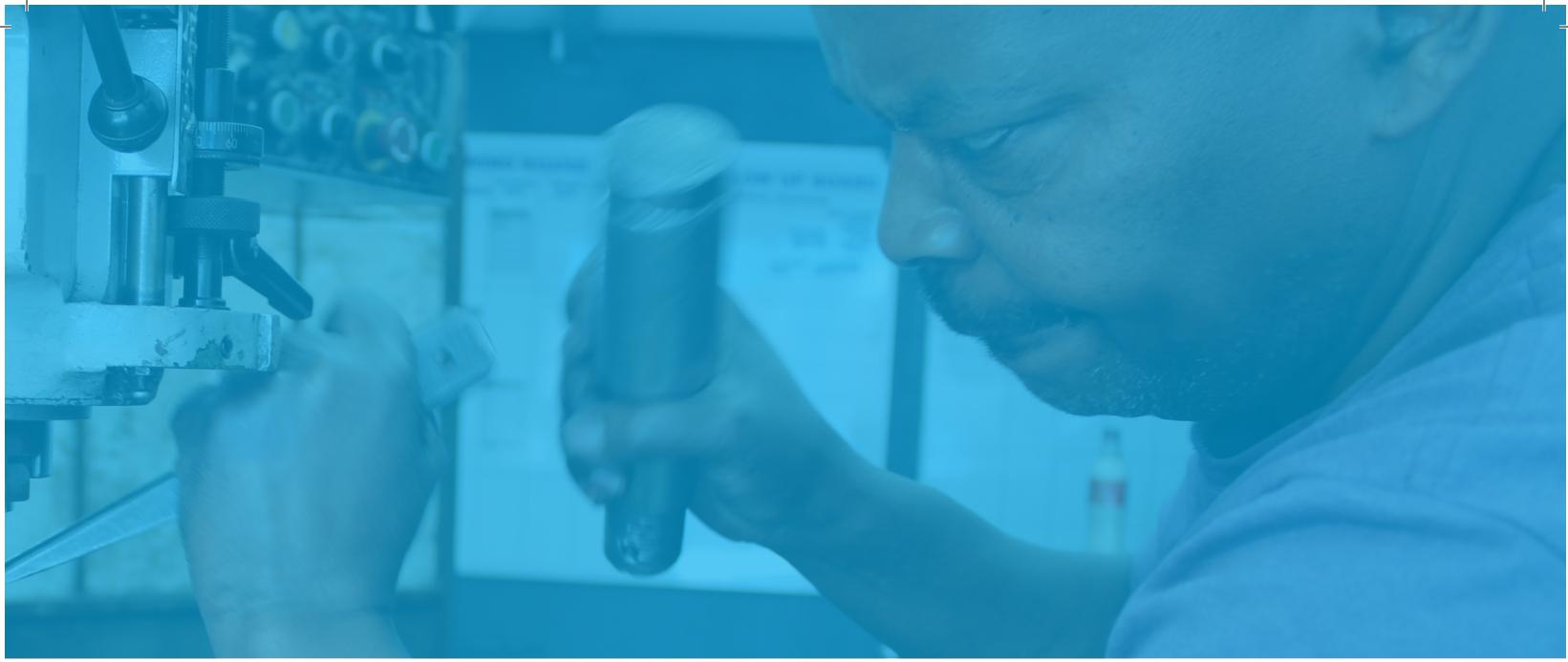
The total expenditure for the year under review was R241.9m compared to R206.5m in the previous year. This is a result of GEP increasing its support to small businesses participating in the supplier development programs, township businesses and the Township Renewal. SMME business development support increased by R29.3m and SMME product development by R7.8m. The payroll cost for the year was R83m and this is a decrease of R1m from the previous financial year due to vacancies not being filled as the organisation structure was being finalised.

Loan Book Performance and Credit Risk

During the financial year GEP wrote off R38.6m as bad debts. This is reflective of the broader macro environment that SMME's in the province operate in and the challenges faced by them. GEP will continue to pursue legal remedies in recovering monies owed to it.

Acknowledgement

With all the challenges that the entity has encountered in the 2015/16 financial year, I would like to take this opportunity to thank the Senior Management team and the GEP staff members for their wavering commitment and support in ensuring that GEP is in good standing. Lastly I would like



to thank the Acting Chief Executive Officer for continued excellent leadership to the management team and for ensuring that the entity is in good financial health and improved in the overall control environment when compared to prior year.

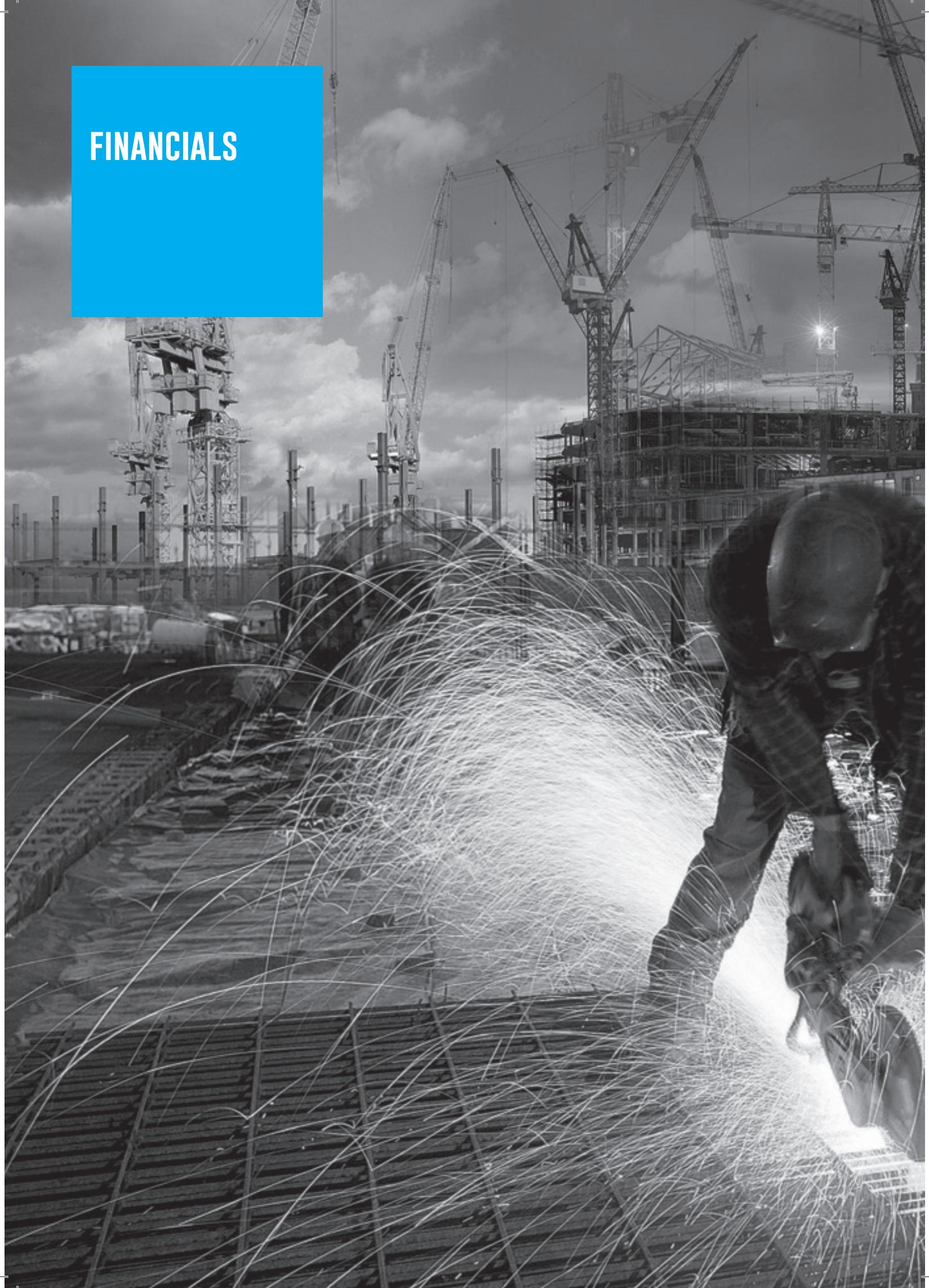
Ms. Nomfanelo Genuka
Acting Chief Financial Officer

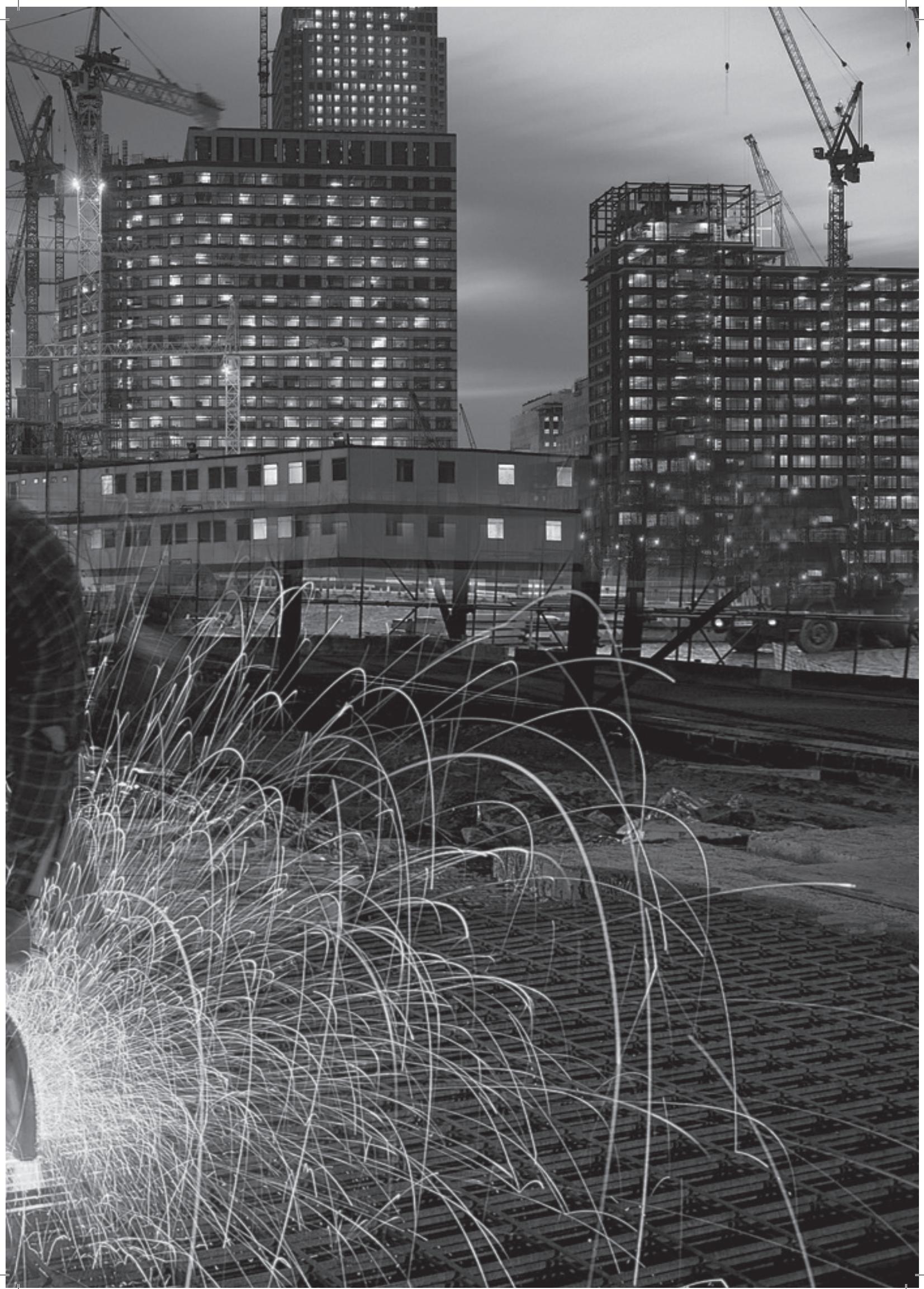
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**GEP CONTINUES TO EXERCISE TIGHT CONTROLS AND OVERSIGHT
OVER ITS SPENDING IN ORDER TO DERIVE MAXIMUM VALUE
FROM THE LIMITED AND INSUFFICIENT RESOURCE ALLOCATED.**

”

FINANCIALS





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GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Nature of business and principal activities

The enterprise provides 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 Small business, is governed by the regulations contained in the National Credit Act.

Members

L. Magagane (Chairperson)
T. Sithole (Deputy Chairperson)
K. Matseke (Chairperson) Resigned May 2015
L. Manenzhe (Acting CEO)
R. Kekana
K. Duba
M. Africa
M. Ramonyai
M. Ramusi
C. Busetti
M. Lehobye
M. Maroga
I. Motau
T. Ratshitanga
P. Twala-Tau (CEO) Resigned May 2015

Registered office

6th Floor
124 Main Street
Johannesburg
2001

Business address

6th Floor
124 Main Street
Johannesburg
2001

Postal address

P O Box 61464
Marshalltown
2107

Bankers

First National Bank Limited
Registration number 1929/001225/06
ABSA Bank Limited
Registration number 1986/004794/06

Auditors

Auditor-General of South Africa

Acting Company Secretary

Thapelo Letlojane

Company registration number

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

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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 2016; the statement of financial performance; the statement of the changes in net assets; statement of cash flows, statement of comparison of budget and actual and the notes to the annual financial statements for the period 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' responsibility includes: design, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

The director's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of supplementary schedules included in these financial statements. The entity's annual financial statements are based on appropriate accounting policies, which are supported by reasonable and prudent judgments and estimates. The annual financial statements have been prepared on a going concern basis. This basis presumes that the assets will be realized 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 56 to 91 were circulated, approved and signed by the board of directors on the 29 July 2016 on its behalf by:



Ms. L. Magagane
Board Chairperson

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE ON GAUTENG ENTERPRISE PROPELLER

Introduction

1. I have audited the financial statements of the Gauteng Enterprise Propeller set out on pages 56 to 91, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the 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 authority 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 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 en-

tity'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 2016 and its financial performance and cash flows for the year then ended, in accordance with 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 these matters.

Material losses

8. As disclosed in note 18 to the financial statements, material losses to the amount of R38 574 088 were incurred as a result of a write-off of irrecoverable receivables from exchange transactions and financial support loans.

Report on other legal and regulatory requirements

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal

control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2016:

- Programme 1: Loans and business development on pages 28 to 33.

11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

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

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programme:

Additional matters

15. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programme, I draw attention

to the following matters:

Achievement of planned targets

16. Refer to the annual performance report on page(s) 30 to 35; for information on the achievement of planned targets for the year.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Loans and business development programme. As management subsequently corrected the misstatements, we did not raise any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

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

Annual financial statements

19. The financial statements submitted for auditing were not prepared in accordance with the SA standards of GRAP and supported by full and proper records as required by section 55(1)(b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Revenue Management

20. The accounting authority did not take effective steps to ensure that debtors are collected timeously as required by Treasury Regulations 11.2.1.

Internal control

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

Leadership

22. The accounting authority did not exercise effective oversight responsibility regarding financial reporting, compliance with laws and regulations and related internal controls which resulted in instances of non-compliance with PFMA.

Financial and performance management

23. Management did not prepare accurate and complete financial statements and performance information that are supported and evidenced by reliable information. The financial statements and annual performance report were subject to material amendments resulting from audit.

Other reports

24. I draw attention to the following engagements that could potentially impact on the entity's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

25. An independent investigation was commissioned by the Board during the 2015/16 financial year on alleged favouritism practices pertaining to salary adjustments of some of senior management of the entity. An investigation was conducted and concluded on 15 September 2015. Furthermore Gauteng Provincial Treasury commissioned a separate independent investigation on allegations of irregular ac-

tivities against the entity the investigation has not been concluded at the time of this report.

Auditor General

Johannesburg
31 July 2016



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

DIRECTORS' REPORT

The directors have pleasure in presenting their report on the activities of the entity for the year ended 31 March 2016.

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 SMME's, is governed by the regulations contained in the National Credit Act, as amended.

General review

The entity received grants totaling R290 438 000 (2014: R153 191 000) 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 Practices (GRAP).

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 2016 and 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 Of Members

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

Name

- L. Magagane (Chairperson)
- T. Sithole (Deputy Chairperson)
- T. Ratshitanga
- M. Ramonyai
- R. Kekana
- K. Duba
- M. Ramusi
- C. Busetti
- M. Africa
- M. Lehobye
- M. Maroga

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 Acting Company Secretary is Thapelo Letlojane.

7. Contingencies and commitments

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 26: Commitments and note 27: Contingencies.

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 the Auditor-General of South Africa.

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Financial support loans at amortised cost			
3		6 702 945	15 768 313
Receivables from exchange transactions	4	28 895 121	29 882 365
Receivables from non-exchange transactions	5	-	8 319 140
Cash and cash equivalents	6	103 123 881	10 607 320
		138 721 947	64 577 138
Non-Current Assets			
Property, plant and equipment	7	3 021 703	4 361 487
Intangible assets	8	482 844	692 914
Financial support loans at amortised cost	3	29 305 446	16 042 247
Other investments	9	1	1
		32 809 994	21 096 649
Total Assets		171 531 941	85 673 787
Liabilities			
Current Liabilities			
Finance lease liability	10	58 506	388 012
Rent straight-lining accrual	11	2 487 393	220 785
Trade and other payables	12	9 039 040	10 514 921
Unspent grants and receipts	13	16 389 978	-
		27 974 917	11 123 718
Non-Current Liabilities			
Finance lease liability	10	-	58 506
Total Liabilities		27 974 917	11 182 224
Net Assets		143 557 024	74 491 563
Net Assets			
Accumulated surplus		143 557 024	74 491 563

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2016

Figures in Rand		2016	2015
Revenue from non-exchange transactions	14	302 367 140	179 669 401
Revenue from exchange transactions	15	6 646 160	5 758 630
Programs and Projects		(97 208 265)	(66 162 705)
Operating expenses		(144 712 347)	(140 273 497)
Operating surplus (deficit)	16	67 092 688	(21 008 171)
Finance income	19	1 996 130	1 454 261
Finance costs	20	(23 357)	(52 503)
Surplus (deficit) for the period		69 065 461	(19 606 413)

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2016

Figures in Rand	Accumulated surplus	Total Net assets
Opening balance as previously reported	93 878 311	93 878 311
Adjustments		
Correction of errors	521 681	521 681
Balance at 01 April 2014 as restated	94 399 992	94 399 992
Changes in net assets		
Surplus for the period	(19 606 413)	(19 606 413)
Depreciation and amortisation difference	(302 016)	(302 016)
Total changes	(19 908 429)	(19 908 429)
Balance at 01 April 2015	74 491 563	74 491 563
Changes in net assets		
Surplus for the year	69 065 461	69 065 461
Total changes	69 065 461	69 065 461
Balance at 31 March 2016	143 557 024	143 557 024

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Cash receipts from non-exchange transactions		318 757 118	166 324 144
Cash received from exchange transaction		3 110 562	3 194 957
Interest income		1 996 130	1 454 261
Cash receipts as Mafisa loans		-	100 478
Cash receipts as financial support loans		7 286 426	8 567 119
		331 150 236	179 640 959
Payments			
Cash paid to suppliers and employees		(213 853 232)	(186 857 687)
Finance costs		(23 357)	(52 503)
Cash paid as Mafisa loans		-	(206 318)
Cash paid as financial support loans		(23 654 008)	(25 701 863)
		(237 530 597)	(212 818 371)
Net cash flows from operating activities	22	93 619 639	(33 177 412)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(647 339)	(2 532 690)
Purchase of other intangible assets	8	(44 369)	(738 932)
Net cash flows from investing activities		(691 708)	(3 271 622)
Cash flows from financing activities			
(Decrease)/increase in Mafisa funding		-	(5 150 966)
Finance lease payments		(411 370)	(226 428)
Net cash flows from financing activities		(411 370)	(5 377 394)
Net (decrease)/ increase in cash and cash equivalents		92 516 561	(41 826 428)
Cash and cash equivalents at the beginning of the year		10 607 320	52 433 748
Cash and cash equivalents at the end of the year	6	103 123 881	10 607 320

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2016

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Rollover income	-	10 607 320	10 607 320	10 607 320	-	
Receipts on loan book	10 000 000	-	10 000 000	7 286 426	(2 713 574)	A
Interest and Other income	4 000 000	1 406 670	5 406 670	8 642 290	3 235 620	B
Total revenue from exchange transactions	14 000 000	12 013 990	26 013 990	26 536 036	522 046	

Revenue from non-exchange transactions

Taxation revenue

Government grants & subsidies	129 838 000	160 600 000	290 438 000	290 438 000	-	
Transfer revenue						
Grant - Sun International Management LTD	-	1 000 000	1 000 000	300 000	(700 000)	C
Grant revenue - GGB	-	10 376 380	10 376 380	5 700 000	(4 676 380)	D
Grant Ekurhuleni Municipality	-	9 742 738	9 742 738	5 929 140	(3 813 598)	E
Grant Dinokeng	-	7 200 000	7 200 000	-	(7 200 000)	F

Total revenue from non-exchange transactions

Total revenue from non-exchange transactions	129 838 000	188 919 118	318 757 118	302 367 140	(16 389 978)	
Total revenue	143 838 000	200 933 108	344 771 108	328 903 176	(15 867 932)	

Expenditure

Personnel	(89 732 000)	5 404 343	(84 327 657)	(82 827 657)	1 500 000	G
Finance costs	-	-	-	(23 357)	(23 357)	H
Debt impairment	-	-	-	(17 919 098)	(17 919 098)	I
General Expenses	(29 537 073)	(31 820 272)	(61 357 345)	(41 899 254)	9 458 091	J
Programs and projects	(14 568 927)	(124 475 660)	(139 044 587)	(97 208 265)	41 836 322	K
Capital expenditure	-	(2 600 000)	(2 600 000)	(691 708)	1 908 292	L
Loans advanced	(10 000 000)	(47 441 519)	(57 441 519)	(23 654 008)	33 787 511	M
Total expenditure	(143 838 000)	(200 933 108)	(344 771 108)	(264 223 347)	80 547 761	

Operating surplus

Loss on disposal of assets and liabilities	-	-	-	(76 811)	(76 811)	
(Deficit) / Surplus on a Comparable Basis						

Reconciliation

Depreciation and amortisation	(1 989 527)
Adjustment for capital movements	6 451 970

Actual Amount in the Statement of Financial Performance	69 065 461
	

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (Directive 5).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

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

Impairment of trade debtors and financial support loans

The entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end

of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

An impairment of trade debtors is established when there is an objective evidence that the entity will not be able to collect all amounts due according to the original terms of the loan. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial recognition, and default of delinquency in payments are considered indicators that the debtor should be impaired.

The methodology used for the calculation of the provision for impairments is as follows:

Where the debtor has not paid for one to three months, no amount should be provided against the loan balance and the debtors invoiced amounts.

Where the debtor has not paid for four months to twelve months, the amount should be at least 20% of the loan balance and the debtors invoiced amounts.

Where the debtor has not paid for thirteen months to eighteen months, the amount should be at least 50% of the loan balance and the debtors invoiced amounts.

Where the debtor has not paid for nineteen months to twenty four months, the amount should be at least 75% of the loan balance and the debtors invoiced amounts.

Where the debtor has not paid for over twenty four months, the amount should be at least 90% of the loan balance and the debtors invoiced amounts.

Debtors loan write off

All loans that have not had any repayments in the past 12 months should be written off unless Post Investment has committed to supporting the debtor to

profitability.

Where the likelihood of a loan being repaid is remote, a motivation for write off should be submitted to the Debt Management Committee by Finance.

In instances where legal action has run its course and there is no other means of recovering the monies due to the entity the Credit Control may submit a motivation for writing off the debtors' loan account.

Where loans have been granted in line with a partnership agreement with a third party, the said agreement should be consulted for the approval of the write offs.

The motivation for write off should be tabled at the Debt Management Committee which will then recommend such to the Accounting Officer and/or Accounting Authority in terms of the Delegation of Authority.

Fair value of loans at initial recognition

Fair value of loans is based on the amount advanced on terms that are outside the normal commercial market. The entity's market is prescribed per the GEP Act, 2005 and is therefore different from the commercial market.

Depreciation and impairment

Property, plant and equipment is depreciated on a straight line basis over its useful life to residual value. Residual values and useful lives are based on management's best estimate and actual future outcomes may differ from these estimates. Refer to note 7 for details of the entity's property, plant and equipment. The entity only tests for impairment when indicators of impairment are present. 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 the higher of discount-

ACCOUNTING POLICIES (CONTINUED)

ed future cash flows.

Taxation

The entity has been exempted from income tax by the South African Revenue Services in terms of Section 10(1)(cn)(i) of the Income Tax Act. (Act No.58 of 1962)

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item

of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross car-

rying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

ACCOUNTING POLICIES (CONTINUED)

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

Item	Depreciation method	Average useful life
Motor vehicles	Straight line	5-8 years
Office equipment and furniture	Straight line	6-20 years
IT equipment	Straight line	3-5 years
Leasehold improvements	Straight line	Lease period
Leased Assets	Straight line	Lease period

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An intangible asset is recognised when:

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

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

Item	Useful life
Computer software	3 years

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or

ACCOUNTING POLICIES (CONTINUED)

another financial asset.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial Support Loans

Financial support loans are categorised and are stated at their amortised cost using the effective interest rate method less an allowance for impairment. An estimate for impairment 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 entity's receivables, amortised cost approximates its fair value.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms. Further assessments are done in conjunction with all relevant units to establish the likelihood of further collections and/or non-financial support to delinquent SMME's. 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.

When the trade debtor is perceived to be uncollectable, it is written off. Subsequent recoveries of amounts previously written off are credited in the statement of financial performance as bad debts are recovered.

Trade and other payables

Trade and other payables are recognised 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 invest-

ments with original maturities of three months or less.

1.6 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of 2% on the remaining balance of the liability.

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

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary ob-

ACCOUNTING POLICIES (CONTINUED)

jective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation). Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. Recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired.

If any such indication exists, the entity estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The re-

placement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides.

Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a

liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

ACCOUNTING POLICIES (CONTINUED)

1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.9 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

1.10 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or 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. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest

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.

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. Revenue from non-exchange transactions comprise of government grants and it's

ACCOUNTING POLICIES (CONTINUED)

related parties.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.13 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

During the current period, the entity reviewed the useful life of certain assets, which resulted in changes to the comparative period. Refer to note 31.

1.14 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.15 Fruitless and wasteful expenditure

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

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

1.16 Irregular expenditure

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

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

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

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the

ACCOUNTING POLICIES (CONTINUED)

financial statements and updated accordingly in the irregular expenditure register.

1.17 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/04/01 to 2016/03/31.

1.18 Related parties

As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Related parties include:

- All Gauteng Provincial Departments and related entities are considered to be related parties.
- Key management personnel and close members of the family of key management personnel.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.19 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two

types of events can be identified:

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

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
2. New standards and interpretations		
2.1 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 2016 or later periods:		
Standards and interpretations issued but not yet effective		
• GRAP 20 Related Parties	Applicable. Related party relationships and transactions are disclosed according to the Standard and is presented in note 25.	
• GRAP 32 Service Concession Arrangements: Grantor	Not applicable. The entity is not engaged in any service concession arrangements.	
• GRAP 108 Statutory Receivables	Not applicable. Receivables of the entity arise from contracts or other agreements and not as a result of legislation, supporting regulations, or similar means.	
• IGRAP 17 Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Not applicable. The entity is not engaged in any service concession arrangements.	
Standards for which the Minister determined with effective date of 1 April 2015		
• GRAP 18 Segment Reporting	The Standard requires the presentation of operations of the entity in reportable segments informed by its activities and economic environments. The GEP operates in a single geographical area, servicing a single target market with a single product. Hence the standard is not applicable for the entity.	
• GRAP 105 Transfer of Functions between entities under Common Control	Presently not applicable No transfer of functions between another entity in the Provincial sphere of Government and the entity has occurred or is expected to occur in the near future.	
• GRAP 106 Transfer of Functions between entities not under Common Control	Presently not applicable It is not expected that the entity would be party to transfers of functions with entities in the other spheres of Government in the near future.	
• GRAP 107 Mergers	Presently not applicable. No merger with another entity in the Provincial sphere of Government and the entity has occurred or is expected to occur in the near future.	
Standards amended with effective date 1 April 2014		
• GRAP 5: Borrowing Costs	The Standard was amended to allow for the accounting policy choice to either expense or capitalize borrowing costs on qualifying assets. This amendment is to be applied prospectively. The Standard is not applicable to the entity and therefore the amendment has no impact.	
• GRAP 100 Discontinued operations	The Standard was amended to not require separate accounting and presentation and disclosure of non-current assets held for sale. The amendment relating to separate accounting is to be applied prospectively and the amendment relating to presentation and disclosure is to be applied retrospectively. The Standard is not applicable to the entity and therefore the amendment has no impact.	

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
3. Financial support loans at amortised cost		
At amortised cost		
Net amount outstanding at the end of the period	36 008 391	31 810 560
Balance at 1 April	40 116 466	38 039 385
Amount advanced	24 656 508	25 701 863
Bad debts written off	(10 177 024)	(3 770 850)
Transfer to receivables	(15 471 103)	(23 352 849)
Recapitalisation of interest and initiation fee	485 045	396 790
Transfer from Mafisa Loans	-	3 102 127
Balance at 31 March	39 609 892	40 116 466
Less: Impairment of loans	(3 601 501)	(8 305 906)
Balance at 1 April	(8 305 906)	(3 730 028)
Transfer from Mafisa Loans	-	(201 262)
Current year movements	4 704 405	(4 374 616)
Net amount outstanding at 31 March	36 008 391	31 810 560
Non-current assets	29 305 446	16 042 247
Current assets	6 702 945	15 768 313
	36 008 391	31 810 560

Loans receivable consists of loans granted to SMME's to facilitate economic growth in Gauteng. The average loan term is 3 to 5 years linked to the prime rate with an average interest rate of 10.2% (2015 : 9.2%).

4. Receivables from exchange transactions

Trade debtors	39 802 833	56 267 953
Impairment of trade receivables	(11 462 738)	(27 413 323)
Balance at 1 April	(27 413 323)	(2 877 438)
Current year movement	15 950 585	(24 535 885)
Net debtors	28 340 095	28 854 630
Deposits and prepayments	555 026	1 027 735
	28 895 121	29 882 365

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
5. Receivables from non-exchange transactions		
Gauteng Gambling Board (GGB)	-	8 319 140
6. Cash and cash equivalents		
Operational bank balances	41 561 836	5 943 447
Financial support bank balances	51 101 050	3 862 821
Development Fund bank balances	10 417 994	758 052
Cash on hand	43 001	43 000
	103 123 881	10 607 320

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand

2016

2015

7. Property, plant and equipment

	31 March 2016			31 March 2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Leased assets	383 859	(330 461)	53 398	1 093 361	(671 429)	421 932
Motor vehicles	477 347	(409 881)	67 466	607 739	(505 992)	101 747
Office equipment	6 813 032	(5 296 662)	1 516 370	7 658 935	(6 069 969)	1 588 966
IT equipment	3 530 111	(2 464 633)	1 065 478	4 567 174	(2 862 494)	1 704 680
Leasehold improvements	675 511	(356 520)	318 991	675 511	(131 349)	544 162
Total	11 879 860	(8 858 157)	3 021 703	14 602 720	(10 241 233)	4 361 487

Reconciliation of property, plant and equipment - 31 March 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Leased assets	421 932	-	-	(368 534)	53 398
Motor vehicles	101 747	-	-	(34 281)	67 466
Office equipment	1 588 966	437 273	(138 918)	(370 951)	1 516 370
IT equipment	1 704 680	210 066	(113 930)	(735 338)	1 065 478
Leasehold improvements	544 162	-	-	(225 171)	318 991
	4 361 487	647 339	(252 848)	(1 734 275)	3 021 703

Reconciliation of property, plant and equipment - 31 March 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Leased assets	354 464	333 135	-	(265 667)	421 932
Motor vehicles	146 396	-	-	(44 649)	101 747
Office equipment	1 596 996	319 876	(32 521)	(295 385)	1 588 966
IT equipment	821 965	1 537 303	(9 466)	(645 122)	1 704 680
Leasehold improvements	-	675 511	-	(131 349)	544 162
	2 919 821	2 865 825	(41 987)	(1 382 172)	4 361 487

Leased cell phones

Included in property plant and equipment are leased cell phones. This must be read together with note 10.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand

2016 2015

8. Intangible assets

	31 March 2016			31 March 2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	833 696	(350 852)	482 844	1 199 784	(506 870)	692 914

Reconciliation of intangible assets - 31 March 2016

	Opening balance	Additions	Amortisation	Total
Computer software	692 914	44 369	(254 439)	482 844

Reconciliation of intangible assets - 31 March 2015

	Opening balance	Additions	Amortisation	Total
Computer software	53 506	738 932	(99 524)	692 914

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
9. Other investments		
Name of entity		
Wakegem (PTY) Ltd	1	1
	1	1
Balance at 31 March	1	1
	1	1
Movements of carrying amounts		
as at 31 March 2016		
Wakegem (PTY) Ltd	1	1
Balance at 31 March 2016	1	1
	1	1
In line with the objectives of the entity, the Department transferred an investment in Wakegem (Pty) Ltd in the previous financial year. The investment was subsequently materially impaired to a value of R1 as a result of ongoing litigation.		
10. Finance lease liability		
Minimum lease payments due		
- within one year	59 884	411 370
- in second to fifth year inclusive	-	59 884
- later than five years	-	-
	59 884	471 254
less: future finance charges	(1 378)	(24 736)
Present value of minimum lease payments	58 506	446 518
	58 506	446 518
Present value of minimum lease payments due		
- within one year	58 506	388 012
- in second to fifth year inclusive	-	58 506
	58 506	446 518
Non-current liabilities	-	58 506
Current liabilities	58 506	388 012
	58 506	446 518
11. Rent straight-lining accrual		
Operating lease accrual	2 487 393	220 785
	2 487 393	220 785
The straight-line accrual relates to office accommodation lease contracts with escalation clauses. The amounts payable under the contracts are charged to statements of financial performance on a straight-line over the term of the contract.		

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
12. Trade and other payables		
Trade and other payables	3 150 831	3 409 478
Accrued leave pay	5 333 089	6 349 269
Accrued 13th cheque	555 120	756 174
	9 039 040	10 514 921
13. Unspent grants and receipts		
Ekurhuleni Municipality	3 813 598	-
Gauteng Gambling Board - Conditional Grant	4 676 380	-
Sun International Management Ltd - Conditional Grant	700 000	-
Dinokeng - Conditional Grant	7 200 000	-
	16 389 978	-

GEP entered into an agreement with Ekurhuleni Municipality on 24 July 2015 to provide Non-Financial and Financial Support to Lungile Mtsali Economic and Skills Development Programme. In line with the agreement an amount of R9.7 million was transferred to GEP on 5 August 2015. GEP met the conditions amounting to R5.9 million and R3.8 million remains unspent as at 31 March 2016.

In line with the mandate of GEP, GEP entered into a memorandum of understanding with Gauteng Gambling Board, to support SMME's from the townships economy revitalisation programme. In this regard funds for the CSI programme would be transferred on an annual basis to provide support for township SMME's awards as well as SMME's Awards prioritised by GEP from the township SMME's Database. GEP met the conditions amounting to R5.7 million and R4.7 million remains unspent as at 31 March 2016.

GEP also entered in an agreement with Dinokeng to establish and create jobs and support the development of small enterprise in tourism area. A R7.2 million conditional grant was transferred to GEP at the end of the third quarter for financial and nonfinancial support. The R7.2 million remains unspent as at 31 March 2016 since the conditions are not met.

In addition to the above, GEP received a conditional grant from Sun International Management Ltd to pay prizes to the SMME awards in the travel and tourism category. In line with the agreement an amount of R1.0 million was transferred to GEP. GEP met the conditions amounting to R300k and R700k remains unspent as at 31 March 2016.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
14. Revenue from non-exchange transactions		
Provincial Grants	290 438 000	153 191 000
Mafisa funds	-	7 517 909
Conditional Grant - Sun International Management LTD	300 000	-
Conditional Grant - Transnet Itereleng Fund	-	10 641 352
Ekurhuleni Municipality Conditional Grant	5 929 140	-
Conditional Grant - Gauteng Gambling Board (GGB)	5 700 000	8 319 140
	302 367 140	179 669 401
15. Revenue from exchange transactions		
SETA subsidy	216 318	224 142
Sundry income	366 090	40 842
Training fees	2 300	335 395
Insurance claims received	25 953	84 276
Finance Income - Financial support loans	4 705 294	4 485 496
Bad debts recovered - Financial support loans	330 205	588 479
Sponsorships - Telkom	1 000 000	-
	6 646 160	5 758 630

Included in the revenue from exchange transactions is an amount of R1.0 million received from Telkom for a GOLD package towards the Townships Entrepreneurship Awards sponsorship.

16. Operating surplus (deficit)

Operating surplus (deficit) for the period is stated after accounting for the following:

Operating lease charges		
Contractual amounts	16 563 515	13 599 835
Loss on sale of property, plant and equipment	76 811	18 207
Depreciation on property, plant and equipment	1 989 527	1 529 257
Employee costs	82 827 657	83 687 717
Research and development	79 314	5 195 295
Debt impairment	17 919 098	18 247 909

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
17. Employee related costs		
Basic	58 233 212	58 336 442
Bonus	913 609	3 892 291
Medical aid - company contributions	2 361 616	2 006 980
UIF	437 710	491 287
WCA	170 310	53 303
SDL	696 031	709 906
Leave pay provision charge	1 548 719	560 317
Employee care	15 331	119 021
Travel, motor car, accommodation, subsistence and other allowances	4 379 116	4 302 841
13th Cheques	2 491 654	2 318 069
Acting allowances	590 254	294 041
Retirement benefits	10 990 095	10 603 219
	82 827 657	83 687 717
18. Debt impairment		
• Financial support loans	10 177 024	3 770 850
• Trade and other receivables	28 397 064	-
	38 574 088	3 770 850
Provision for debt impairment		
• Financial support loans	(4 704 405)	4 374 616
• Trade and other receivables	(15 950 585)	10 102 443
	(20 654 990)	14 477 059
19. Finance income		
Finance income - Bank	1 996 130	1 454 261
20. Finance costs		
Interest paid - Finance lease	23 357	52 503
21. Auditors' remuneration		
Fees	2 902 929	2 395 501

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
22. Cash generated from (used in) operations		
Surplus (deficit)	69 065 461	(19 606 413)
Adjustments for:		
Depreciation and amortisation	1 989 527	1 529 257
Loss on sale of assets	76 811	18 207
Mafisa funds	-	(7 517 909)
Debt impairment	17 919 098	18 247 909
Unspent grants and receipts	16 389 978	(758 052)
Other non-cash items	198 582	(1 345 525)
(Increase)/decrease in Financial Support Loans	(9 670 450)	(2 077 083)
(Increase)/Decrease in Mafisa Loans	-	4 217 893
Changes in working capital:		
Receivables from exchange transactions	(11 459 236)	(19 303 105)
Receivables from non-exchange transactions	8 319 140	(8 319 140)
Trade and other payables	(1 475 880)	1 734 791
Rent and Straight-lining provision	2 266 608	1 758
	93 619 639	(33 177 412)

23. Commitments

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

At 31 March 2016, the outstanding commitment for contracts in progress amounted to:

Approved and contracted

Details of contracts in force

• Financial support loans approved but not yet paid out	39 072 173	15 589 381
• Programmes and projects	22 078 557	-
• Orders placed but goods or services not delivered	18 321 203	2 234 254
• Various contracts currently in progress	1 748 584	1 678 225
• Qondishishini lakho Project	1 207 870	-
	82 428 387	19 501 860

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
Operating leases		
Minimum lease payments due		
- within one year	12 237 983	2 119 098
- in second to fifth year inclusive	48 993 481	1 952 326
	61 231 464	4 071 424

Operating lease payments represent rentals payable for the use of office accommodation. Leases escalate at rates between 5% and 10% per annum.

24. Contingencies

The entity is in dispute settlement with one of its service provider on a contract that was terminated. The entity has a probability to incur costs relating to this uncertain event which is currently in litigation. The settlement may result in a cash outflow from the entity. The amount cannot be quantified at the reporting date.

25. Related parties

Relationships

Department of Economic Development	Government Department
Department of Agriculture, Forestry & Fisheries	Government Department
Transnet SOC Ltd	State Owned Entity
Dinokeng	State Owned Entity
Gauteng Gambling Board (GGB)	State Owned Entity
Ekurhuleni Municipality	Government Municipality

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

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	290 438 000	153 191 000
Funding from Department of Agriculture, Forestry & Fisheries-Mafisa	-	(5 150 966)
Dinokeng Conditional Grant	7 200 000	-
Ekurhuleni Municipality Grant	9 742 738	-
Gauteng Gambling Board	10 376 380	8 319 140

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
Transnet SOC Ltd		
Conditional Grant Revenue / Expenditure	-	(10 641 352)
Dinokeng Conditional Grant		
Grant Liability	7 200 000	-
Gauteng Gambling Board (GGB)		
Grant Revenue	5 700 000	(8 319 140)
Receivables from non-exchange transactions	(8 319 140)	8 319 140
Expenditure	8 319 140	-
Grant Liability	4 676 380	-
Ekurhuleni Municipality		
Grant Revenue	5 929 140	-
Expenditure	(5 929 140)	-
Grant Liability	3 813 598	-

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
25. Related parties (continued)		
Remuneration of directors and key management		
Directors - Fees for attendance of Board and Board committee meetings		
K. Matseke	36 730	201 774
J. Ngcebetsa (Deputy Chairperson)	-	71 042
T. Mazwai	-	74 522
T. Sithole	197 040	176 856
D. Ndlovu	-	71 042
K. Mkonza	-	81 483
Z. Taho	-	77 805
D. Maphatiane	-	84 964
D. Maja	-	84 766
M. Mampuru	-	57 605
M. Ramonyai	162 880	159 453
L. Magagane	198 191	88 412
R. Kekana	166 353	84 931
K. Duba	163 233	84 733
M. Lehobye	173 300	91 925
M. Africa	159 215	98 853
C. Busetti	182 575	95 373
M. Maroga	159 216	84 964
M. Ramusi	173 135	98 853
T. Ratshitanga	138 567	81 451
I. Motau	142 023	-
Directors total	2 052 458	1 950 807
Risk and Audit Committee		
N. Sandlana	51 490	
N. Mcambi	102 980	
L. Madavha	30 894	
Human Resource and Remuneration Committee		
M. Olivier	20 596	
Board Sub-Committee members total	205 960	
Total paid to directors	2 156 767	

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
25. Related parties (continued)		
Senior management		
2016	Salary	Other benefits*
L. Manenzhe - Acting Chief Executive Officer	-	-
P. Twala-Tau		
- Chief Executive Officer - Resigned 15 July 2015	1 068 467	1 018 834
N Genuka		
- Acting Chief Financial Officer	-	-
J Lukhele - Chief Financial Officer		
- Contract Terminated 14 October 2015	927 613	360 420
K. Onuoka		
- Company Secretary	1 568 003	-
L. Kwapeng - Specialist :		
Strategy, Planning and M&E - Resigned 31 July 2015	453 271	-
L. Zabala		
- GM: Corporate Services	1 612 372	-
P Zondo - GM: Marketing and Communication		
- Resigned 15 August 2015	504 087	-
P. Mosiatlhaga- Chief Information Officer	1 662 341	-
M. Valashiya - Acting GM Loans, Debt Recoveries and Bus Development		
N. Mcambi - GM Loans, Debt Recoveries and Bus Development - Contract ended 31 July 2015	516 504	-
M. Ndebele - Specialist Stakeholder, Partnerships and Resource Mobilisation	1 288 329	-
O.Mlambo - Specialist: Special Projects	1 256 240	-
R. Mogatle - Specialist : Risk Management & Audit	1 107 689	-
M. Malokane - Legal Advisor	1 459 409	-
Total emoluments	13 424 325	1 379 254
		295 380
		15 098 959

Included in senior management are seconded executive management employees from the Gauteng Department of Economic Development (Controlling Entity). These senior management employees were transferred on less favourable terms than those entered into with other employees. They are paid by way of an acting allowance by GEP and other remuneration costs are compensated by the Gauteng Department of Economic Development.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand		2016	2015		
25. Related parties (continued)					
	Board	RAC	REMCO	BDC	CC
Risk and Audit Committee (RAC)					
Human Resource and Remuneration Committee (REMCO)					
Business Development Committee (BDC)					
Credit Committee (CC)					
Non-Member **					
Dr KOP Matseke	3/11	**	**	**	**
L. Magagane	8/11	**	3/4	**	2/4
T. Sithole	8/11	6/7	**	6/7	**
M. Ramonyai	3/11	**	**	6/7	**
R. Kekana	7/11	**	4/4	**	**
M. Africa	6/11	**	**	**	2/4
T. Ratshitanga	4/11	**	**	**	1/4
C. Busetti	6/11	**	**	6/7	4/4
M. Lehobye	5/11	7/7	**	1/7	**
M. Ramusi	5/11	5/7	**	**	3/4
M. Maroga	6/11	**	**	3/7	**
K Duba	6/11	**	3/4	**	**
L. Manenzhe	5/11	3/7	4/4	5/7	3/4
P. Twala-Tau	3/11	2/7	1/4	1/7	**
Ms Motau	5/11	4/7	1/4	**	**

A payment error was identified wherein a director was paid a retainer fee amounting to R3600 instead of paying the retainer to another director. The error was not detected initially as the total monthly payment submitted to payroll balanced with the amount captured on the payroll system.

26. Financial instruments disclosure

The entity's financial instruments consist mainly of cash at bank and cash equivalents, trade and other receivables, financial support debtors, and trade and other payables. All financial instruments are carried at fair value. The bank deposits and balances, receivables and payables approximate their fair value due to the short term nature of these instruments.

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:

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand

2016 2015

Financial assets by class – at carrying value and fair value

Financial Support Loans	36 008 391	31 810 560
Receivables from exchange transactions	28 895 121	29 882 365
Cash and cash equivalents	103 123 881	10 607 320
	168 027 393	72 300 245

Financial assets by class – at carrying value and fair value

Loans, receivables and cash and cash equivalents	168 027 393	72 300 245
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Financial liabilities by class – at carrying value and fair value

Trade and other payables	3 150 831	3 409 478
Finance lease liability	58 506	446 518
	3 209 337	3 855 996

Financial liabilities by category

Measured at amortised cost	3 209 337	3 855 996
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NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand

2016

2015

27. Financial 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 credit committee and debt management committee.

The financial 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.

Trade receivables comprise a large number of customers, dispersed across different industries and geographical areas. Credit evaluations are performed by 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 2016, the entity did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

Product Type	Current	30 Days	60 Days	90 Days	120+	Total
Contract Finance	187 665	183 639	185 948	334 826	6 420 197	7 312 275
Expansion	408 070	410 139	413 194	411 196	9 487 372	11 129 971
Franchise	95 797	93 766	94 114	93 600	1 442 697	1 819 975
Mafisa	54 947	58 076	58 470	58 262	2 204 157	2 433 913
Micro	40 184	44 122	45 373	45 092	1 433 428	1 608 201
Startup	108 228	107 703	107 568	100 382	901 692	1 325 571
Subtotal	894 891	897 445	904 667	1 043 358	21 889 543	25 629 906
	894 891	897 445	904 667	1 043 358	21 889 543	25 629 906

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
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27. Financial Risk management (continued)

Interest Rate Risk

Bank deposits are linked to the South African prime interest rate.

The net interest income at 2016 R1 996 130 (2015: R1 454 261).

The interest rate re-pricing profile at 31 March 2016 is summarised as follows.

	0 – 12 Months	Beyond one year	Total floating rate borrowings/ investments
Financial support loans	6 702 945	28 602 115	35 305 060
Receivables from exchange transactions	28 895 121	-	28 895 121
Cash and cash equivalents	103 123 881	-	103 123 881
	138 721 947	28 602 115	167 324 062

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

Interest rates had been 50 basis points higher and all other variables were held constant the entity's surplus for the period ended 31 March 2016 would have increased by R515 619 (2015: R310 823).

For a 50 basis points there would have been an equal and opposite impact on the surplus.

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

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 summarised as follows:

Financial liabilities	0 – 12 Months	1 – 5 Years	5 Years	Total
Trade and other payables	3 150 831	-	-	3 150 831
Finance lease liability	58 506	-	-	58 506
	3 209 337	-	-	3 209 337

28. Fruitless and wasteful expenditure

Condoned	-	(401 355)
Current year	-	401 355
	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand

2016

2015

Amounts spent on fruitless and wasteful expenditure for current year, as defined by Section 81 of the Public Finance Management Act of 1999 as amended, amounted to R nil (2015:R401 355). (This is a result of fines and penalties due to late payments to South African Revenue Services).

29. Irregular expenditure

Condoned	-	(2 113 159)
Current year	-	2 113 159
	-	-

During the year there was no irregular expenditure and in 2015 an amount of R2 113 159 was spent in an irregular manner as defined by the PFMA of 1999, as amended. This related to a contract for building lease expired while waiting for the new office renovation to be completed and a study trip tour to Germany, United Kingdom and Austria.

Details of irregular expenditure

Terms and conditions	-	2 113 159
	-	-

30. 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 surplus or deficit of R10 990 095 (2015: R10 603 219) 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 STATEMENT

Figures in Rand

2016

2015

31. Prior period errors

The following errors relating to the previous financial years were identified:

Error in depreciation and amortisation

During the current financial year a comprehensive review of the property, plant and equipment useful life was done. In an effort to clear the zero valued assets included in the asset register, an error amounting to R587 369 emanating from prior year periods was identified and adjusted. Management considered the amount not to be material, however a decision to adjust was taken to correct these assets in their respective periods as they are still in use. See below the comparative figures adjusted with the effects of the R521 681 opening balance for year 2014/15. The balance of R65 687 is adjusted in the closing balance for year 2014/15 as depreciation and accumulated depreciation for the year 2014/15.

Cost	Balance at beginning as previously stated	Correction of prior year balance	Restated balance at beginning of the year
Leased assets	1 093 361	-	1 093 361
Motor vehicle	607 739	-	607 739
Office equipment	7 658 935	-	7 658 935
IT equipment	4 567 174	-	4 567 174
Lease improvements	675 511	-	675 511
	14 602 720	-	14 602 720
Accumulated Depreciation	Balance at beginning as previously stated	Correction of prior year balance	Restated balance at beginning of the year
Leased assets	376 480	-	376 480
Motor vehicle	478 792	27 450	506 242
Office equipment	5 134 974	321 600	5 456 574
IT equipment	3 229 422	172 631	3 402 053
	9 219 668	521 681	9 741 349
Net Book Value	Balance at beginning as previously stated	Correction of prior year balance	Restated balance at beginning of the year
Leased assets	354 464	-	354 465
Motor vehicle	118 947	27 450	146 397
Office equipment	1 275 396	321 600	1 596 996
IT equipment	649 334	172 631	821 965
	2 398 141	521 681	2 919 823

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Figures in Rand	2016	2015
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32. Going concern

The determination of whether the going concern assumption is appropriate was considered by management of GEP.

The factors management considered to come to a conclusion on the appropriateness of the going concern assumption are:

- After the reporting date is there an intention to liquidate the GEP or to cease operating, or that there is no realistic alternative but to do so.
- The current and expected performance of the GEP, any announced and potential restructuring of organisational units, the likelihood of continue government funding and, if necessary, potential sources of replacement funding.
- In the case of GEP whose operations are substantially budget-funded government, going concern issues will generally only arise if the provincial government announces its intention to cease funding the entity.
- Any deterioration in operating results and financial position after the balance sheet date was considered.
- The financial position of the entity, its cash flows, and liquidity position and funding facilities as set out in the annual financial statements and future projections of funding requirements from the Provincial Government.

After considering the above, management of GEP has concluded that the GEP will be able to operate for the foreseeable future. For this reason the entity continues to adopt the going concern basis in preparing its financial statements.

33. Notes for Statement of Comparison of Budget and Actual Amounts

Material differences between the budget and actual amounts

A) For the 2015/16 financial year, GEP managed to collect revenue of R8.5 million which included interest of R1.2 million. The projected revenue was R10 million which shows an under collection of R1.5 million from the collected revenue. The under collection was due to challenges faced by the entity.

B) The GEP budgeted R5.4 million for Finance and other income. The entity received R8.7 million at year end. The positive variance of R3 million is due to Telkom Sponsorship of R1 million and higher interest from bank deposits of R1.9 million.

C) At year end, the GEP had met the conditions for an amount of R11.9 million for conditional grants and R16.4 million remains unspent. The unspent grant is committed and will be spent in the 2016/17 financial year (refers to par. C,D,E,F).

J) For general expenditure the entity had an original budget of R29.5 million and adjustment of R30.3 million was received to fund other priority areas.

K) GEP budgeted an amount of R14.6 million for youth placement program to accelerate the facilitation of youth employment. An additional budget was received to cater for other programmes.

M) The projected revenue was R10 million at the beginning of the financial year but due to recapitalisation of the funds towards loans and business development, the budget increased by R47.4 million.

Basis of preparation and presentation of.

The budget and actual amounts. The annual financial statements are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements differ from the budget, which is approved on the cash basis.

DETAILED INCOME STATEMENT

Figures in Rand	Note(s)	2016	2015
Revenue			
Grants from province		290 438 000	153 191 000
Mafisa funds		-	7 517 909
Other income		6 646 160	5 758 630
Interest income		1 996 130	1 454 261
Conditional Grant - Sun International Management Ltd		300 000	-
Conditional Grant - Transnet Itireleng Fund		-	10 641 352
Conditional Grant - Ekurhuleni Municipality		5 929 140	-
Conditional Grant - Gauteng Gambling Board (GGB)		5 700 000	8 319 140
Total revenue		311 009 430	186 882 292
Expenditure			
Personnel		(82 827 657)	(83 687 717)
Depreciation and amortisation		(1 989 527)	(1 529 257)
Finance costs		(23 357)	(52 503)
Debt impairment		(17 919 098)	(18 247 909)
Repairs and maintenance		(1 088 621)	(969 561)
General expenses	34	(138 018 898)	(101 983 551)
Total expenditure		(241 867 158)	(206 470 498)
Operating surplus (deficit)		69 142 272	(19 588 206)
Loss on disposal of assets		(76 811)	(18 207)
Surplus (deficit) for the period		69 065 461	(19 606 413)

DETAILED INCOME STATEMENT

Figures in Rand	2016	2015
34. General expenses		
Advertising promotion and marketing	2 141 467	2 698 013
Auditors remuneration (Internal and External)	2 902 929	2 395 501
Bank charges	107 194	124 205
Board meetings	5 148	73 729
Bursaries	366 529	473 535
Conferences and seminars	-	296 157
Consulting and professional fees	3 377 761	3 185 502
Courier services	-	2 052
Entertainment	31 155	86 849
Fines and penalties	(248 347)	401 356
IT expenses	1 906 132	1 948 098
Insurance	303 864	57 034
Library maintenance	341	88 117
Maintenance of software	1 202 436	946 227
Motor vehicle expenses	70 914	61 154
Office equipment rental	954 918	875 914
Office rent and utilities	16 563 515	13 599 835
Printing and stationery	591 500	1 169 188
Recruitment	108 909	312 092
SMME business development support	71 000 175	41 650 230
SMME product development	23 329 554	15 498 515
SMME research and development costs	79 314	5 195 295
SMME seminars and training	198 237	1 233 491
SMME sponsorships	2 600 985	2 585 174
Severance package	1 379 255	45 732
Community fund	4 846 038	2 373 972
Telephone and fax	2 743 352	2 279 206
Training	148 586	714 491
Travel - local	76 135	175 611
Travel - overseas	180 975	92 073
Travel reimbursement	1 049 927	1 345 203
	138 018 898	101 983 551

NOTES

NOTES

GEP OFFICES**HEAD OFFICE**

6th Floor, 124 Main St,
Johannesburg
Tel: 011 085 2001
JOHANNESBURG

REGIONAL OFFICE

7th Floor, 124 Main St,
Johannesburg
Tel: 011 085 2002

EKURHULENI**REGIONAL OFFICE**

Ground Floor, 188 Victoria Street,
Cnr Victoria & Spilsbury, Germiston
Tel: 011 821 2870

TSHWANE REGIONAL**OFFICE**

Block G, 333 Grosvenor Street,
Hatfield Gardens,
Hatfield
Tel: 012 430 2359

WEST RAND**REGIONAL OFFICE**

23 Eloff Street,
Krugersdorp
Tel: 011 950 9870

SEDIBENG**REGIONAL OFFICE**

1st Floor, GEP House,
22 Hertz Boulevard,
Vanderbijlpark
Tel: 016 910 1200

SATELLITE OFFICE**BRONKHORSTSPRUIT**

Lazarus building,
43 Lanham Street,
Bronkhorstspruit
Tel: 013 932 3828

SATELLITE OFFICE**HEIDELBERG**

52 Voortrekker Road,
PG Glass,
Unit 34,
Heidelberg
Tel: 016 349 2658

SATELLITE OFFICE**SOWETO**

Maponya Mall, Thusong Centre,
2127 Chris Hani Road,
Soweto
Tel: 011 938 4257

SATELLITE OFFICE**MOHLAKENG**

3521 Ralerata Street,
Mohlakeng
Tel: 011 414 1753





GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

