



ANNUAL REPORT

2017/18

Moulding Entrepreneurs »

“Together,
Moving
Gauteng
City Region
Forward



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PART A: GENERAL INFORMATION



GEP'S general information.

REGISTERED NAME
Gauteng Enterprise Propeller

REGISTERED NUMBER
Not applicable

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ACTING CHIEF EXECUTIVE OFFICER
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AUDITORS
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COMPANY SECRETARY
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EKURHULENI REGIONAL OFFICE

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TSHWANE REGIONAL OFFICE

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WEST RAND REGIONAL OFFICE

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Tel: 011 938 4257

MOHLAKENG SATELLITE OFFICE

3521 Ralerata Street, Mohlakeng
Tel: 011 414 1753

LIST OF Abbreviations / Acronyms

LIST OF ABBREVIATIONS / ACRONYMS

AIDC	Automotive Industry Development Centre
APP	Annual Performance Plan
BDS	Business Development Support
CAP	Cooperative Assistance Programme
CIPC	Companies and Intellectual Property Commission
Co-Ops	Cooperatives
ES	Enterprise Support
G2055	Gauteng Vision 2055
GCR	Gauteng City Region
GDED	Gauteng Department of Economic Development
GEP	Gauteng Enterprise Propeller
GIBUS	Gauteng Informal Business Upliftment Strategy
GM	General Manager
GPG	Gauteng Provincial Government
IBASA	Institute of Business Advisors South Africa
ICT	Information and Communications Technology
IM	Investment Management
MEC	Member of the Executive Council
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
RO	Regional Operations

LIST OF ABBREVIATIONS / ACRONYMS

PESTLE	Political, Economic, Social, Technological, Legal and Environmental
POA	Programme of Action
PWD	Person with Disabilities
SADC	Southern African Development Community
SEFA	Small Enterprise Finance Agency
SMME	Small, Medium and Micro Enterprises
SONA	State of the Nation Address
SOPA	State of the Province Address
SWOT	Strengths, Weaknesses, Opportunities and Threats
TBR	Township Business Renewal
TER	Township Economy Revitalisation
TMR	Transformation, Modernisation and Re-industrialisation





foreword by the chairperson

FOREWORD BY THE CHAIRPERSON

Mr. Khehla Mthembu
Board Chairperson



Introduction

As Chairperson of the Gauteng Enterprise Propeller (GEP) Board, I am privileged to present this Annual Report reflecting on the Agency's governance and performance outcomes for the period 2017/2018.

The South African Economic Outlook

South Africa's economy unexpectedly contracted by an annualised 0.7 percent in the first three months of 2017, following a 0.3 percent drop in the previous period and compared to market expectations of a 0.9 percent expansion. It is the first recession since 2009 as both trade and manufacturing recorded negative growth rates¹. In the three months to June 2017, South Africa saw an unforeseen rebound, ending two quarters of contraction and beating market expectations of a 2.1 percent rise. It is the highest growth rate in a year with agriculture, forestry, and fishing making the largest upward contribution, namely field crops and horticultural products.²

South Africa advanced an annualised 3.1 percent on quarter in the last three months of 2017, following an upward revised 2.3 percent rise in the previous period and beating market expectations of 1.8 percent. South Africa experienced an upswing in agriculture and a rebound in internal trade and a faster increase in manufacturing.³

The recent positive outlook characterised by the growth in GDP, employment and a strong rand has helped the country to regain the lost investor confidence. Buoyed by the new political leadership, clear intentions to wipe out corruption and maladministration, strengthening fiscal austerity measures, the country appears to be on a growth trajectory. The recent private sector commitment in rebuilding the South African economy and the creation of 1 million youth jobs, through the Youth Employment Service (YES) is a positive sign that the country on the right path. In 2017, South Africa's economy was on the brink of collapse, with the national debt (55%) against the Growth Domestic product increasing above the investment threshold of 51%. This leaves the country with few options while increasing the prospects of losing an investment destination status.

The "New Dawn" characterised by the positive business climate and the reconstruction of South Africa's economy brought stability and served as a beacon of hope for both the economy and citizens of this country. The first quarter of 2018 saw a major rise in the price of petrol, unprecedented in the history of the country, while consumer confidence went down due to tight fiscal austerity measures, rising food prices and the slowdown in investments.

¹<https://tradingeconomics.com/articles/06062017095537>

²<https://www.iol.co.za/business-report/breaking-news-south-africa-moves-out-of-recession-11086750>

³<https://tradingeconomics.com/articles/03062018100442.htm>

In the first quarter of 2018, the South African economy shrank by 2.2 percent following a 3.1 percent growth in the fourth quarter of 2017. Critical sectors that contributed to this major slowdown included manufacturing, agriculture, mining, construction and trade industries. These are major labour absorbing sectors and their contraction is significant, for purposes of their potential impact on the high unemployment levels and widening inequality confronting our country. According to the 2018 World Bank Report, approximately 10 percent of the population owns 71 percent of the country's assets while 55 percent of the population only owns 6-7 percent. Economic transformation continues to be slow and far from the desired equitable and inclusive state while the presence of small businesses in critical sectors of the economy such as mining, manufacturing and agriculture remains low. Furthermore, black owned businesses find it difficult to realise inclusive and shared growth when high barriers of entry and a vertically integrated economy continue to be a defining feature of South Africa's main stream economy. However, on a positive note, South Africa has improved its credit rating profile, reflected by a Baa3 government bond ratings which assign a low risk bond or investment.

South Africa's Inequality Dilemma

It is expected that the Development Finance Institutions should focus on youth owned businesses and unemployed graduates to respond to the high unemployment levels besetting the youth cohort. The World Bank Report (2018) states South Africa to be the most unequal country in the world, followed by Namibia, Lesotho, Botswana and Zambia in Southern Africa. Reversing this tide would require stringent measures and a dedicated partnership with the private sector. However, the current indications are that Corporate South Africa is reluctant to transform. According to Statistics South Africa, small businesses contribute 20% to the economy, while larger businesses contribute 69%. This presents an opportunity for GEP to ensure its SMME and Co-operative support is geared towards increasing the contribution of small township-based businesses to the growth and stability of Gauteng's economy.

Challenges faced by GEP

SMMEs are acknowledged as the engines of growth in the economy yet face formidable constraints that hinder them from realising their full potential. Limited market access remains a critical constraint to their growth and thus a key focus of the work of GEP.

Over the past five years, the provincial mandate and the demand for entrepreneurial development has increased, while resources to meet the growing demands have decreased. The entrepreneurial environment continues to face a huge financing gap of almost 50 percent, with banks providing support mostly to established businesses, while small businesses get assisted at their last stage of

development. This normally excludes most SMMEs, due to the lending measures/criteria being so stringent. The limited number of registered businesses in townships means that only a relatively few SMMEs and Co-operatives benefit from government programmes (set-asides) and entrepreneurship support.

The low level of formal business registrations also depicts that very few businesses in the townships would graduate into the mainstream economy. This calls for the Gauteng Enterprise Propeller and other partners to increase the rollout of interventions that will grow the number of formalised township businesses and ramp up business development support to increase entrepreneurship education and support in the townships. Considered focus on improving the manufacturing capacity of township businesses could also ensure increased contribution towards township economic growth.

GEP Internal Challenges

Despite its ongoing financial constraints GEP plays a vital role in changing the township ownership structure and in promoting a production focus and local value chain development. Internal challenges such as the labour issues which remained unresolved as at the closing of 2017/18, are a major concern for the incoming Board given their potential to negatively impact productivity, and through the Human Resources and Remuneration Committee (REMCO) we will continue to work with management to expedite the resolution of these matters.

Review of the 2017/18 Financial Year

In pursuit of the GEP vision of "Sustainable SMMEs and Co-operatives propelled into the mainstream economy of Gauteng", the Agency provided financial and non-financial support to about 4000 SMMEs, 1072 informal businesses and 837 Co-operatives during 2017/18.

Such achievements are an affirmation of the pivotal role played by GEP in providing unique, financial and non-financial services that steer SMMEs and Co-operatives towards becoming active participants in Gauteng's mainstream economy.

One of the key challenges for GEP in delivering on its mandate during 2017/18 has been its failure to meet the Annual Performance Plan target relating to the provision of support to Co-operatives due to factors such as the poor state of governance within Co-operatives, as well as, sustainability, inability of some applicants to meet the Agency's qualifying criteria for Co-operative support and last but not least, investment readiness challenges.

In the new financial year (2018/19), the Agency aims to address challenges relating to Co-operative support by focusing more on the investment readiness aspect of Co-operative development to increase the number of

Co-operatives that can qualify for financial support.

In the financial year under review, SMMEs and Co-operatives supported by GEP also continued to face impediments relating to difficulty in competing with established businesses for opportunities. To propel the participation of supported SMMEs and Co-operatives in the mainstream economy by benefiting from public and private sector procurement opportunities the Agency will continue leverage on strategic partnerships to drive the creation of access to market opportunities.

The Year Ahead

The National Development Plan (NDP), Vision 2030, highlights the critical contribution of the small business sector towards achieving the 2030 target of 11 million new jobs to be created. In the State of The Nation Address delivered on the 16th February 2018, President Cyril Ramaphosa acknowledged that "public finances have been constrained, limiting the ability of government to expand its investment in economic and social development". To this end the 2018/19 national priorities include focusing on the development of township small businesses and Co-operatives to ensure economic growth is sustained by small businesses. This, amongst other factors, is to be underpinned by the stimulation of manufacturing through transformation and re-industrialization on a scale and at a pace that creates employment opportunities for job seekers so that they can actively participate in the economy. The other challenge is that most black owned businesses in the townships are not registered (estimated at 87%) and there is a low level of participation, especially in regions such as Westrand and Sedibeng. This is also exacerbated by their low level of development and high concentration of small businesses within the retail and wholesale sectors, hence the need to assist and support businesses to move from consumer to sectors with high productive potential such as manufacturing. It is against this backdrop, that GEP needs to focus on pre-investment readiness and skills-oriented (training or advocacy) to increase the low level of manufacturing, especially in the Gauteng's townships. Again, for Gauteng to change the current growth trajectory that is biased towards the metros, there is a need to develop a targeted approach in line with the comparative advantages of the regions or corridors.

Against this background, GEP continues to contribute directly to the following Transformation, Modernisation and Reindustrialisation (TMR) pillars with priority on the township economy:

- Pillar 1 – Radical Economic Transformation;
- Pillar 6 – Modernisation of Gauteng economy; and
- Pillar 9 – Reindustrialisation of Gauteng economy.

In the 2018/19 financial year, GEP's focus will shift more towards the provision of incubation and pre-investment support to Co-operatives, aimed at enhancing their ability

to leverage on the available funding and investment opportunities. The expansion of their job creation potential by pursuing more high impact projects led by Co-operatives (which are not traditionally known to employ in large numbers) can yield high employment and economic multipliers.

In keeping with the Gauteng City Region Economic Development Plan the key sectors to be prioritised will include:

- Furniture;
- Construction;
- Clothing and Textiles; and
- Manufacturing.

Projects to be implemented by the Agency will focus on assisting small businesses in the furniture, construction and manufacturing sectors to be able to grow and positively contribute to the creation of sustainable jobs for Gauteng's township communities. Despite the reduction in budget spending, GEP intends to move from low to high potential sectors with huge employment multipliers. This is further supported by the proposed strategic shift from quantitative (output-based) to qualitative (outcome-based) targets.

The 2016/17 financial year marked a historical milestone for GEP with the achievement of its very first clean audit with no findings on Financial Information, and an unqualified opinion on performance information, internal controls and compliance with laws and regulations. In 2017/18, the Board and Management focused on mechanisms to further strengthen the Agency's internal control environment and we are pleased that such efforts have resulted in the AG audit opinion of a clean audit with no findings on financial information and unqualified on compliance and performance information for 2017/18. We continue to strive towards ensuring that the Board, as the Accounting Authority, sets the right tone from the top with respect to best practice in financial and performance management and that GEP's overall compliance with laws and regulations is maintained.

Acknowledgements

It is recorded that the term of the previous GEP Board of Directors under the leadership of Ms. Lebogang Magagane came to an end on 30 September 2017. On behalf of the new Board, I wish to extend a word of appreciation for their contribution towards ensuring that the previously marginalised Gauteng small businesses, particularly in townships, do not remain mere bystanders but also become active participants in the economy.

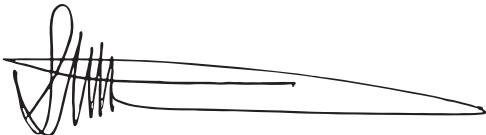
Sincere gratitude goes to my fellow Board members who have boldly taken the baton in accepting this tremendous responsibility of continuing with the execution of the GEP mandate and have demonstrated unwavering commitment to steering the Agency towards achieving its strategic

goals and objectives, since their appointment in October 2017. I would also like to thank the Honourable Member of the Executive Council (MEC) for Economic Development and Agriculture and Rural Development for trusting this incoming Board to provide strategic guidance to management and oversee the GEP small business support activities aimed at addressing Gauteng's poverty, unemployment and inequality challenges.

Conclusion

In closing, the Board acknowledges the executive management team led by Acting Chief Executive Officer, Ms. Leah Manenzhe, management and employees for their resilience and steadfast focus on the development of SMME's and Co-operatives in the face of numerous challenges relating to the GEP internal and external environments. To your credit, GEP's internal controls and organisational performance outcomes continue to show year-on-year improvements.

I am proud to lead this committed and hardworking team, and together, we will strive towards ensuring township SMME's and Co-operatives indeed become active participants in growing Gauteng's mainstream economy.



Mr. Khehla Mthembu
Board Chairperson

“...together, we will strive towards ensuring township SMME's and Co-operatives indeed become active participants in growing Gauteng's mainstream economy



Funded by Gauteng Enterprise Propeller



The Introduction Of The 'New Order Of Things', Has Ensured A Steady But Noticeable Improvement On The Agency's Performance

Ms. Leah Manenzhe - Acting CEO: Gauteng Enterprise Propeller

ACTING CHIEF EXECUTIVE OFFICER'S OVERVIEW

Ms. Leah Manenzhe

Acting Chief Executive Officer:
Gauteng Enterprise Propeller



Introduction

In his book called The Prince (1532), Niccolo Machiavelli states that "there is nothing more difficult to take in hand, riskier to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things." This quote captures the GEP's 2017/18 financial year story.

The term of the previous GEP Board of Directors under the leadership of Ms. Lebogang Magagane came to an end on 30 September 2017. We welcomed new Board of Directors who took Office from 1 October 2017 and have since accelerated service improvements to ensure that GEP meets its Annual Performance Plan deliverables and address the internal challenges faced by the Agency. Over and above this, GEP introduced new systems and processes aimed at improving controls, and the overall efficiency and effectiveness of the Agency.

I am pleased to report that since the introduction of the 'new order of things', there has been steady but noticeable improvement on the Agency's performance against the 2017/18 Annual Performance Plan as thirteen (13) of the planned sixteen (16) targets for the year were achieved. This 81% achievement was 7% higher than the 74% overall performance for the prior financial year (2016/17). Loan

collections also improved from R14, 6M in the 2016/17 financial year to R15, 2M in the 2017/18 financial year.

This is a positive reflection of the critical contribution of GEP towards promoting the participation of Gauteng's small township-based businesses in the mainstream economy. I believe that GEP is on track to maintain the 2016/17 and 2017/18 Clean Audit outcomes on financial management, internal controls and compliance and we are aiming to attain the same for Performance Information in 2018/19.

The SMME and Cooperatives Roadmap

The 2018 State of The Nation Address had a strong focus on the development of SMMEs and Co-operatives. This has come with a strong emphasis on the support for small businesses particularly in the townships and rural areas. Government is expected to honour the NDP undertaking for SMMEs to drive the creation of 11 million jobs for the benefit of South Africa's unemployed population and to further set aside at least 30 percent of public procurement for SMMEs, Co-operatives, township and rural enterprises. It is also expected to continue investing in SMME and Co-operative incubation programmes and GEP's role as a

driver of small business development opportunities thus finds expression in these key national priorities.

A R2.1 billion SMME Innovation Fund has been committed driven by the need to focus on sectors with greater opportunities for growth especially in labour absorbing sectors such as manufacturing, agriculture and agro-processing with an estimated R1.5 billion having been committed from the private sector to improve the ease of doing business. Part of easing the cost of doing business would be the decriminalisation of hawkers (informal street traders). There is also a call to create and diversify centres of economic development across the provinces to accelerate job creation and build township and rural economies.

General Review of the Gauteng Enterprise Propeller (GEP)

GEP recognises the increasing need for the provision of financial, incubation, hand-holding and mentoring services to small businesses. The support GEP provided to approximately 4000 formal businesses and 1072 informal businesses in 2017/18, and its ongoing focus on the growth of the labour intensive sectors such as construction, manufacturing, wholesale and retail, agro-processing and furniture in alignment to the Gauteng City Region (GCR) Economic Development Plan serves as evidence of inroads the Agency continues to make in supporting small businesses and developing townships into productive centres.

The technical recession experienced in 2017 negatively impacted Gauteng SMME's and Co-operatives, due to the generally low consumer confidence, reduced market demands and closure of some businesses that came with it. Budgetary constraints that continued to face the Agency in the 2017/18 financial year restricted the level of support to SMME's and Co-operatives, and saw some applicants with higher value (financial) failing to benefit from GEP support. This has led to the Agency shifting its approach during the 2018/19 planning cycle from the quantitative focus of 2017/18 and prior years, to reduced targets with higher impact and job creation potential in alignment with the limited financial resources.

The Minister of Small Businesses has launched a Co-operative Institute in Johannesburg worth R1.6 billion. This is aimed at strengthening the capacity of Co-operatives that continue to experience an unprecedented decline in their capacity. GEP and other provincial Development Finance Institutions (DFIs) still face challenges relating to the sustainability of Co-operatives due to factors such as low education levels among its members and competing for the various grants offered by DFIs and government departments. In the main, Co-operatives have become opportunistic "grant shoppers" who seek funding from multiple public institutions only for their operations to cease thereafter or in some instances, fail to take off. GEP supported 837 Co-operatives in the financial year under review, with 176 of these having benefited from financial

support in the form of loans and grants through the GEP Co-operative Assistance Programme (CAP) and the remaining 661 having received non-financial (business development support). In response to the high mortality rate of small businesses, the Agency is now focusing on opportunities to provide compulsory pre-investment training and skills development support for SMME's and Co-operatives to improve chances of their sustainability post financial and non-financial the support.

2017/18 GEP Debt Collection Outcomes

GEP's debt collection efforts continued to yield positive results, with a total of R15,2m against a target of R15m having been collected in the financial year under review, which is an improvement when compared to the R14.6 million collected in 2016/17 against a R10m target. A review of the collection across various product offerings of the entity indicated contract finance to have the highest collection rate due to its short-term nature and cessions implemented by GEP.

Loan collection challenges experienced by the Agency in the 2017/18 financial year included inter alia:

- Debtors defaulting on payments;
- Debtors changing bank accounts after receiving loans from GEP hindering on the entity's ability to collect the outstanding loans;
- Businesses closing post GEP financial support; and
- Difficulties relating to the tracing of debtors to commit them to repayment plans.

Ongoing GEP mitigation actions:

- GEP continues to blacklist defaulting clients with the Credit Bureaus. The reaction regarding the blacklisting from clients continues to have an impact with some clients making payment arrangement or requests for settlements;
- Continuation of client visits;
- Cessions continue being effected on loans granted; and
- Strengthening of due diligence processes during the processing of funding applications.

The Agency plans to collect a further R15 million from debtors in 2018/19 with a view to ploughing back these funds into the limited GEP financial resources pool for the greater benefit of Gauteng's small businesses.

Automation of GEP Processes

GEP launched an automated operations solution on 1 September 2017; a system that would allow for Gauteng citizens to apply for GEP services online and enable them to track their applications using the internet connection. The system is designed to provide automated updates to the clients at all stages of processing the applications. Of importance, the system alerts GEP management of

bottlenecks in the processing of applications and reduces human interference. This called for an organisational culture change and adaptation which is ongoing.

As part of the continuing efforts to improve customer services, and build the reputation of the organisation, there has been a concerted focus on addressing identified areas of potential corruption, automate application processes for transparency purposes, improve cyber security, tighten controls and governance. Monitoring of the effectiveness of the new online application processes will continue to be a prime area of focus for 2018/19.

Capacity Constraints, Challenges and Mitigation Actions

Notwithstanding the system improvements, the Labour and Management relations deteriorated to a state of impasse. This was brought on by the salary demands that the employer could not meet, suspension of employees, and numerous grievances against management coupled with allegations of fraud, corruption and maladministration.

Management has and continues to seek ways of improving the relationship with labour and continues to cooperate with forensic investigations as and when they are undertaken. In this regard the fraud and corruption allegations raised by the Provincial Public Protector were adequately responded to, and files closed. Furthermore, management and staff of GEP cooperated with the Forensic Investigation that was commissioned by the Shareholder, the Gauteng Economic Development and will continue to do so as and when such steps are required.

Despite the above challenges, GEP continues to demonstrate resilience and the level of commitment that has seen GEP exceed the debt collection target, and improve overall performance information levels, from 74% in the 2016/17 financial year to 81% in the 2017/18 period. We have also seen an increase in Strategic Partners taking a keen interest in collaborating with the entity, a signal that there is a positive external narrative of GEP.

External Audit Report matters and Action Plans to Address

The Auditor General has once again, through a clean audit opinion on financial information, financial management, internal controls and compliance with laws and regulations and unqualified outcome on performance information for the financial year under review, re-affirmed GEP's solid stance regarding consistent implementation of sound internal controls relating to financial and performance management and general compliance with laws and regulations.

The Agency welcomes this audit outcome and will put appropriate measures in place to address the AG's concerns relating to the recoverability of debtors and loans which continues to negatively impact on the GEP impairment of debtors as this has increased significantly in the 2017/18 financial year. Management is of the view that the strengthening of due diligence processes during the processing of funding applications and the cessions

being effected for contract finance deals will positively contribute towards addressing this challenge.

The vast improvement in GEP's record keeping mechanisms, specifically with regards to performance information, as noted by the AG, serves to affirm GEP's commitment to address findings and concerns raised by the AG in prior - years and encourages management to maintain this standard across the entire organisation in the 2018/19 financial year.

Credit for the 2017/18 audit outcomes should be given to the GEP Board for its leadership, the meticulous work of the Audit and Risk Committees of the Board, the diligence of executive management team and the entire GEP employee complement who were a critical force behind the day-to-day implementation of Agency's internal controls and policies.

Outlook for the Future

Key GEP projects for the 2018/19 financial year include:

1. Establishment of a Sector Specific Construction Eco System Centre to house all construction manufacturing competencies, with a focus on township contractor development and support, e.g. accreditation and formalisation of construction SMMEs;
2. Continuation of the Booster Pitching Programme to provide township based SMME's with opportunities that enable young entrepreneurs, unemployed youth, women and persons with disabilities to access incubation, business knowledge and skills development support. In the financial year under review, a total of 1005 SMME's were supported by GEP through this programme and given the vast opportunities including access to markets. A further 250 will be supported in 2018/19 despite the lack of a financial allocation for the Pitching Booster campaigns;
3. A Co-operative programme aimed at strengthening social cohesion and developing sound relations between directors and members of Co-operatives. This would further encourage an entrepreneurial spirit within Co-operatives to reduce their dependency on government financial support and enhance their levels of competitiveness;
4. Youth Accelerator Programme to enhance job creation opportunities for the unemployed youth, reduce poverty and increase the potential of youth to become active participants in the Gauteng economy. This is in keeping with the 2018 National Agenda, which is predominantly driven by a need for the creation of jobs, especially for the youth. In addition to the 1710 beneficiaries supported in 2017/18, GEP will continue to work with various partners including the private sector to assist with the training and placement of youth; and

- Continued support to SMMEs and Co-operatives in the 11 priority sectors through the provision of financial and non-financial support products and services to SMMEs in key sectors such as manufacturing, mineral beneficiation, agriculture, services and retail, ICT and agro-processing. The provision of support aimed at enhancing the investment and readiness of these enterprises will also be key.

GEP continues to play a pivotal role in transforming the Gauteng township economy and the projects listed above are aligned to Gauteng City Region (GCR) Economic Plan, Deliverology and the provincial Tshepo 1 Million programme aimed at creating employment opportunities for the unemployed youth.

Acknowledgements

I am humbled to have served the GEP family in the 2017/18 financial year and must give credit to the previous Board led by Ms. Lebo Magagane who were instrumental in developing the GEP strategy that has seen great strides being made by the Agency. I take my hat off to the new Board Members under the leadership of Mr. Khehla Mthembu who came in at the middle of an internal crisis and have carried the organisation firmly through it towards the improvement of performance.

To the Executive Team, I do not think there would be sufficient words to express my gratitude for their faith in the organisation, and their never say die spirit that has seen them lead under very strenuous conditions. To those stars of the Agency, the men and women of great value, whom without, GEP would collapse, Thank You.

Last but not least, the SMME's and Cooperatives who continue to honour their loan repayments, who are expanding their businesses and creating jobs, we Thank You.

Conclusion

GEP has achieved some major strides in terms of SMME and Co-operatives support over the past few years in line with the GEP mandate and strategy. However, our contribution remains a drop in the ocean as a limited number of our township small businesses have so far meaningfully participated in the mainstream economy. Due to the continuing budgetary constraints, the entity finds it difficult to increase its interventions in alignment with the ever-growing demand for GEP products and services, especially in relation to the high impact sectors and projects.

GEP aims to reposition itself in order to leverage on the available resources as spelled out in the 2018 State of The Nation Address by the President of South Africa. GEP also continues to seek and implement cost saving mechanisms that will enable the entity to come out of

its current quagmire characterised by a need to meet increasing needs of SMMEs and Co-operatives while also being expected to invest in the graduation of SMMEs into the mainstream economy and focus on high impact projects (outcome-based approach).

On the other hand, despite the reported 2017/18 performance achievements, it is proving to be more difficult to propel SMMEs and Co-operatives from the current marginal state into the mainstream economy given the GEP budget that shrinks on an annual basis. This calls for increased partnerships with the private sector and other DFIs in the province and the Agency is prepared to take the lead in facilitating engagements that will result in improved efficiencies in the utilisation of limited public - sector resources by DFIs.

The 2018/19 financial year is aptly themed as "the final push" for GEP to vigorously drive the participation of Gauteng small businesses in the mainstream economy of the province and this is a challenge we are ready to tackle head-on.

Ms. Leah Manenzhe

Acting CEO: Gauteng Enterprise Propeller

Statement Of Annual Report

Responsibility And Confirmation Of Accuracy

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in this annual report are consistent with the 2017/18 GEP annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

This annual report has been prepared in accordance with the Annual Report Guidelines for Schedule 3A and 3C Public Entities as issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the Agency.

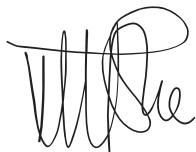
The GEP Board, as the Accounting Authority, is responsible for ensuring that the Agency prepares Annual Financial Statements and for the judgements made on this information.

The Accounting Authority is further responsible for ensuring that the Agency, establishes and implements a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The external auditors (Auditor General of South Africa) were engaged to express an independent opinion on the 2017/18 annual financial statements of GEP.

In our opinion, the GEP Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Agency for the financial year ended 31 March 2018.

Yours faithfully



Ms. Leah Manenzhe
Acting CEO: Gauteng Enterprise Propeller



Mr. Khehla Mthembu
Board Chairperson

Strategic Overview

The GEP vision and mission outlined below are aligned to the Agency's mandate, the National Development Plan (NDP), the economic development agenda of the province as outlined in the Gauteng City Region Economic Development Plan, as well as, the Gauteng Township Economy Revitalisation and Transformation, Modernisation and Re-Industrialisation strategies.

Our Vision

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

Our Mission

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



GEP Values



Excellence

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



Professionalism

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



Innovation

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



Partnerships

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



Leadership

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



Equality

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



Good Governance

We will consistently act with integrity and ensure accountability and good governance



Legislative & Other Mandates

Legislative Mandates



The Agency is a public body established in terms of the Schedule 3C listing of provincial public entities as provided in the Public Finance Management Act (PFMA), No. 1 of 1999. The existence, functions, duties of the Agency are governed by the Gauteng Enterprise Propeller Act, No. 5 of 2005 (the GEP Act) which outlines the following objectives of GEP in Section 4 (1):

- Promote, foster and develop small enterprises in Gauteng;
- Implement the policy of the Gauteng Provincial Government for small enterprise development;
- Design and implement small enterprise development support programmes within Gauteng;
- Establish and promote a support network in order to increase the contribution of small enterprises to the Gauteng economy;
- Promote economic growth, job creation and equity;
- Integrate all government-funded small enterprise support agencies in Gauteng;
- Strengthen the capacity of service providers to assist small enterprises; and
- Strengthen the capacity of small enterprises to compete successfully domestically and internationally.

Delivery on the Agency's mandate is also primarily driven by the provincial Transformation, Modernisation and Re-industrialisation Strategy requires GEP to drive:

- The revitalisation of township economies;
- Enhanced participation of SMMEs and Co-ops in the Province's mainstream economy; and
- The growth and development of the 11 identified sectors, i.e. the agro-processing, automotive, manufacturing, information and communications technology (ICT), tourism, pharmaceuticals, creative industries, construction, real estate, finance and mineral beneficiation.

Policy Mandates

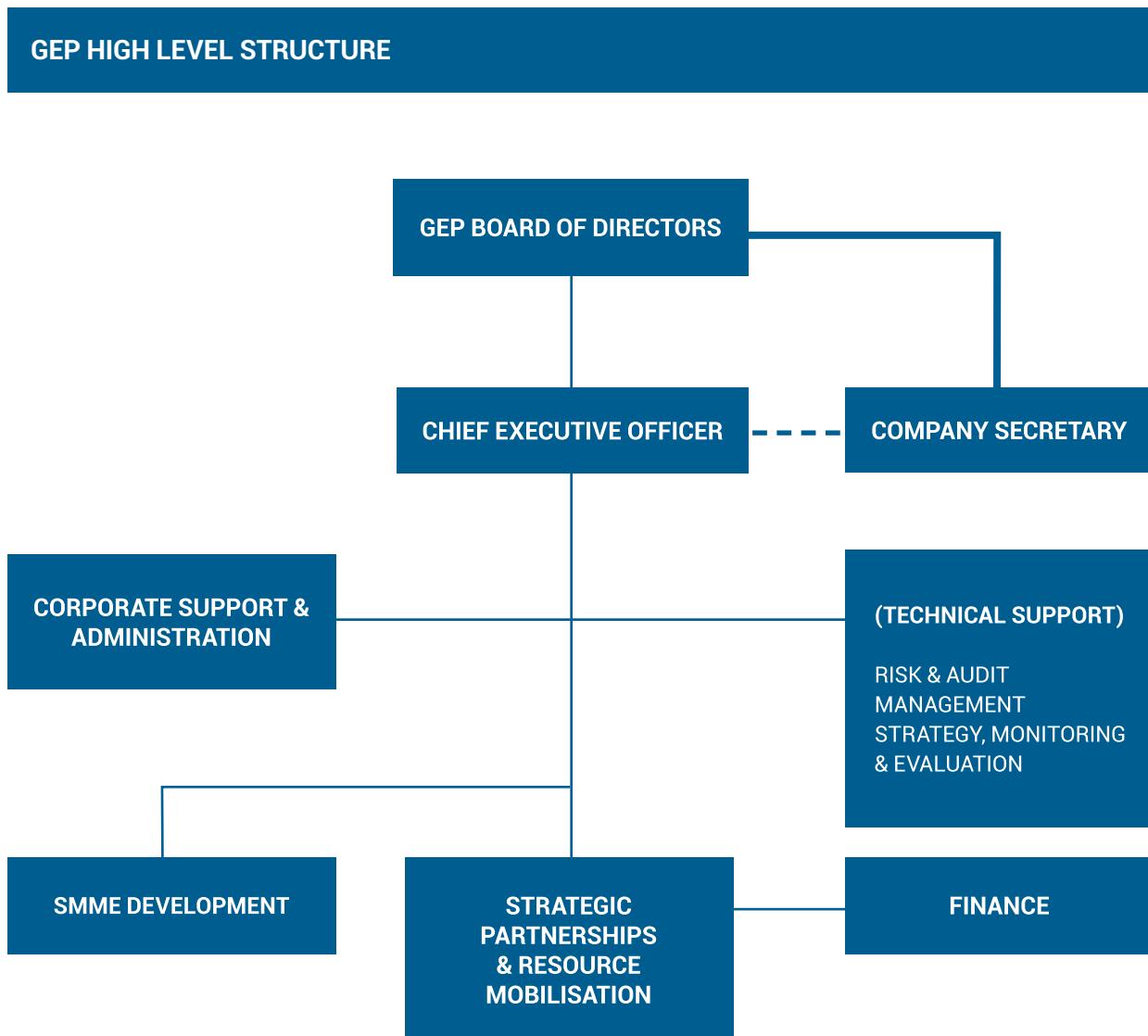


The following key government priorities as outlined by the Medium-Term Strategic Framework (MTSF) continued to serve as a guiding framework for the implementation of GEP plans during the 2017/18 financial year:

- Radical economic transformation, rapid economic growth and job creation;
- Rural development, land and agrarian reform and food security;
- Fighting corruption and crime;
- Contributing to a better Africa and a better world; and
- Social cohesion and nation building.

Organisational Structure

The GEP organisational structure below informed programme implementation for 2017/18:



The GEP divisions as outlined in the agency's high-level structure above all fall under Programme 1: Administration, which seeks to provide strategic leadership and transversal support services required by the GEP's core functional programmes.



MR. KHEHLA MTHEMBU
BOARD CHAIRPERSON

GEP BOARD OF DIRECTORS



**MS. MARGARET-ANN
DIEDRICKS**
DEPUTY CHAIRPERSON



MR. CLIVE KNEALE
BOARD MEMBER



MR. THENDO RATSHITANGA
BOARD MEMBER



MR. DUMISANI DAKILE
BOARD MEMBER



MS. CHRISTINE WALTERS
BOARD MEMBER



MR. LEON MARINCOWITZ
BOARD MEMBER



MS. DINEO MAITHUJI
BOARD MEMBER



MR. OSMOND MLONYENI
BOARD MEMBER



MS. MBALI HLOPHE
BOARD MEMBER



MR. SISA NJIKELANA
BOARD MEMBER



MS. THOBILE MAGERMAN
BOARD MEMBER



MS. LEAH MANENZHE

ACTING CHIEF EXECUTIVE
OFFICER

GEP EXECUTIVE MANAGEMENT



MS. NOMFANELO GENUKA

CHIEF FINANCIAL OFFICER



MR. LABANE MALULEKE

CHIEF OPERATIONS
OFFICER



MS. VUYO NTSHOKO

GM: STRATEGY, MONITORING
& EVALUATION



MR. BRIAN LETSOGO

SM: STAKEHOLDER
MANAGEMENT & REVENUE
GENERATION



**MS. CATHRINE
MAMABOLO**

ACTING GM: SUPPORT &
ADMINISTRATION



MR. LAMLANI DUBE

GM: RISK AND AUDIT



PART B: PERFORMANCE INFORMATION

STRATEGIC OVERVIEW

Ms. Vuyo Ntshoko

GM: Strategy, Monitoring & Evaluation



The National Development Plan (NDP) adopted in 2014 advocates for the creation of 11 million jobs, with 90 percent of these jobs envisaged to be created through SMMEs' and Co-operatives' participation in the economy. However, the tightening of fiscus austerity measures and the budget squeeze continue to pose a threat on the achievement of these NDP targets. The recent review of NDP interventions indicates that the foundation for the required transformation in order for South Africa to achieve vision 2030 has been laid unevenly to date and because of this it is yet to show sufficient impact.

Despite the contributions made by government in general and in particular by DFIs such as GEP and other national and provincial entities in addressing the challenge of SMME and Co-operative development and sustainability, progress in relation to employment creation, poverty eradication and the promotion of equity has not been aligned to the NDP targets. This makes the role of GEP all that much more important in contributing to the provincial TMR and TER goals to transform the Gauteng township economy and ensure SMMEs and Co-operatives lead the processes of production and job creation. In this way, there will be increased SMME and Co-operative participation in the mainstream economy through targeted interventions for supporting small businesses and growing the township economy.

GEP revised its 2015/2019 Strategic Plan to ensure alignment of its organisational goals, objectives and annual priorities with the key priorities as provided in the provincial TER and TMR strategies with seek to place SMMEs and Co-operatives at the forefront for developing the township economy and to enhance the productive capacity and job creation potential of small businesses.

As the financial year under review steered the Agency closer to 2018/19 which is the final year of the current 5 _ year Medium Term Strategic Framework (MTSF) period and implementation of the GEP 2015/2019 Strategic Plan, the focus of GEP Programmes remained on the following strategic objectives:

- Provide unique and tailored financial support services that propel SMMEs into the mainstream economy, revitalises township economies and grows the key economic sectors;
- Provide unique and tailored business development (non _ financial) services that propel SMMEs into the mainstream economy, revitalises township economies and grows the key economic sectors; and
- All GEP Led Township Economy Revitalisation (TER) and Gauteng Informal Business Upliftment Strategy (GIBUS) projects effectively implemented.

The performance information as reported in this Annual Report is a culmination of an involved in-year process of monitoring the implementation of the 2017/18 Annual Performance Plan (APP) and providing regular (monthly and quarterly) progress updates on the achievement of the strategic objectives and annual targets to the Agency's governance structures. This was done in accordance with GEP's established formal reporting framework which seeks to promote a pro-active organisational approach in monitoring adherence to targets in the approved APP, implementation of mitigation actions where appropriate and the effective management of risks identified as having

a potential negative impact on performance.

This rigorous process has contributed towards the improvement of GEP's performance from the 74% reported in 2016/17 to 81% as at the end of the 2017/18 financial year. The 2017/18 performance outcomes are a clear indication of the GEP team's continued dedication to raising the organisational performance bar high and the Agency can only improve on these results in the 2018/19 financial year given its ongoing drive for a high-performance culture.

Auditor's Report: Pre-determined Objectives

The Auditor General South Africa (AGSA) performs the necessary audit procedures on the Agency's performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to pages **107 to 108** of the Report of the Auditors Report, published as Part E: Financial Information.

Situational Analysis

The NDP attributes a critical role to SMMEs and Co-operatives in contributing to the growth of the South African economy, eliminating inequality and reducing poverty. The importance of the small business sector has globally been emphasised as a critical role player in the economic and social development of a country. This was reiterated in the 2018 State of the Nation Address (SONA) by President Cyril Ramaphosa, who stated "the growth of our economy will be sustained by small businesses, as is the case in many countries. It is our shared responsibility to grow this vital sector of the economy".

GEP aims to address market failures such as unemployment and poverty through support to SMMEs, Co-operatives and the Informal market with the intention of advancing economic justice and exclusivity. The new focus on the inclusive economy and radical economic transformation intends to accelerate shared growth and bring the previously marginalised into the mainstream economy. GEP interventions for SMME and Co-operative development seek to ensure sustainable job creation, address inequality, poverty and stimulate local economic growth for small business development.

Service Delivery Environment

With the Gauteng Provincial Government focus on Township Economic Revitalisation and Transformation, Modernisation and Re-industrialisation strategies, GEP has consistently contributed to the creation of opportunities for the improved participation of Gauteng SMMEs and Co-operatives in the mainstream economy with special focus on Youth development through the Youth Accelerator Programme the creation of access to market opportunities for township small businesses and SMME business development and youth empowerment opportunities through the Pitching Booster Programme. Support to the Informal sector has also continued to be provided in the financial year under review in alignment to the Gauteng Informal Business Upliftment Strategy (GIBUS).

Organisational Environment

Following the re-structuring of GEP in the prior financial year to ensure the organisation is aligned to its mandate and strategy, during the year under review GEP's Human Resources unit remained focused on the pursuit of processes to attract appropriate talent in order for the

organisation to achieve its strategic objectives.

The structure is also guided by emphasis on the need to strengthen GEP's footprint by ensuring adequate reach in the five regions as aligned to the Gauteng City Regions (GCR) developmental corridors. The increased GEP footprint has continued to contribute to improved accessibility of GEP products and services by SMMEs and Co-operatives and has further broadened the Agency's reach to a greater number of township based businesses and this will further be enhanced by the development of the Online Application system in 2017/18 and its rollout on 01 April 2018.

Key policy developments and legislative changes

The founding legislation of GEP, the Gauteng Enterprise Propeller Act, (No. 5 of 2005) was under review in 2017/18. The review process seeks to allow for amendments that would align the Act to changes in the political, governance and economic environment that impact on the service delivery of GEP. This review would further ensure greater alignment of the GEP Act to the Gauteng Department of Economic Development (GDED), Provincial and National economic developmental goals and priorities. Such process was not concluded as at the end of the financial year.

Strategic Outcome Oriented Goals

In the 2015 - 2019 Strategic Plan, GEP's strategic outcome oriented goals are directly aligned to the TER and TMR strategies, as well as the goals and objectives of the GDED. The strategic outcome orientated goals for GEP are:

- Gauteng's revitalised township economies contributing to shared economic growth and development;
- Gauteng's SMMEs and Cooperatives actively participating in the province's mainstream economy, including in key economic sectors; and
- GEP be efficiently and effectively managed and governed.

In line with the newly approved Gauteng City Region (GCR) Economic Plan, GEP played a pivotal role in transforming the Gauteng township economy by focusing on the implementation of the following key projects in the 2017/18 financial year:

- Township Economic Revitalisation (TER) - provided financial support to township based SMMEs, in line with the provincial TER strategy, with the aim of propelling their participation in the mainstream economy;
- Support to Informal Businesses - provision of Business Development Support (BDS) interventions to township

based informal businesses with the aim of enabling them to graduate from the informal economy to the mainstream economy in line with the Gauteng Informal Business Upliftment Strategy (GIBUS);

- Booster Pitching Programme which provided township-based youth and non-youth SMMEs an opportunity to present innovative business ideas to corporates, investors and other entrepreneurs in order to qualify for Business Development Support. GEP support is aimed at equipping entrepreneurs with adequate business knowledge and skills to ensure their proposals are viable and investment ready;
- Youth Accelerator Programme which sought to enhance job creation for youth, reduce poverty, and increase the potential of youth to become active participants in the Gauteng economy;
- Support the Bakery Clusters provided non-financial support to township based bakeries and enable SMMEs to grow their bread production capacity, create employment and operate optimally;
- Support to the Footwear Industry provided capacity building interventions to SMMEs in the footwear manufacturing sector in order to enhance their contribution to the economy;
- Support SMMEs in the priority sectors - provided non-financial support to SMMEs in Manufacturing, Mineral Beneficiation, Agriculture, Services and Retail, ICT and Agro-Processing). Interventions to include training of SMMEs, mentorship, assistance with access to markets, providing productive and technical skills development opportunities;
- Support SMMEs in the Automotive Sector - non-financial support provided to township based informal businesses in the automotive sector (i.e. training and formalisation of their businesses); and
- Supplier Development Programme driving towards ensuring SMMEs supported by GEP benefit from both public and private sector procurement opportunities.

These programmes assisted in stimulating the local content, increasing ownership patterns in the previously marginalized regions and the creation of decent and sustainable jobs in the critical sectors of the economy. There has been an increase in the support of informal businesses and Co-operatives support in tandem with the TER and TMR Strategies.

Overview of GEP's Performance for 2017/18

In the 2017/18 financial year, about 4000 SMMEs benefited from both financial and non-financial support interventions provided by GEP. A total of 2412 of these SMMEs were

provided with non-financial Business Development Support (BDS) interventions surpassing the targeted 2000 by 412. Non-financial support was in the form of the development of business management skills, marketing support interventions, tools, equipment, training and business registration support. In addition to these SMME, some 1005 small businesses were also supported through the Youth Pitching Programme while 986 informal businesses based in various townships across Gauteng also benefitted from GEP non-financial support interventions in the financial year under review with a further 86 informal mechanics from the townships having benefited from the GEP Automotive sector support programme aimed at improving the formalisation, accreditation and competitiveness of township "backyard mechanics".

A total of 1710 youths benefitted from the Youth Accelerator programme by receiving various types of developmental training and job placements at reputable businesses across Gauteng. In keeping with the Agency's commitment to contribute towards the development of small businesses and the youth, the Pitching Booster programme provided 1005 township based SMMEs with mentorship and access to markets opportunities in 2017/18.

A total of 176 Cooperatives benefitted from GEP financial support against the planned target of 200. The Agency continued to experience challenges with regards to

some Co-operative applications failing to meet GEP qualifying criteria and compliance requirements and this was further aggravated by governance issues and the high mortality rate of Co-operatives which leads to an annual decline in the number of registered and active Co-operatives. In 2018/19 the focus on Co-operative development will shift from financial support and move towards enhancing the investment readiness of Co-operatives with a focus on business skills development, incubation and pre-investment support.

Of the 2017/18 total budget allocation, R 53 million was allocated to Programme 2: Investment Management for the implementation of SMME and Co-operative financial support projects. The Agency's mandate to establish and develop sustainable businesses and to propel Gauteng SMMEs and Co-operatives into the mainstream economy continues to be limited by inadequate financial resources. In the 2018 SONA President Ramaphosa acknowledged that "public finances have been constrained, limiting the ability of government to expand its investment in economic and social development". Given the financial challenges facing GEP, the Debt Collection and Revenue Generation units have positively contributed towards raising the funds required to supplement the limited financial resources for 2017/18.

REPORT BY THE CHIEF OPERATIONS OFFICER

Mr. Labane Maluleke
Chief Operations Officer



Overview of 2017/18

Notwithstanding the tough economic climate that the Agency was operating in for the financial period under review and constraints relating to funding allocations for the year, GEP applied strategies that necessitated specific focus on interventions that would yield a bigger impact for the small township businesses it supports. GEP had to drive the implementation of the approved Annual Performance Plan for the year and do more with less in ensuring positive organisational performance outcomes for 2017/18, resulting in the achievement of 81% of the targets for the year.

The focused key projects that GEP undertook in the financial year under review included the following:

- Financial and non-financial support to SMMEs and Co-operatives (particularly in townships);
- Youth Accelerator Programme in alignment with the provincial Tshepo 1 million programme implemented by the Gauteng Department of Economic Development;
- Pitching Booster Programme providing a platform for SMMEs to benefit from skills development opportunities and to present their innovative business ideas to a panel of industry experts and mentors;

- Support to SMMEs in the Construction, Manufacturing, Bakery and Footwear sectors in support of the Gauteng City Region Economic Development Plan; and
- Support to township based informal businesses in the Automotive Sector so as to assist them with accreditation, training and automotive tools and equipment that would enable them to compete with established mechanics in the formal sector.

GEP has successfully rolled out interventions aimed at making a dent in youth unemployment through the Youth Accelerator programme, Project Vuthela, where participating youth were given skills training, work readiness programmes and several were absorbed into employment through job placement. The project has continued with this year of reporting being the 2nd year of the project rollout and 1710 young people having benefited from training and / or job placement.

Through its partnership with Filpro (Pty) Ltd for support to SMMEs in the Automotive sector, GEP assisted 75 backyard mechanics to be accredited, formally registered, provided with soft skills, business skills and technical skills training. In addition to this informal mechanics also benefited from support interventions provided through a GEP collaboration with the Automotive Industry Development Centre (AIDC) which provided training

training (including recognition of prior learning) and accreditation opportunities.

Some who completed the training provided to the informal mechanics secured government contracts and one has obtained accreditation as an approved panel beater for Hollard Insurance, which is a huge achievement for the former informal township - based panel beater. This is but one example of the real impact made by the Agency in the lives of beneficiaries from its SMME and Co-operative support interventions.

The Pitching Booster Programme

Under the theme "My township, My business, Our economy!" the Pitching Booster campaign was rolled out during 2017/18 as an initiative implemented by GEP in conjunction with the Gauteng Provincial Government. The campaign gave opportunities to SMMEs from all sectors of the economy as well as unemployed youth in the Gauteng Province to present their innovative ideas to a panel of independent judges. The goal of a business pitch is generally to secure the resources and funding necessary to start an enterprise or sustain the existing business.

“ The pitching booster campaign is a dream come true for the Gauteng province SMMEs and unemployed.



The two day campaign approach was two pronged. Day One consisted of workshops with relevant topics for the target audience and this was followed by a boot camp which specifically prepared the entrepreneurs on the requirements of a business pitch. Of the 250 participants per session, 60 were shortlisted for the actual pitch taking place on Day Two, and thereafter fifteen were selected as winners. All winners were each awarded with non-financial support to the value of R40, 000.00 (forty thousand rands). The campaign has been a great success and was implemented across all five regions of Gauteng facilitated mainly by way of 6 boot-camps over a period of two months during the fourth quarter of 2017/18. The project details are outlined below:

- Project budget: R7.5 million;
- Young people impacted: 1005;
- Project reach: 28 communities across 5 regions of Gauteng Province;
- 90 winners awarded non-financial support in the amount of R40,000.00 each inclusive of VAT;
- Industries and sectors represented by the winners: Manufacturing, ICT, Food & Dining, Logistics, Construction, Furniture Design, Fashion, Clothing and Textile, Education and Services.

Pitching Booster Campaign is aimed at sharing information, training on entrepreneurial skills, and facilitating finance readiness for township based SMMEs. The bias was more towards young entrepreneurs and the unemployed youth. The campaign has received positive feedback from participants and the winners who have expressed gratitude for the opportunity. This has been a game changer in delivery of services with immediate results experienced, a participant obtained a contract to refurbish schools, one

received sponsorship from one of the judges and more.

Challenges

In the financial year under review, GEP has continued to make strides in the support given to Co-operatives. One of the challenges that continued in 2017/8 has been the fact that in comparison to the number of Co-operatives provided with support in each financial year, only a few are continuing to be sustainable businesses. GEP remains committed to growing these entities and new approaches are being planned for the new financial year which are expected to yield even better results than we have had so far. Key amongst these will be a focus on improving the investment readiness levels of 100 targeted Co-operatives and the provision of internship opportunities that will reinforce the skills base of supported Co-operatives.

Focus for the coming year

GEP launched a contact centre to pilot the Online system in October 2017, this online system is intended to improve efficiencies, service to our customers, the SMMEs and Cooperatives. All applications, assessments and communication with the customers will be processed online by the applicants directly and at all GEP offices. Customers will also be able to track progress on their applications and receive feedback at each interval of our operational processes.

This will assist in improving the GEP overall customer service experience as we continue with our focus on Gauteng's Township Economic Revitalisation and Transformation, Modernisation and Re-industrialisation strategies and other Gauteng City Region strategic imperatives.

STAKEHOLDER MANAGEMENT & REVENUE GENERATION OVERVIEW

Mr. Brian Letsogo

SM: Stakeholder Management and Revenue Generation



The Stakeholder Management and Revenue Generation Unit continued to focus on its responsibility of fostering strategic partnerships with local and international partners in 2017/18 with a view to unlocking both financial and non-financial resources to enable GEP to deliver on its legislated mandate. The year under review saw the implementation of the GEP Revenue Generation Plan to guide the development of strategic partnerships that place GEP at the centre of the SMME and Co-operative development rubric. In the same year, a Third-Party Policy was developed to guide GEPs engagements with Third Party Funders.

The partnerships that were developed in the previous year carried over into the year under review; new partnerships were also formed and continuous engagements are taking place with various stakeholders in order to generate revenue and strike partnerships that will help GEP to maximise impact in the development of SMMEs and Co-operatives as part of the Transformation, Modernisation and Re-Industrialisation agenda of the province.

The nature of businesses in the country and province, it has become increasingly critical for GEP to provide business development support to the SMMEs and Co-operatives. Given the business dynamics and obstacles experienced by the small businesses in the province, GEP has brought high up on its agenda, the facilitation of access to markets and Enterprise Supplier Development (ESD) with the objective of ensuring that small businesses find expression within the formal and mainstream economy.

It has become an important intervention by GEP, through Stakeholder Management and Revenue Generation unit, to assist small businesses and Co-operatives with training and accreditation so that their products are consumed, and assist these small businesses to access various Enterprise Supplier Development programmes and generally find access to shelf space. For this reason, Stakeholder Management and Revenue Generation unit embarked on engagements with various stakeholders to partner in ensuring this objective is realised.

Some of the challenges experienced within the development funding space is "double dipping", where a business will source and receive funding from different public sector funders without declaring such funding. This is caused primarily by the lack of alignment within the DFI sector. The tendency is to work in silos and hence very little impact achieved. Therefore, there is a need to develop monitoring tools to curb "double dipping". Thus, The Revenue Generation Unit has been in engagements with different DFIs to identify points of collaboration including placing GEP at the centre of development funding within the province of Gauteng.

Furthermore, GEP cannot afford to rely on the transfers from the Department of Economic Development if it were to impact the economy, hence the concerted effort to leverage funds from the other DFIs. The engagements with DFIs seek to attain in the main co-funding opportunities;

bench-marking / best lessons and referrals for SMMEs and Co-operatives outside the funding scope of GEP.

The Revenue Generation Unit plays a co-ordination role in pooling together the resources from a plethora of partners to develop sustainable SMMEs and Co-operatives. In order to increase opportunities for forging meaningful strategic partnerships, GEP has applied for the BBBEE Accreditor status so as to become attractive and add value to potential partners.

In the period under review, GEP engaged and partnered with different stakeholders in the following manners:

2017/18 GEP Partnerships

- The Gauteng Gambling Board continues to be the paragon of commitment in partnering with GEP to change the face and structure of our economy. The partnership has seen impact on rewarding Township Entrepreneurs.
- GEP also partnered with KPMG to assist with technical and leadership, and business skills training of SMMEs through their supplier development initiative which aims to upskill black owned enterprises.
- The partnership with Gauteng Department of Human Settlements carried on in the year under review with the objective of developing and capacitating small constructors.
- An agreement with Dimension Data has seen 35 SMMEs undergoing an intense ESD training and more SMMEs will be given training in the 2018/19 financial year.
- Technology Innovation Agency - a principle agreement is in place and an incubation programme for 5 SMMEs will be established to the value of R1 million.
- GOOGLE SA has already given opportunities to 100 GEP SMMEs to enhance their business skills, online marketing and visibility skills. The estimated training cost per SMME is R14 000,00.

Facilitation of Access to Markets

The efforts related to the facilitation of access to markets, has amongst others achieved the following:

- GEP secured shelving space at the Pick n Pay Soweto stores for the ginger produced by Kgatliso Ginger.
- The producers of I-Wipe Tissue which is a new innovation that becomes wipes when wet is, were also linked to Pick n Pay and given an opportunity for exposure at an exhibition.

- Nedbank's Global Entrepreneurship Week saw over 100 GEP SMMEs benefitting from the incubation programme.

International Relations Partnership Programme

Further to mobilising resources locally, GEP continue to reach out to the international community. This has called for financial resources mobilisation from Direct Foreign Investors as well as International Donors. Key to this agenda, is the quest to create markets for local SMMEs and Co-operatives who are ready to export. The year under review saw engagements with various international stakeholders.

Amongst many interventions, the following were achieved:

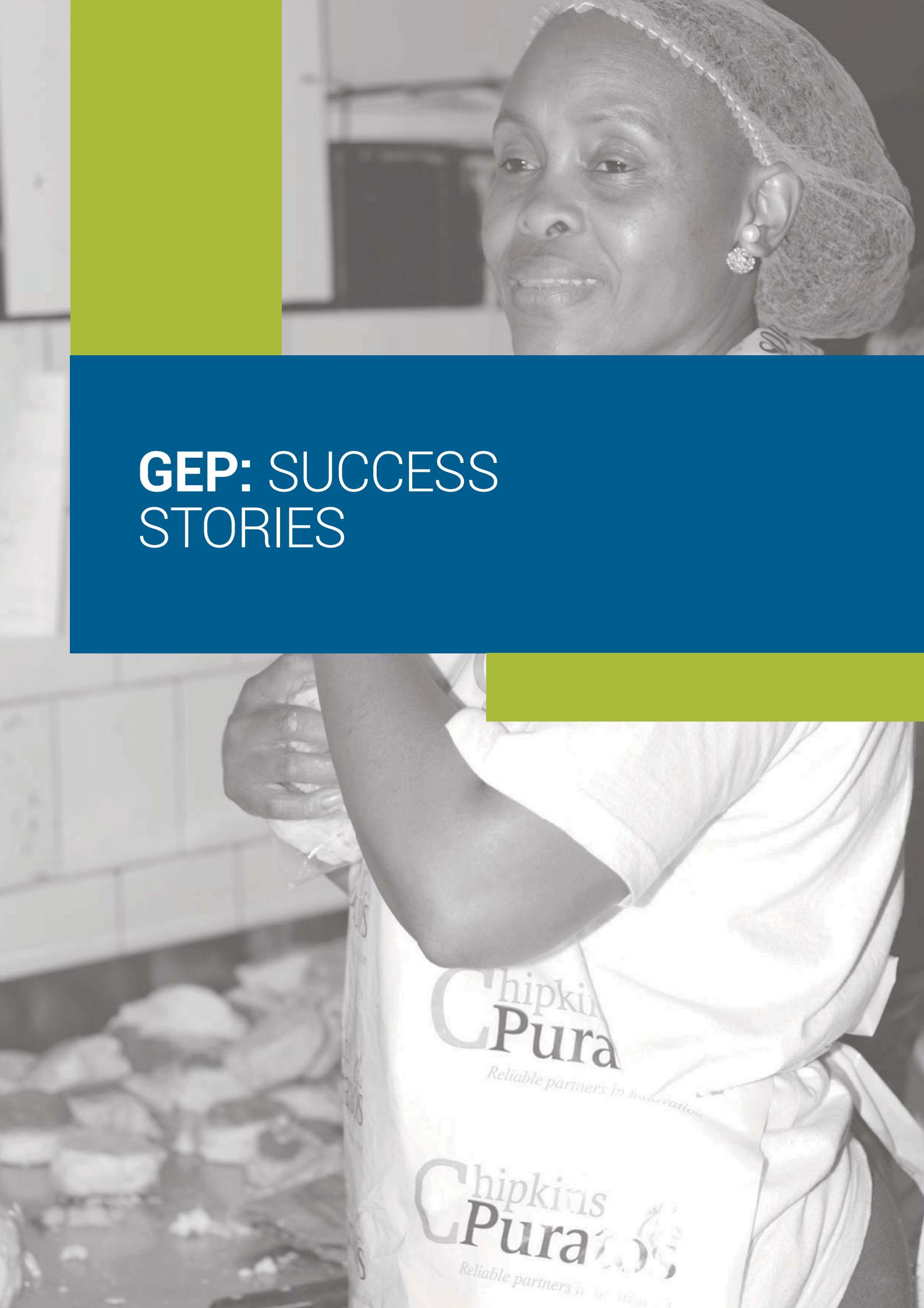
- GEP with the Gauteng Investment Centre (GIC) hosted the Canadian business delegation in which information about GEP was shared to attract possible investment. There are intentions to develop the relationship with GEP wherein the Agency presents proposals to Canadian business.
- GEP Hosted a delegation from Botswana's Local Enterprise Authority (LEA) to exchange information and for them to benchmark against GEP. LEA is in a process of reviewing and analysing its current organisational structure. It is an entity that has succeeded in incubating Small Business and in return GEP will look into learning from LEA.
- GEP sent officials to benefit from the Strategic Investment Promotion Course in Dublin, Ireland. Furthermore, the officials engaged with entities such as Optimum Results to intensify GEP's online offerings. These engagements are as a follow up to the initial trip to Ireland which GEP undertook earlier wherein Enterprise Ireland paid for the travelling costs and GEP officials engaged with Ireland - based organisations with a proven business model to assist SMMEs; identified training partner(s) of choice that will assist GEP to render innovative and business advancing services to Gauteng based SMMEs; and sought ways of creating access to Irish markets and economic trade partners for Gauteng.
- A GEP official participated in a sponsored course "Small Business Planning and Promotion" at the National Institute of Entrepreneurship and Small Business Development from the 7th October 2017 - 2 December 2017 held in New Delhi - India.

The 2017/18 financial year was a second full year to implement the plan for revenue generation and strategic partnerships. Much success was achieved particularly in relation to the non-financial partnerships and SMMEs benefiting from various ESD programmes. The financial partnership talks are in advanced stages with various corporates including banks. The year has also seen

partnerships with the international world being pursued with greater intensity.

These activities have laid a foundation for GEP's SMMEs to benefit. GEP is grateful for the partnerships that are in place and will continue to nurture such partnerships as they assist GEP in making a massive difference in the SMMEs and Co-operatives development arena. The Unit will also continue to work hard in forging partnerships that allow GEP to maximise its impact in the economic development space.

“Pitching Booster Campaign is aimed at sharing information, training on entrepreneurial skills, and facilitating finance readiness for township based SMMEs.



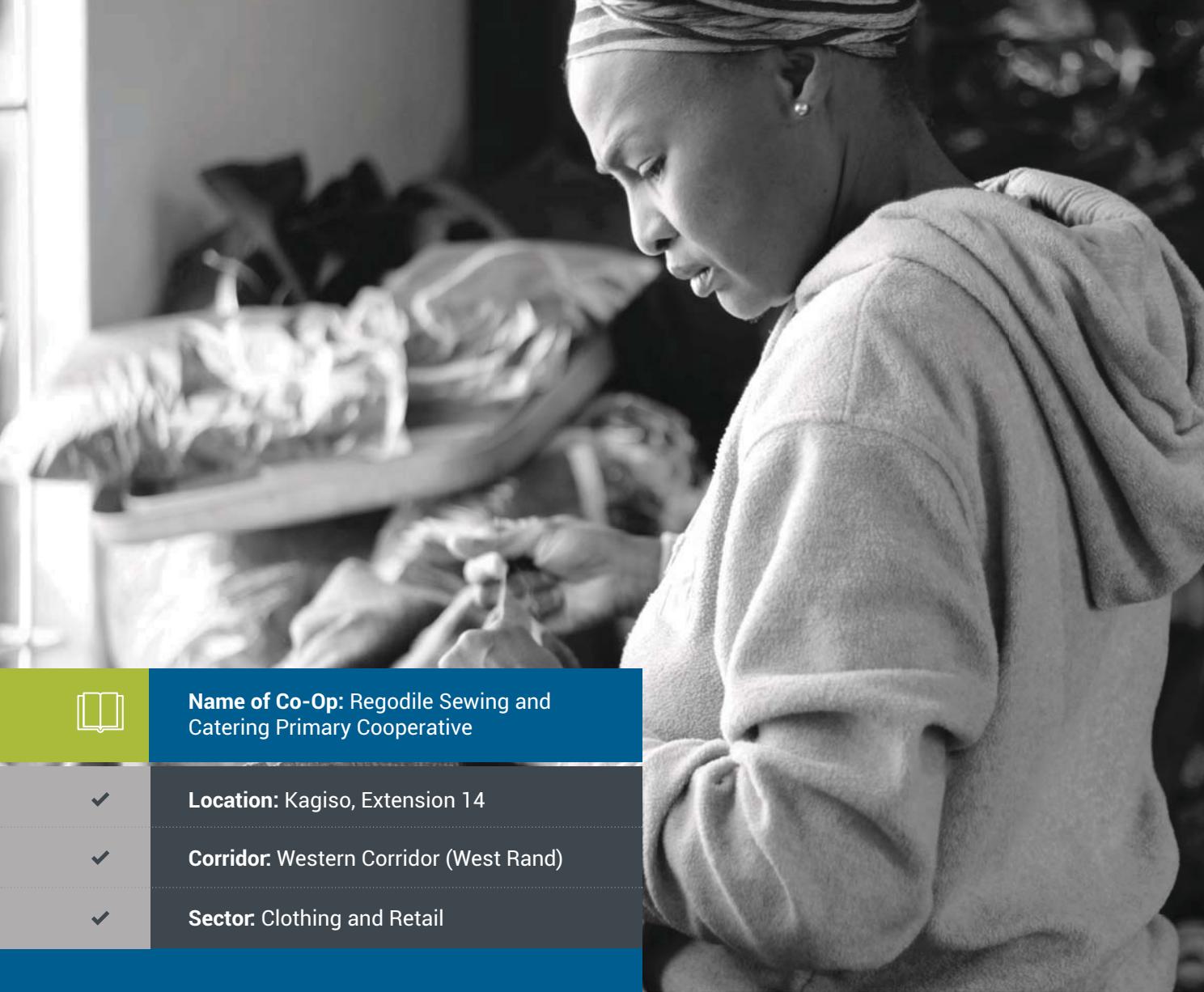
GEP: SUCCESS STORIES

Chipkins
Pura

Reliable partners in innovation

Chipkins
Pura

Reliable partners in innovation



Name of Co-Op: Regodile Sewing and Catering Primary Cooperative



Location: Kagiso, Extension 14



Corridor: Western Corridor (West Rand)



Sector: Clothing and Retail

Business Profile / Background

Regodile Sewing and Catering Primary Co-operative was established in 2012. The Co-operative manufactures uniforms, curtains, traditional and formal wear.

Business Challenges

Some of the challenges experienced by the business included:

- Lack of a business plan
- Lack of equipment
- Lack of marketing material

GEP Interventions

GEP has helped the Co-operative with marketing tools in the form of signage, flyers and business cards. The signage assisted the Co-operative with the marketing and the designed logo also made it easy for it to advertise on Facebook and twitter.

GEP also procured 3 industrial machines for the Co-operative. One of these three machines is a golf shirt finisher as the Co-operative had previously not been able to make golf t-shirts and were losing out on that market.

In 2017, the Co-operative was privileged to take part in the International Co-operative Day Celebrations and Exhibitions that took place in Mangaung, Bloemfontein and the platform provided a great networking opportunity.

GEP also placed the Co-operative in a mentorship programme with Afro Magazine so as to enable members to gain skills in the following areas:

- Operations Management
- Conflict Management
- Co-operative governance

The last intervention received from GEP was a business plan which the Co-operative is planning to utilise in applying for funding and business

premises acquisition. The current business premises are too small and not able to fit all its machines under one roof, as a result, there is insufficient storage and work space. The intention is to purchase or build on land that will be owned by the Co-operative. As depicted below, the Co-operative has now launched a clothing line for sportswear – ‘wild wear’ which it advertises on Facebook and twitter pages:



The Outcome

These new machines as well as the increased revenues received from the walk ins, Facebook and Twitter advertising enabled them to buy 2 industrial knitting machines. The capacity for producing jerseys has increased 5 times since acquired these machines.



Employment creation

The Co-operative has created employment for 5 people on a part time basis.





Name of Co-Op: South African Dream Potters Primary Co-operative Limited



Location: Tembisa



Corridor: Eastern Corridor (Ekurhuleni)



Sector: Manufacturing of Furniture and Pottery

Business Profile / Background

South African Dream Potters Primary Co-operative Limited started operating in 2015 and was officially registered with CIPC in 2016. The Co-operative operates from Bomba Sibya Co-operatives Hive Centre in Tembisa at no rental cost as the premises belong to Ekurhuleni Metropolitan Municipality. A lease agreement is, however, in place. The business is in Pottery and wooden furniture manufacturing selling ornaments, coffee tables, mirrors and wooden furniture depending on the requirements of the client. Target market of the business are tourists, private sector and the general public. Contracts secured have included a fitting project at View Valley and Blue Valley Golf Estates in Midrand, a contract to supply Lewis Furniture Store with wooden furniture and a deal with Revlon whereby they will be doing fittings for the company's display units and maintenance in different Malls around the country.

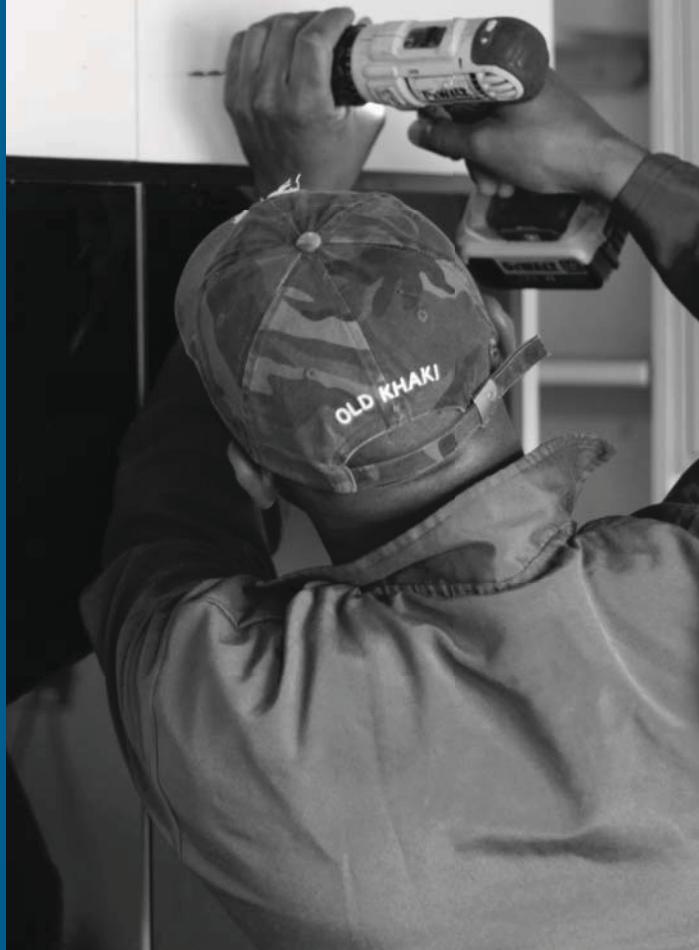
Business Challenges

- The co-operative lacked equipment.
- The business did not adequately market its products due to lack of marketing tools.

GEP Intervention

GEP was able to assist South African Dream Potters Primary Co-operative Limited in the following way:

- Compiling findings in the form of an ACO (Assessing Company Operations)
- Development of Electronic Marketing tools
- Co-operative Assistance Programme grant (for purchasing equipment)



The Outcome

Turnover improvements: The turnover for the business increased by + - 50% following GEP's support.



Employment creation

The Co-operative consists of 6 members.



Name of Co-Op: Goapele Bakery Co-operative



Location: East Park, Kagiso



Corridor: Western Corridor



Sector: Manufacturing

Business Profile / Background

Goapele Bakery & Confectionery is a Co-operative that is involved in the baking of scones, cakes, bread, biscuits and catering. The Co-operative started operating in 2010 and formally registered in 2013. They initially started operating from home and later as the business grew they moved to the rented shop in Kagiso.

The Co-operative managed to renovate the rented shop in order to make it ready for food preparation. Its target market includes general public, government and general dealers. The members invested R10 000.00 towards the operation of the business. As a result, they have managed to purchase 8 pans, 12 rollers and 1 oven, and 1 fridge and a display table, fitted new basin and geyser pipes.

Challenges experienced by the Co-operative

- Lack of equipment
- Lack of marketing material
- Lack of a quality management system

GEP Intervention

After having conducted an assessment on the business, the Co-operative was assisted through the Co-operative Assistance Programme to procure equipment. The equipment procured include 2 deck ovens, bread pans and dough mixer.



The Co-operative was also assisted with the design and development of marketing promotional materials in order to expand their market and be able to attract new market around Gauteng. The marketing material included business cards, sign board, T-shirts and stickers. They have also received Safety File and Quality Management System through GEP's intervention.



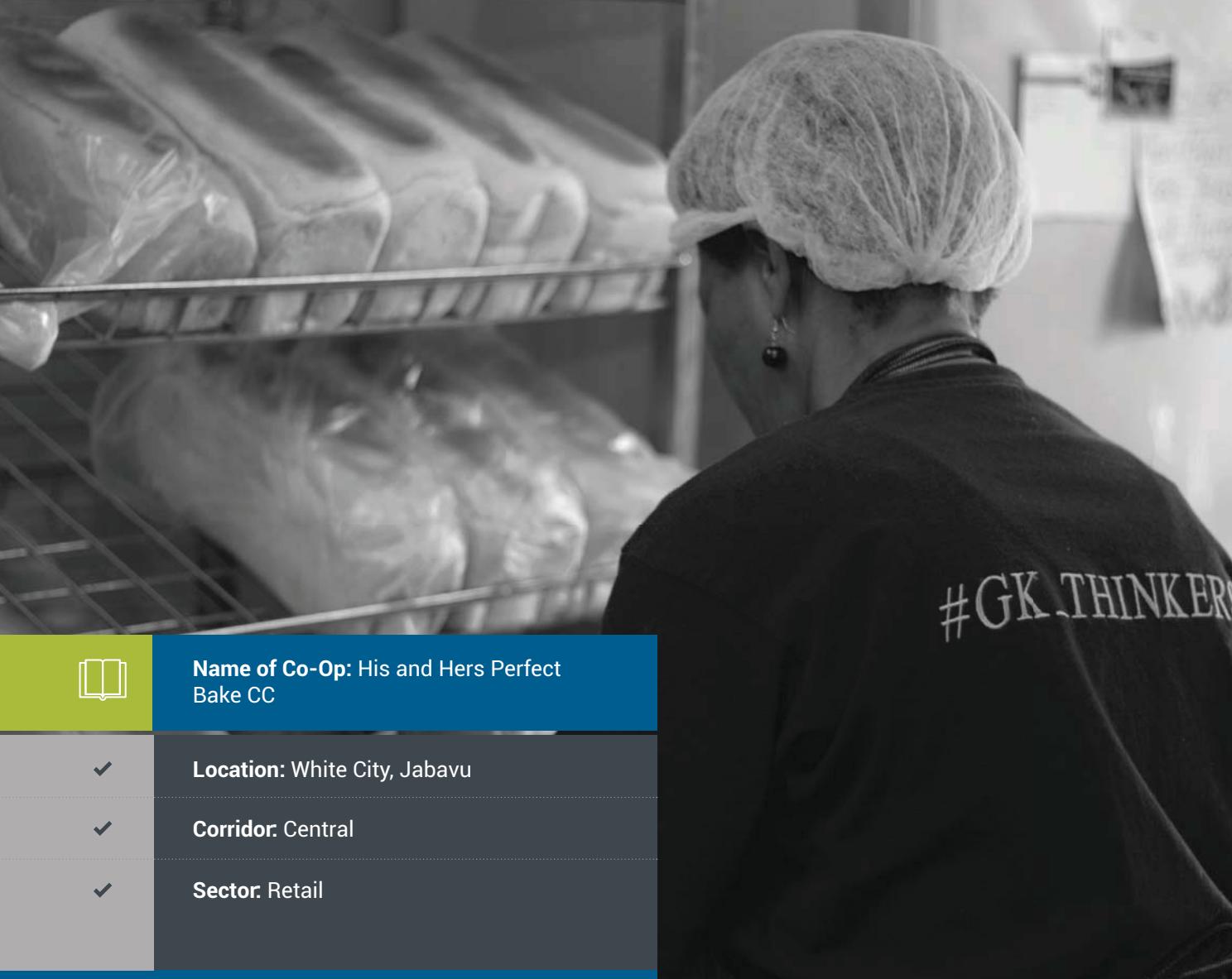
The Outcome

Due to GEP's interventions, the Co-operative's sales per annum doubled. The Co-operative has also managed to expand their marketing activities to attract a higher volume of clients and enter new markets. They have managed to receive a grant through Co-operative Incentive Scheme from DTI and were winners of the Township Entrepreneurship Award for Food and Beverage Category in 2017. They have also managed to open their first credit account with the biggest supplier, opened an investment account for the business and featured on One Day Leader TV show.



Employment creation

The Co-operative had managed to create 2 full time employment opportunities for a baker and a front store sales person.



Name of Co-Op: His and Hers Perfect Bake CC



Location: White City, Jabavu



Corridor: Central



Sector: Retail

Business Profile / Background

His and Hers Perfect Bake CC is a bakery business that was registered in 2006 but started operating in 2009. The business manufactures bread and a variety of other baked goods such as muffins, biscuits, cakes, banana loaves, madeira loaves, scones, chelsea buns, cream buns, bread rolls, swiss rolls, cream doughnuts, ring doughnuts, croissants, chocolate slices, vanilla slices and princess slices.

The business is owned by Mziwakhe and Nora Radebe who have a combined experience of 30 years working in the baking industry. This experience has been invaluable in their current roles as managers of their own bakery business. The business started operating in a back room at Dlamini in Soweto but relocated to a 30m² shop at 1330 Dimakatso Street, White City Jabavu once it started to grow. The owners have invested no less than R200 000.00 in the business which was used to set-up the business, buy equipment and initial operating stock. ABI and Pepsi have supplied the business with a soft drink fridge while OLA supplied an ice cream fridge.

Business Challenges

The business introduced bread to its production line in January 2017 and managed to negotiate daily orders with several kota retailers and spaza shops in Soweto. Given the subsequent rapid growth in the demand for bread the limited capacity of their baking equipment became a challenge.

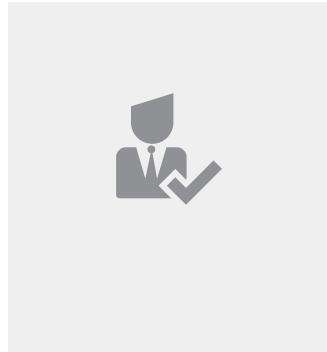
GEP Interventions

GEP assisted the business with a loan financing for the purchasing of industrial equipment to replace the aging smaller equipment in order to meet the increasing demand. The equipment bought included an electric oven, spiral dough mixer, prover, trolleys and a cold deli showcase.



The Outcome

The injection of additional capital into the business resulted in improved manufacturing efficiency.



Employment creation

The GEP funding resulted in the creation of 7 additional jobs increasing the number of jobs from 5 to 12 employees excluding the 2 owners. A night shift with 2 permanent employees was also introduced in response to early morning orders ranging from 1500 - 2000 loaves daily.

Performance Information

2017/18 GEP Programmes



Programme 1: Administration

This programme is responsible to provide strategic leadership and transversal support services required by the GEP's core functional Programmes, to ensure the successful implementation of the Entity's mandate through sustainable and integrated support and services that are customer driven.

While supporting the delivery of all three Strategic Goals, the organisational effectiveness focus of the Administration Programme results in delivery against the following Strategic Goal outlined in the 2015-2019 GEP Strategic Plan:



Goal 3: GEP efficiently and effectively managed and governed.

Specific Strategic Objectives for Programme 1 are defined as follows:

Strategic Objective 1: Sound internal controls and good governance.

Programme 2: Investment Management

The Investment Management programme is responsible to provide efficient and professional funding and investment management services for GEP, in support of Gauteng SMMEs and Co-operatives.

The Programme supports delivery against the following Strategic Goals outlined in the Strategic Plan:



Goal 1: Gauteng's revitalised township economies contributing to shared economic growth and development.

Goal 2: Gauteng's SMMEs and Co-operatives actively participating in the province's main stream economy, including in key economic sectors.

The specific programme Strategic Objective for Programme 2 is defined as follows:

Strategic Objective 2: Provide unique and tailored financial support services that propel SMMEs into the mainstream economy, revitalises township economies and grows the key economic sectors.



Programme 3: Enterprise Support

The programme is responsible to provide non-financial and financial support to Gauteng SMMEs, Co-operatives and the Informal businesses.

The Enterprise Support Programme supports delivery against the following Strategic Goals outlined in the Strategic Plan:



Goal 1: Gauteng's revitalised township economies contributing to shared economic growth and development.

Goal 2: Gauteng's SMMEs and Co-operatives actively participating in the province's mainstream economy, including in key economic sectors. The specific programme Strategic Objective for Programme 3 is defined as follows:

Strategic Objective 3: Provide unique and tailored business development (non-financial) services that propel SMMEs into the mainstream economy, revitalises township economies and grows the key economic sectors.

Programme 4: Regional Operations

The programme is responsible to provide business development support interventions that play a catalyst role in the transformation of township based SMMEs, Co-operatives and Informal Traders into sustainable businesses.

The Regional Operations Programme supports delivery against the following Strategic Goals outlined in the Strategic Plan:



Goal 1: Gauteng's revitalised township economies contributing to shared economic growth and development.

Goal 2: Gauteng's SMMEs and Co-operatives actively participating in the province's mainstream economy, including in key economic sectors. The specific programme Strategic Objective for Programme 4 is defined as follows:

Strategic Objective 4: All GEP Led Township Economies Revitalisation (TER) and Gauteng Informal Business Upliftment Strategy (GIBUS) projects effectively implemented.

The Annual Performance Report in the section that follows outlines the 2017/18 performance outcomes for each of the GEP Programmes.

GEP 2017/18 Annual Performance Report

Strategic Objective	Indicator / Performance Measure	2017 / 2018 Annual Target	2017 / 2018 Actual Performance	Evidence Available	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
Programme 2: Investment Management								
Provide unique and tailored financial support services that propel SMEs into the mainstream economy, revitalises township economies and grows the key economic sectors.	Number of SMEs financially supported in the prioritized sectors	700	614	Portal reports, Investment Management reports and loan approval lists	Internal	(86)	Non - achievement of target was due to delays regarding the conclusion of payment and in some instances cancellation processes for 88 financial support deals approved in 2017/18. This necessitated an adjustment of the financially supported SMEs for the year from 702 to 614.	With effect from the 2018/19 financial year all financial support interventions will only be reported upon finalisation of the related payments. This will minimise risks associated with cancellation of deals after reporting.
Programme 3: Enterprise Support								
Provide unique and tailored business development (non financial) services that propel SMEs into the mainstream economy, revitalises township economies and grows the key economic sectors.	Number of SMEs supported through the Youth Pitching Programme	1000	1005	Pitching session attendance registers / Project reports	Internal / External	+5	Overachievement was due to targeted regional pitching booster programmes rolled out during the year.	N/A the annual target has been met.
	Number of Youths benefitted from the Youth Accelerator Programme	1000	1710	Project reports / attendance registers / placement records	Internal / External	+710	The Annual target has been over achieved due to non-financial support programmes provided to youth during the year.	N/A the annual target has been met.

Strategic Objective	Indicator / Performance Measure	2017 / 2018 Annual Target	2017 / 2018 Actual Performance	Evidence Available	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
Programme 3: Enterprise Support								
Provide unique and tailored business development (non-financial) services that propel SMEs into the mainstream economy, revitalises township economies and grows the key economic sectors.	Number of SMEs benefited from the Supplier Development programme	100	101	Attendance registers / Project Reports	Internal / External	+1	The target was reached due to SMEs benefiting from the Dimension Data supplier development programme and the Nedbank Global Entrepreneurship Workshop. A total of 101 SMEs and 4 Co-operatives benefitted from the programme.	N/A the annual target has been met.
	Number of informal businesses non-financially supported in the Automotive Sector	75	86	Attendance Registers / Project Reports	Internal / External	+11	The overachievement was a result of positive turnouts by informal mechanics for scheduled Training and Trade Test Readiness Assessments through the Automotive Industry Development Centre and other training interventions (e.g., customer services, product training and entrepreneurial skills) provided by Filpro.	N/A the annual target has been met.
	Commercial Plan developed for the Construction Ecosystem Centre	1	0	N/A	Internal / External	(1)	The feasibility study only commenced in February 2018 on a 4 - month assignment.	A rollout plan is to be mapped for the pre-feasibility study to be concluded by 31 July 2018.
							In the interim, the pop-up centre (phase 1) drawings have been concluded and a site secured in Vosloorus in partnership with the Ekurhuleni Municipality.	A Request for Proposals is envisaged to be issued in the first quarter of 2018/19 for the construction of the Centre.

Strategic Objective	Indicator / Performance Measure	2017 / 2018 Annual Target	2017 / 2018 Actual Performance	Evidence Available	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
Programme 4: Regional Operations								
All GEP Led Township Economies Revitalisation (TER) and Gauteng Informal Business Upliftment Strategy (GIBUS) projects effectively implemented.	No. of SMME's non-financially supported in the prioritized sectors	2000	2412	Portal reports / Attendance Registers / Project Reports	Internal / External	+412	Annual target was exceeded due to positive responses by SMMEs to GEP non-financial support interventions.	N/A - the annual target has been achieved.
Provide unique and tailored business development (non-financial) services that propel SMMEs into the mainstream economy, revitalises township economies and grows the key economic sectors.	No. of SMME's non-financially supported in the construction sector	30	41	Portal reports / Attendance Registers	Internal / External	+11	The over achievement was due to a good turnout for a training session held on the Human Settlement Programme.	N/A - the annual target has been achieved.

Strategic Objective	Indicator / Performance Measure	2017 / 2018 Annual Target	2017 / 2018 Actual Performance	Evidence Available	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
Programme 4: Regional Operations								
All GEP Led Township Economies Revitalisation (TER) and Gauteng Informal Business Upliftment Strategy (GIBUS) projects effectively implemented.	Number of SMMEs supported non-financially through Business Development Support interventions in the Maize Triangle (Ekurhuleni, West Rand and Sedibeng)	9	13	Portal reports / Attendance Registers /	Internal	+4	Annual target was exceeded due to positive responses by SMMEs in the Maize Triangle to GEP non-financial support interventions.	N/A - the annual target has been achieved.

Strategic Objective	Indicator / Performance Measure	2017 / 2018 Annual Target	2017 / 2018 Actual Performance	Evidence Available	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
Programme 4: Regional Operations								
All GEP Led Townships Economies Revitalisation (TER) and Gauteng Informal Business Upliftment Strategy (GIBUS) projects effectively implemented.	<p>Number of SMMEs trained within the footwear industry</p> <p>No. of Cooperatives financially supported in prioritized sectors</p>	<p>30</p> <p>200</p>	<p>35</p> <p>176</p>	<p>Portal reports / Attendance Registers / Project Reports</p> <p>Loan Approval Listing / Portal Report</p>	<p>Internal</p> <p>Internal</p>	<p>+5</p> <p>(24)</p>	<p>Annual target was exceeded due to positive responses to a Footwear Sector Training session held on in February 2018.</p> <p>A failure by some cooperatives to meet GEP's qualifying criteria for financial support and compliance challenges such as incomplete documentation provided by applicants (i.e. expired tax clearance certificates, lack of CIPC documentation etc.).</p>	<p>N/A annual target has been achieved.</p> <p>A total of 65 cooperative deals approved by the Management Business Development Committee towards the end of the fourth quarter are to be finalized in May 2018. This will complement the year-end short fall.</p> <p>N/A - the annual target has been achieved.</p>

Strategic Objective	Indicator / Performance Measure	2017 / 2018 Annual Target	2017 / 2018 Actual Performance	Evidence Available	Resources Utilized	Deviation	Reason/s for deviation	Plan of Action for Deviation
Programme 4: Regional Operations								
All GEP Led Township Economies Revitalisation (TER) and Gauteng Informal Business Upliftment Strategy (GIBUS) projects effectively implemented.	Consolidated database of Co-operatives supported through government programmes	1	1	Consolidated Co-operative database	Internal	0	The Co-operative database was developed in the 4th quarter - inclusive of Co-operatives supported by GEP, Provincial Treasury and the City of Johannesburg.	N/A - the annual target has been achieved. The Agency will continue to effect updates to the database as and when new information is received from Gauteng departments and entities.

GEP 2017/18

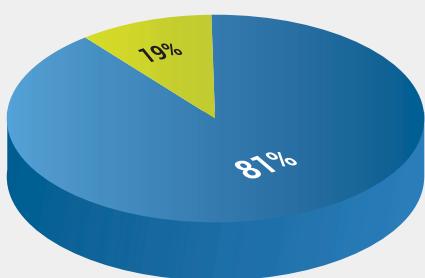
Annual Performance Report

Thirteen (13) of the planned targets were achieved, being **81%** of the total planned targets, and only three (3) of the planned targets remained unmet at year-end, being **19%** of the planned targets. The below graphs depict GEP's achieved annual targets against the planned targets in the 2017/18 approved Annual Performance Plan:

GEP Performance vs 2017/18 Annual Targets

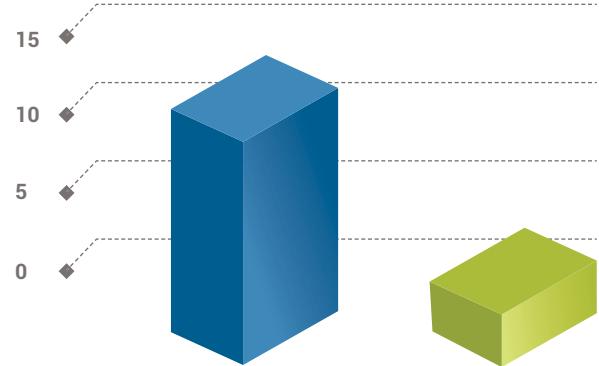
■ Achieved

■ Not Achieved



GEP Performance - 2017/2018

Annual Targets



13 Achieved

3 Not Achieved

- SMME Financial Support
- Cooperatives Financial Support
- Commercial Plan - Construction Ecosystem

Linking GEP Performance with Programme Budgets

Programme	2016/17 Financial Year (R'000)			2017/18 Financial Year (R'000)		
	Budget	Actual	(Over) / Under Expenditure	Budget	Actual	(Over) / Under Expenditure
Programme 1: Administration	73 607	74 528	(921)	77 383	77 383	0
Programme 2: Investment Management	40 531	74 954	(34 423)	42 269	42 269	0
Programme 3: Enterprise Support	15 246	25 225	(9 979)	68 418	53 818	14 600
Programme 4: Regional Operations	107 334	62 011	45 323	56 860	56 860	0
Total (R'000)	236 718	236 718	0	244 930	230 330	14 600

Revenue Collection

The entity exceeded the debtors' collection target of R15 million for the 2017/18 financial year by R200 000. The process followed by the Finance Unit was to visit customers with the aim to secure new debit orders and finalise new instalment payment plans. A process of blacklisting defaulting clients who failed to meet their repayment commitments with the Credit Bureau of South Africa as from June 2016 was also effected by the Agency and remained in place as at 31 March 2018. This has continued to induce positive reactions from the blacklisted clients and has thereby positively impacted the Agency's collection rate. GEP debtors reacted by making the required payments and on a few occasions arranging settlements on the outstanding balances. The customer visits continue to yield positive results, bringing about an enhanced income accumulation position for GEP.

Revenue Sources	2016/17 Financial Year (R'000)			2017/18 Financial Year (R'000)		
	Budget	Actual Amount	(Over) / Under Collection	Budget	Actual Amount	(Over) / Under Collection
Debtor's Collections	10 000	14 590	(4 590)	15 000	15 270	(270)
Other Income (Bank Interest, Training Fees, Insurance claims)	8 000	10 031	(2 031)	3 511	12 780	(9 269)
Total (R'000)	18 000	24 621	(6 621)	18 511	28 050	(9 539)

Capital Investment

There were no capital investment or major infrastructure plans implemented by GEP in the financial year under review. Measures undertaken by the Agency to ensure its asset register remained up-to-date during the financial year under review were as follows:

- Additions for the year were updated on the asset register in accordance with Treasury regulations and GRAP 17 Property Plant and equipment;
- Damaged / broken items were disposed and removed from the Asset Register; and
- Annual physical verifications was performed to verify the existence and assess the condition of the assets.

PART C: GOVERNANCE



Governance

Introduction

Corporate governance embodies processes and systems by which GEP is directed, controlled and held to account. In addition to legislative requirements based on the Gauteng Enterprise Propeller Act No. 5 of 2005, which is the Agency's founding legislation, corporate governance with regard to the public entity is applied through the precepts of the PFMA and run in tandem with the principles contained in the King IV Report on Corporate Governance.

The Gauteng Provincial Legislature, the Gauteng Department of Economic Development as the Shareholder and the GEP Board which serves as the Accounting Authority of the Agency are responsible for corporate governance. GEP's corporate governance structure specifies the distribution of rights and responsibilities among its internal stakeholders as well as the standards that guide the actions and decisions of such role-players.

Executive Authority

In terms of Section 52 of the PFMA Act, the GDED Member of the Executive Council (MEC) is the Executive Authority of the Agency and as such approves the GEP Budgets, Strategic Plans and Annual Performance Plans. This necessitates that GEP should provide to the Executive Authority progress reports on the financial and non-financial performance on a monthly, quarterly and annual basis in accordance with the requirements of the PFMA. All GEP performance plans were submitted for approval by the Executive Authority and progress reports were submitted timeously during the financial year under review. The Agency also took the necessary steps to ensure its 2017/18 Annual Performance Plan (APP) was aligned to the strategies and plans of GDED and the Gauteng Provincial Government.

The role of the GEP Board:

1.

Provide, input to, review proposals for and then approve the strategy.

2.

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

3.

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

The Board as The Accounting Authority

The GEP Board is regarded as the Accounting Authority in terms of Section 49 of the Public Finance Management Act (PFMA). In terms of the GEP Act, No. 5 of 2005, the MEC appoints the Board of Directors of the GEP for an initial term of three years which is renewable for a further term of three years. No Board member may serve more than two terms. In alignment with the King IV Code of Corporate Governance, the majority of Board members are independent non-executive directors. In terms of Section 7 (5) of the GEP Act, No. 5 of 2005, the CEO by virtue of the office that they hold, is a member of the Board, this is also in line with King IV recommendations.

The MEC in addition to appointing members of the Board also appointed two representatives from GDED to sit on the GEP Board.

Overall the Board comprises an appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. The Board ordinarily meets at least four (4) times a year.

The term of the former GEP Board ended on 30th September 2017 and this was followed by the appointment of the current Board with effect from 1st October 2017.

The Board continues to play its role in providing effective leadership based on the principles of honesty, professionalism, good governance and ethical business practices and also exercised its oversight responsibility over financial and performance management and reporting while ensuring compliance with all relevant legal prescripts and policy imperatives.

The GEP Board Charter

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 key roles and responsibilities of the Board as outlined in the approved Board Charter are as follows:

- Promote, foster and develop SMMEs in Gauteng;
- Design and implement SMMEs support programmes within Gauteng;
- Establish and promote a support network in order to increase the contribution of SMMEs to the Gauteng economy;
- Promote economic growth, job creation and equity;
- Integrate all government-funded SMMEs support agencies in Gauteng;
- Strengthen the capacity of contracted township-based service providers to assist SMMEs;
- Strengthen the capacity of SMMEs to compete successfully domestically and internationally;
- Exercise the fiduciary and general duties and responsibilities of an accounting authority in accordance with the provisions of the PFMA;
- Fulfil any of the roles, responsibilities and undertakings of the Board as set out in the Act;
- Provide strategic direction to GEP;
- Ensure that the responsibilities of GEP as per the Act are performed and that the objectives of GEP are achieved;
- Maintain balance between conforming to the governance framework and performing in an entrepreneurial way;
- Review and approve the financial objectives, plans and actions of the entity;
- Exercise leadership, integrity and judgement, based on fairness, transparency and accountability;
- Ensure that a succession plan for critical positions (key capabilities as identified by the Board) is in place;
- Ensure prompt communication with the Executive;
- Ensure compliance by the entity with the relevant laws, regulations and codes of best practice;
- Identify key risk areas and performance indicators in respect of the entity and monitor the performance of the entity in these respects;
- Define levels of materiality, reserving specific powers to itself and delegating other matters with the necessary written authority to management;
- Approve the entering into of contracts relating to financial and non-financial support with financial institutions or any other institutions with objectives similar to those of GEP;
- Acquire or dispose of any right to property, provided that ownership in immovable property may be acquired or disposed of only with the consent of the Executive Authority.

“All Board activities and decisions during the year under review were carried out in accordance with the charter.

Composition of The Board : Former Board

Name	Designation (In Terms Of The Public Entity Board Structure)	Date Appointed	Date Term Ended	Qualifications	Area Of Expertise	Area Of Expertise Other Committees Or Task Teams (E.g: Audit Committee / Ministerial Task Team)	No. Of Board Meetings Attended
Ms Lebogang Magagane	Board Chairperson	08 June 2015	30 September 2017	B ACC (UJ); MBA (GIBS)	Finance, investment, budgets, corporate governance	Member of Credit Committee and Human Resources & Remuneration Committee	6 of 8
Mr Thulani Sithole	Deputy Chairperson	01 October 2014	30 September 2017	B COMM (UKZN); HDip Tax Law (UJ); B Comm (Hons) (UP); BLDP (GIBS)	Risk, Audit, Taxation, Management	Member of Audit Committee and Business Development Committee	7 of 8
Ms Mamoroke Lehobye	Board Member	01 October 2014	30 September 2017	B Comm (UCT); HDip Acc (WITS); CA (SA); Member (IODSA)	Financial Accounting, Audit, Project Management, Human Resources, Training, Mentorship, Budgets	Chairperson of Audit Committee	1 of 8
Ms Morwesi Ramonyai	Board Member	01 October 2014	30 September 2017	B Comm (Rhodes); Member (IODSA)	Information Systems, Risk Management, Human resources, Corporate Governance, Business Process Management, Enterprise Development, Black Economic Empowerment, Strategy Development, Organisational Development, Project Management	Chairperson of Business Development Committee	8 of 8

Name	Designation (In Terms Of The Public Entity Board Structure)	Date Appointed	Date Term Ended	Qualifications	Area Of Expertise	No. Of Board Meetings Attended
				Area Of Expertise Other Committees Or Task Teams (E.g: Audit Committee / Ministerial Task Team)		
Mr Monde Africa	Board Member	01 October 2014	30 September 2017	BSocSc (Rhodes); PDM (UP); MBA (GIBS)	Strategic Planning & Management, Communication, Project Management, Networking, Leadership, Marketing, Mentorship, Management	Chairperson of Credit Committee
Mr Rodney Kekana	Board Member	01 October 2014	30 September 2017	BA (Wits); BA HONS (Wits); PGD (HRM) (Wits); Cert. ER; MBA (Wits)	Human Resources, Strategic Management, Negotiations, Talent Management, Leadership Development	Chairperson of Business Development Committee and member of Risk Committee
Ms Claire Busetti	Board Member	01 October 2014	30 September 2017	BSc (Chemistry) (UKZN); MBA (Wits)	Portfolio & risk Management, Strategic Management, Investment, BEE, Asset Management	Member of Credit and Business Development Committee
Ms Millicent Maroga	Board Member	01 October 2014	30 September 2017	BA (Cum Laude) (UJ); BA (Hons) (Cum Laude) (UJ); Cert Marketing Management (Cum Laude) (Manchester, UK); MSC (Globalisation and Development) (Manchester, UK); Nexus Leadership Programme (GIBS); PMD (GIBS)	Project Management, Stakeholder Management, Budget Management, Training & Facilitation, Policy & Strategy Development, Communication, Research Monitoring & Evaluation	Chairperson of Joint Credit and Business Development and member of Business Development Committee

Name	Designation (In Terms Of The Public Entity Board Structure)	Date Appointed	Date Term Ended	Qualifications	Area Of Expertise		No. Of Board Meetings Attended
					Area Of Expertise Other Committees Or Task Teams (E.g: Audit Committee / Ministerial Task Team)		
Ms Mary-Jane Ramusi	Board Member	01 October 2014	30 September 2017	B (Laws) (UL); Admitted Attorney of the High Court	Law, Administration	Member of Audit Committee and Credit	4 of 8
Ms Innocentia Motau	Board Member	11 June 2015	30 September 2017	BSc (Chemistry) (UL); N. Diploma (Chemical)	Leadership, Strategic Planning, Analytical, Business Development, Project management, Negotiation, Communication	Member of Audit Committee and Human Resources and Remuneration Committee	7 of 8
Mr Tshildzi Ratshitanga	Board Member	01 October 2014	30 September 2017	BA (UJ); Cert. Public Information, Communication Policy & Management (wits); BA (Hons) (NMU); MPhil (Singapore) Cert. Managing Change in Public Service (UP); Adv. Cert. in Shopping Centre Leadership; Current studies: PHD (Delaware)	Media, Communication, Negotiations, Project Management, Brand Management, Financial Management, Management	Member of Credit Committee	3 of 8
Mr Kingsley Duba	Board Member	01 October 2014	30 September 2017	BSc (Acc) (Livingstone College, USA)	Management, Strategic Management, Organisational Transformation, Project Management, Human Resources Management, Balanced Scorecard Implementation, Benefits Case Development, Opportunity Assessment, Consulting, Internal auditing, Risk assessment, Corporate Governance	Chairperson of Risk Committee and member of Human Resources and Remuneration Committee	1 of 8



Current Board.

Composition of The Board : Current Board

Name	Designation (In Terms Of The Public Entity Board Structure)	Date Appointed	Date Resigned / Term Ended	Qualifications	Area Of Expertise	Other Committees Or Task Teams (E.g: Audit And Compliance Committee / Ministerial Task Team)	No. Of Board Meetings Attended
Mr Samuel Khehla Mthembu	Independent Non-Executive Board Chairperson	01 October 2017		B-Com (Unisa); Management Advancement Programme (Wits); Management Development Diploma Programme (London, UK)	Leadership Development, Stakeholder Relations, Strategic Development, Business Development, Corporate Governance, Human Capital Management, Entrepreneurship Development	Member of Credit Committee	4/4
Ms Margaret Ann Diedricks	Independent Non-Executive Deputy Chairperson	01 October 2017		MBA (UWC); BA Honours (Wits); H-Dip Ed (Wits), BA Arts (Cum Laude) (UWC); Advanced Executive Programme (UNISA)	Strategic Leadership and Management, Corporate Governance, Stakeholder Management and Cooperative Management,	Chairperson of Human Resources & Remuneration Committee and member of Business Development Committee	1/4
Mr Thendo Ratshitanga	Independent Non-Executive Board Member	01 October 2017		Masters in Public and Development Management (Wits), Post Grad Dip Public Policy and Development Management (Wits); Certificate in Programme for Management Development (GIBS) ; Mastering Entrepreneurship (Wits) ; Social Entrepreneurship Certificate (GIBS)	Business Management, Public Sector Management, Marketing, Change Management, Business and Entrepreneurship Development, Planning, Monitoring and Evaluation, Capacity Building, Information Management	Chairperson of Credit Committee and member of Credit and Business Development Committee	4/4

Name	Designation (In Terms Of The Public Entity Board Structure)	Date Appointed	Date Resigned / Term Ended	Qualifications	Area Of Expertise	Other Committees Or Task Teams (E.g: Audit And Compliance Committee / Ministerial Task Team)	No. Of Board Meetings Attended
Ms Dineo Maithuji	Independent Non-Executive Board Member	01 October 2017		CA, B Comm; Hons Acc	Finance, Audit, Compliance, Risk Management, Credit Risk Management, Business Development, Risk Assurance, Customer Portfolio Analysis, Automation, Loan Management, Banking, Budgeting and Forecasting, Accounting Frameworks IFRS, US GAAP	Chairperson of Risk Governance/Social and Ethics Committee and member of Credit and Audit and Compliance Committees	4/4
Mr Leon G Marinowitz	Independent Non-Executive Board Member		01 October 2017	Masters in Philosophy (UJ); Prince 2 Project Management Practitioner (ILX Group); BA Hon. Philosophy (University of Pretoria)	Entrepreneurship Development, Property Development, Corporate Governance, Legislative Framework, Strategic Programme Development, Project Coordination, Policy Advocacy, Media Liaison, Finance, Energy, Leadership, Economics	Chairperson of Business Development Committee and member of Audit and Compliance Committee	4/4
Mr Clive Kneale	Independent Non-Executive Board Member	01 October 2017		FCIS; FSACSA; FCIBM; AIIA; DTM; F.Inst.D; FIRM	Corporate Governance, Corporate Compliance, Taxation, Risk Management, Retirement Funding, Accountancy, Investment Administration	Chairperson of Audit and Compliance Committee and member of Risk Governance/Social and Ethics Committee	2/4

Name	Designation (In Terms Of The Public Entity Board Structure)	Date Appointed	Date Resigned / Term Ended	Qualifications	Area Of Expertise	Other Committees Or Task Teams (E.g: Audit And Compliance Committee / Ministerial Task Team)	No. Of Board Meetings Attended
Ms Christine Walters	Independent Non-Executive Board Member	01 October 2017		Diploma in Social Studies (Oxford); Theology and Statistic Certificate (Platter) ; Extra Mural studies Certificate in Small Business (Cape Town) ; Certificate in Local Government (Technicon) Senior Executive Programme (Harvard & Wits); National Diploma in Public Management (Technicon)	Transportation Policy and Infrastructure Development, Political Management, Legislative Programme, Human Resources, Corporate Administration, Facility Management and Administration, Occupational Health and Safety, Labour Relations, Social Development, Arts, Culture and Heritage, Sports and Recreation	Member of Audit and Compliance and Risk Governance/ Social and Ethics Committees	4/4
Mr Sisa Njikela	Independent Non-Executive Board Member	01 October 2017		Diploma in Applied Social Studies (Ruskin College, UK), Cert. Leadership Communication (Rhodes University)	Strategic Management, change management, strategic relationships management, strategic and business planning, project planning and management, political analysis and political risk management, governance skills strategy, structure and leadership, policy management, performance management, leadership development, community development, negotiating skills	Member of Risk Governance/Social and Ethics and Human Resources and Remuneration Committees	3/4
Mr Osmond Mlonyeni	Independent Non-Executive Board Member	01 October 2017		PhD in Genetics - pending (University of Pretoria); M.Sc. (Cum Laude) B.Sc. (Hons); B.Sc. Genetics;	Leadership Development, Mentorship, Research and Development	Member of Audit and Compliance and Human Resources and Remuneration Committees	4/4

Name	Designation (In Terms Of The Public Entity Board Structure)	Date Appointed	Date Resigned / Term Ended	Qualifications	Area Of Expertise	Other Committees Or Task Teams (E.g: Audit And Compliance Committee / Ministerial Task Team)	No. Of Board Meetings Attended
Mr Dumisani Dakile	Independent Non-Executive Board Member	01 October 2017		Masters in Public Management and Development (Pending) (Wits); Dip. Human Resources Management (UNISA); Dip Industrial Relation (Wits); Cert. Economics and Development; Project Management and Development (Wits); Post Grad Public Management and Development	Business Management, Development and Economics, Policy Development, Stakeholder Relations, Bargaining processes, Project Management and Development	Member of Risk Governance/Social and Ethics and Human Resources and Remuneration Committees	4/4
Ms Mbali Hlophe	Independent Non-Executive Board Member	01 October 2017		BA - Human and Social Studies; (UNISA), Cert. Property Investment and Practise (Wits)	Strategy Development, Property Investment, Business Development	Member of Business Development and Human Resources and Remuneration Committees	3/4
Ms Thobile Magerman	Independent Non-Executive Board Member	01 October 2017		BEd (KZN); Dip in Ministry (Rhema College), MBA (Pending) (Regenessys)	Strategy Development, Leadership, Corporate Governance, Municipal Finance Management Act, Public Finance Management Acts, Municipal Systems Act & Legislative Frameworks PFMA, MSA, MFMA, King 1-IV, Policy Formulation, Implementation, Monitoring and Evaluation, Project Management, Risk Management, Stakeholder Relationships, Budgets	Member of Credit and Business Development Committees	2/4

The GEP Board is currently comprised of twelve (12) independent, non-executive members appointed by the Member of Executive Council ("the MEC") of Gauteng Department of Economic Development in terms of Section 7 of the GEP Act.

- Mr K Mthembu was appointed the Chairperson of the Board with effect from the 1st October 2017.
- Ms M Diedricks was also appointed as Deputy Chairperson of the Board effective from the 1st October 2017.

The Acting Chief Executive Officer is an ex-officio member of the Board but does not receive additional remuneration or allowance for serving on the Board.

The table below depict Board meetings held in 2017/18:

Former Board

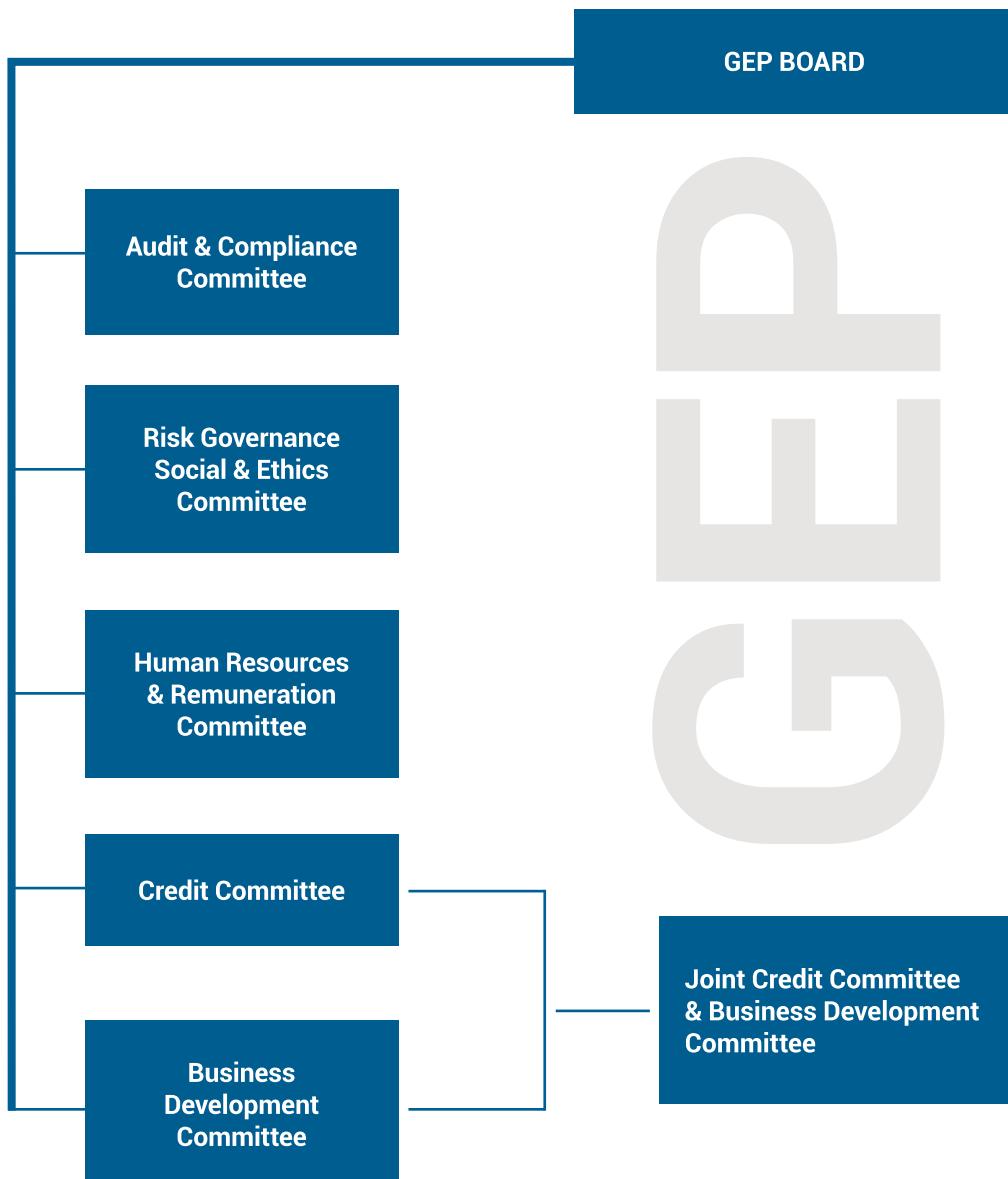
No.	Member	Position	Meeting Attendance	Board Meetings	*Board Miscellaneous
1	Ms. L. Magagane	Chairperson	6 of 8	2 of 3	4 of 5
2	Mr. T. Sithole	Deputy Chairperson	7 of 8	2 of 3	5 of 5
3	Mr. R. Kekana	Board Member	3 of 8	1 of 3	2 of 5
4	Mr. M. Africa	Board Member	6 of 8	3 of 3	3 of 5
5	Mr. T. Ratshitanga	Board Member	3 of 8	0 of 3	3 of 5
6	Mr. K. Duba	Board Member	1 of 8	0 of 3	1 of 5
7	Ms. M. Lehobye	Board Member	1 of 8	1 of 3	0 of 5
8	Ms. M. Ramonyai	Board Member	8 of 8	3 of 3	5 of 5
9	Ms. C. Busetti	Board Member	5 of 8	3 of 3	2 of 5
10	Ms. M. Maroga	Board Member	5 of 8	1 of 3	4 of 5
11	Ms. M. Ramusi	Board Member	4 of 8	1 of 3	3 of 5
12	Ms. I. Motau	Board Member	7 of 8	3 of 3	4 of 5

Current Board

No.	Member	Position	Board Meetings	Board Meeting Attendance	Board Miscellaneous
1	Mr. S.K. Mthembu	Chairperson	4	4 of 4	9 of 9
2	Ms. M. Diedricks	Deputy Chairperson	4	1 of 4	8 of 9
3	Mr. T. Ratshitanga	Board Member	4	4 of 4	7 of 9
4	Ms. D. Maithufi	Board Member	4	4 of 4	6 of 6
5	Mr. L. Marincowitz	Board Member	4	4 of 4	6 of 6
6	Mr. C. Kneale	Board Member	4	2 of 4	6 of 6
7	Ms. C. Walters	Board Member	4	4 of 4	9 of 9
8	Mr. S. Njikelana	Board Member	4	3 of 4	6 of 6
9	Mr. O. Mlonyeni	Board Member	4	4 of 4	6 of 6
10	Mr. D. Dakile	Board Member	4	4 of 4	6 of 6
11	Ms. M. Hlophe	Board Member	4	3 of 4	2 of 6
12	Ms. T. Magerman	Board Member	4	2 of 4	5 of 6
13	Ms. L. Manenzhe	Ex-Officio Member	4	4 of 4	-

GEP Board Committees

The Agency's Board was supported by six board committees in 2017/18 as depicted on the diagram below:



Committee	No. Of Meetings Held In 2017/18	No. Of Members	Names Of Members
Audit and Compliance Committee	7	5	Mr. C. Kneale (Chairperson) Ms. D. Maithufi (Member) Ms. C. Walters (Member) Mr. O. Mlonyeni (Member) Mr. L.G. Marincowitz (Member)
Risk Governance Social and Ethics Committee	6	5	Ms. D. Maithufi (Chairperson) Mr. C. Kneale (Member) Ms. C. Walters (Member) Mr. D. Dakile (Member) Mr. S. Njikelana (Member)
Human Resources and Remuneration Committee	9	5	Ms. M. Diedricks (Chairperson) Mr. D. Dakile (Member) Mr. S. Njikelana (Member) Mr. O. Mlonyeni (Member) Ms. M. Hlophe (Member)
Credit Committee	6	4	Mr. T. Ratshitanga (Chairperson) Ms. D. Maithufi (Member) Ms. T. Magerman (Member) Mr. K. Mthembu (Member)
Business Development Committee	6	5	Mr. L.G. Marincowitz (Chairperson) Mr. T. Ratshitanga (Member) Ms. M. Hlophe (Member) Ms. T. Magerman (Member) Ms. M. Diedricks (Member)
Joint Credit Committee and Business Development Committee	4	7	Mr. K. Mthembu (Chairperson) Ms. D. Maithufi (Member) Ms. T. Magerman (Member) Mr. L.G. Marincowitz (Member) Mr. T. Ratshitanga (Member) Ms. M. Hlophe (Member) Ms. M. Diedricks (Member)

Risk and Audit Committee (RAC) (Former Committee)

No.	Member	Position	Meeting Attendance	Special Meeting
1	Ms. M. Lehobye	Committee Chairperson	1 of 3	0 of 1
2	Mr. T. Sithole	Committee Member	3 of 3	1 of 1
3	Ms. M. Ramusi	Committee Member	1 of 3	1 of 1
4	Ms. I. Motau	Committee Member	2 of 3	0 of 1
5	Ms. L. Manenzhe	Ex-Officio Member	3 of 3	1 of 1

Audit and Compliance Committee (ACC) Current Committee

No.	Member	Position	Meeting Attendance	* Special Meeting
1	Mr. C. Kneale	Committee Chairperson	4 of 4	-
2	Ms. D. Maithufi	Committee Member	4 of 4	-
3	Ms. C. Walters	Committee Member	4 of 4	-
4	Mr. O. Mlonyeni	Committee Member	2 of 4	-
5	Mr. L.G. Marincowitz	Committee Member	3 of 4	-
6	Ms. L. Manenzhe	Ex-Officio Member	1 of 4	-

Risk Management Committee (RMC) Former Committee

No.	Member	Position	Meeting Attendance	* Special Meeting
1	Mr. K. Duba	Committee Chairperson	1 of 1	-
2	Ms. M. Ramonyai	Committee Member	0 of 1	-
3	Ms. M. Maroga	Committee Member	1 of 1	-
4	Ms. L. Manenzhe	Ex-Officio Member	0 of 1	-

* note:

The former GEP Board Resolved:

That the Risk Governance Committee be instituted as a separate committee to that of the Audit & Committee for effective reporting and management of the functions; the two separate committees namely:

- Audit Committee and
- Risk Management Committee were established.



Risk, Governance, Social & Ethics Committee (RGS&E) Current Committee

No.	Member	Position	Meeting Attendance	* Special Meeting
1	Ms. D. Maithufi	Committee Chairperson	4 of 4	1 of 1
2	Ms. C. Walters	Committee Member	4 of 4	1 of 1
3	Mr. C. Kneale	Committee Member	4 of 4	1 of 1
4	Mr. D. Dakile	Committee Member	4 of 4	1 of 1
5	Mr. S. Njikelana	Committee Member	4 of 4	1 of 1
6	Ms. L. Manenzhe	Ex-Officio Member	2 of 4	0 of 1

* note:

The former GEP Board Resolved:

- That there be a name change of the Risk Management Committee to the current Risk, Governance, Social & Ethics Committee; and
- Audit Committee to be renamed to Audit and Compliance Committee.



Human Resources and Remuneration Committee (REMCO) Former Committee

No.	Member	Position	Meeting Attendance	Special Meeting
1	Mr. R. Kekana	Committee Chairperson	2 of 3	-
2	Ms. L. Magagane	Committee Member	2 of 3	-
3	Mr. K. Duba	Committee Member	1 of 3	-
4	Ms. I. Motau	Committee Member	1 of 3	-
5	Ms. L. Manenzhe	Ex-Officio Member	1 of 3	-

Human Resources and Remuneration Committee (REMCO) Current Committee

No.	Member	Position	Meeting Attendance	Special Meeting
1	Ms. M. Diedricks	Committee Chairperson	5 of 5	1 of 1
2	Mr. D. Dakile	Committee Member	5 of 5	1 of 1
3	Mr. S. Njikelana	Committee Member	5 of 5	1 of 1
4	Mr. O. Mlonyeni	Committee Member	5 of 5	1 of 1
5	Ms. M. Hlope	Committee Member	1 of 5	0 of 1
6	Ms. L. Manenzhe	Ex-Officio Member	4 of 5	1 of 1

Credit Committee (CC) Former Committee

No.	Member	Position	Meeting Attendance	* Special Meeting
1	Mr. M. Africa	Committee Chairperson	1 of 1	1 of 1
2	Ms. L. Magagane	Committee Member	1 of 1	1 of 1
3	Mr. T. Ratshitanga	Committee Member	1 of 1	1 of 1
4	Ms. C. Busetti	Committee Member	1 of 1	1 of 1
5	Ms. M. Ramusi	Committee Member	1 of 1	0 of 1
6	Ms. L. Manenzhe	Ex-Officio Member	0 of 1	0 of 1

Credit Committee (CC) Current Committee

No.	Member	Position	Meeting Attendance	* Special Meeting
1	Mr. T. Ratshitanga	Committee Chairperson	4 of 4	-
2	Ms. T. Magerman	Committee Member	4 of 4	-
3	Ms. D. Maithufi	Committee Member	3 of 4	-
4	Mr. K. Mthembu	Committee Member	4 of 4	-
5	Ms. L. Manenzhe	Ex-Officio Member	2 of 4	-

Business Development Committee

(BDC) Former Committee

No.	Member	Position	Meeting Attendance	* Special Meeting
1	Ms. M. Ramonyai	Committee Chairperson	2 of 2	-
2	Ms. C. Busetti	Committee Member	2 of 2	-
3	Ms. M. Maroga	Committee Member	0 of 2	-
4	Mr. T. Sithole	Committee Member	2 of 2	-
5	Ms. L. Manenzhe	Ex-Officio Member	0 of 2	-

Business Development Committee

(BDC) Current Committee

No.	Member	Position	Meeting Attendance	* Special Meeting
1	Mr. L. Marinowitz	Committee Chairperson	4 of 4	-
2	Ms. M. Diedricks	Committee Member	4 of 4	-
3	Ms. T. Magerman	Committee Member	4 of 4	-
4	Ms. M. Hlophe	Committee Member	4 of 4	-
5	Mr. T. Ratshitanga	Committee Member	3 of 4	-
6	Ms. L. Manenzhe	Ex-Officio Member	1 of 4	-

Joint Credit Committee & Business Development Committee (JCC&BDC) Former Committee

No.	Member	Position	Meeting Attendance
1	Ms. M. Ramonyai	Committee Chairperson	2 of 2
2	Mr. M. Africa	Committee Member	1 of 2
3	Ms. C. Busetti	Committee Member	2 of 2
4	Ms. M. Ramusi	Committee Member	0 of 2
5	Ms. M. Maroga	Committee Member	2 of 2
6	Mr. T. Sithole	Committee Member	1 of 2
7	Mr. T. Ratshitanga	Committee Member	0 of 2
8	Ms. L. Magagane	Non-Member	2 of 2
9	Ms. L. Manenzhe	Ex-Officio Member	1 of 2

Joint Credit Committee & Business Development Committee (JCC&BDC) Current Committee

No.	Member	Position	Meeting Attendance
1	Mr. K. Mthembu	Committee Chairperson	1 of 2
2	Mr. T. Ratshitanga	Committee Member	2 of 2
3	Ms. T. Magerman	Committee Member	2 of 2
4	Ms. D. Maithufi	Committee Member	1 of 2
5	Mr. L. Marincowitz	Committee Member	2 of 2
6	Ms. M. Diedricks	Committee Member	2 of 2
7	Ms. M. Hlophe	Committee Member	0 of 2
8	Ms. L. Manenzhe	Ex-Officio Member	1 of 2



GEP

“ Moving Businesses & The
South African Economy
Forward.

Remuneration of Board Members

Remuneration of Board members is determined by the Member of Executive Council ("the MEC") of Gauteng Department of Economic Development as per Section 13 of the GEP Act and the National Treasury remuneration guidelines. Non-executive Board members do not have any service contracts with the GEP. The MEC's representatives do not receive any remuneration from the GEP.

Other expenses such as travelling costs for Board members, are reimbursed by the entity as per the approved Travel and Subsistence Allowance Policy.

GEP Board member are remunerated as follows:

Board Meetings	Remuneration Levels	Monthly Retainer Fee
Chairperson	R 4 986.00	R0
Deputy Chairperson	R 4 231.00	R0
Members	R 3 879.00	R0

Board Evaluation

Board members perform annual self-assessments to evaluate the functioning of the Board and its committees. The Chairperson meets annually with all Board members individually to discuss various issues.

Conflict of Interest

In terms of Section 16 of the GEP Act, each member of the Board submits to the Board via the office of the Company Secretary a declaration of all business, economic and financial interest held by the member annually, or whenever there are significant changes.

At the beginning of each meeting of the Board or Committee all members are requested to declare whether they have any conflict of interest in respect of any matter on the agenda.

RISK MANAGEMENT & AUDIT

Mr. Lamlani Dube

GM: Risk Management and Audit



The Risk and Audit Division, within GEP, is established in conformance with the provisions / recommendations of the GEP Act, PFMA, Treasury Regulations, King IV Report on Corporate Governance, COSO Risk Management Model, ISO 31000 Risk Management Standards and the Public Sector Risk Management Framework. In line with the requirements of the Public Sector Risk Management Framework, the Risk and Audit Division has a Board-approved Roadmap to Risk Maturity and the Risk Management Plan in place which articulates a defined and disciplined approach for implementing, monitoring and maintaining good risk management practices in order to propel the organization to the achievement of the objectives of the Risk Management Policy Framework.

Within GEP, the Division is positioned as a strategic enabler and a value-add function intended to assist GEP to achieve its mandate, its strategic objectives and satisfy its stakeholders within the prescribed regulatory framework, and is thus empowered amongst other things, to (a) facilitate risk and opportunity identification, risk mitigation, risk reporting and risk monitoring at both strategic and operational levels, (b) implement the Business Continuity Management (BCM) programme, (c) implement the Fraud Prevention Strategy, (d) provide assurance on Policy

Development, (e) implement a Combined Assurance Model and (f) implement the Ethics and Compliance Programme. The Division, headed-up by the General Manager Risk and Audit, reports administratively to the CEO and functionally to the Board Risk Committee for purposes of risk oversight on types and category of risks in the organisation.

Risk Belief at GEP ("Risk Philosophy")

Risk is inherent in any business, more so in the business of propelling high risk SMMEs and Co-operatives entrepreneurs (i.e. through financial and non-financial support) into the mainstream economy in order to reduce levels of poverty, high levels of unemployment and high levels of inequality. Risk management is an important element of the organizational strategy and daily operations that impacts on organizational performance (i.e. APP Targets) and financial results.

It is upon this basis that GEP believes risk management should be a responsibility of every employee in the organization, practiced daily and infused into day-to-day operations, business processes and policies with a view of converting risks into opportunities, protecting the organization against unforeseen losses, improving

investment returns, being a reliable and sustainable service delivery agency, taking business decisions informed and underpinned by appropriate rigour and analysis, reducing incidents of fraud and corruption, reducing incidents of irregular, fruitless and wasteful expenditure and improving efficient use of resources, including in projects.

Risk Maturity

The Risk and Audit Division's vision is to propel GEP to be "risk intelligent / matured" by 31 March 2021. Using a hybrid of ISO 31000 and the Public-Sector Risk Management Framework, a risk maturity self-assessment was undertaken and the results confirmed GEP's risk management practices in the organization to be at level 2.5 out of level 5 of the risk maturity scale. As part of instilling and embedding a good risk management culture in the organization, the gaps and improvements identified in the risk maturity self-assessment were incorporated into the Board approved four (4) year RM Plan ("the 2017/2021 RM Plan").

In reaching a level 2.5 risk maturity level, these are some of the key achievements in the reporting period

- Development of the RM Policy Framework,
- Development of the Risk Appetite Framework,
- Development of the Combined Assurance Framework,
- Linking the organizational strategy to the strategic risk profile,
- Fully established risk governance structures,
- Conducting Board strategic risk assessment,
- Resourcing the Risk and Audit Division,
- Quantification of loss events

In its intention to reach a level 5 risk maturity, the organization will in future undertake these activities, namely:

- Operational project risk assessment,
- Scenario planning,
- RM/BCM/Ethics/Anti-fraud trainings,
- Data / risk analytics,
- Development and operationalization of the risk appetite framework,
- Costing and weighting of risks, controls and mitigations
- Independent evaluation of risk management practices,
- Risk culture survey
- Strategies to improve BCM, Ethics and Fraud Prevention and
- Integrated Governance, Risk and Compliance (Combined Assurance Model / Framework),
- Risk oversight and ownership, including risk disclosure,
- Risk infrastructure and,
- Improve "tone at the top"

Strategic Risk Profile

For the reporting period, the Board and EXCO undertook an annual risk assessment in order to identify risks and opportunities from the 2015/2019 organizational strategy and annual performance targets for 2017/2018 financial year, and seven strategic risk exposures were identified, relating to:

- Financial sustainability,
- Human capital,
- Information and communication technology (ICT),
- Asset quality/credit risk,
- Stakeholder relations/reputational risk,
- Fraud and corruption and
- Regulatory framework

The relevant risk mitigations were developed, monitored and reported to Board Risk Committee and Board Audit and Compliance Committee for independent oversight purposes. The key mitigations implemented to reduce the risk exposure relate to:

- Sourcing of additional funds through revenue generation, investment of cash reserves, allocation of surplus funds from the Shareholder, recovery of losses and credit collections,
- Implementation of a cost containment plan and demand management plan,
- Development and implementation of a risk appetite framework,
- Performance organisational behaviour assessment,
- ICT security vulnerability and security assessment,
- Maintaining high ICT system availability,
- Development and implementation of fraud prevention plan,
- Operationalisation of memorandum of understanding with key stakeholders,
- Development and implementation of the contact centre system,
- Reduction and monitoring of leave liability, and revision of the delegation of authority framework

Audit and Compliance Activities

Key Audit and Compliance Committee Activities

Among other achievements, the Audit Committee has successfully (a) monitored the effectiveness of internal audit and external audit, (b) approved the internal audit charter and audit committee charter, (c) monitored the effectiveness of the Finance Function, (d) approved the combined assurance roadmap and encouraged internal and external audit to co-operate (e) reviewed a summary of internal audit and external audit reports and management responses to the audit findings, (f) satisfied itself that the internal audit function has necessary resources, budgets, organizational independence / authority within GEP to perform its functions, (g) received quarterly progress reports on the performance of the Agency's audits.

Internal Audit Activities

Operating in line with the provisions of the PFMA, Treasury Regulations, the International Standards for the Professional Practice of Internal Audit (i.e. IIA Standards), the Audit and Compliance Committee Charter, Internal Audit Charter and King IV Report on Corporate Governance, the Internal Audit Function within the Risk and Audit Division exists as an independent internal assurance provider, expert advisor, strategic enabler and value-add activity that independently evaluates the risk management practices, control environment and the governance processes, thus contributing positively to the achievement of the organizational objectives. The internal audit function reports administratively to the CEO and functionally to Audit and Compliance Committee. In addition, the assurance results of the internal audit assist the Board to fulfil its reporting/disclosure responsibilities to MEC for Economic Development and Legislature on the status of the control environment of GEP.

Through insourced and outsourced internal audit services, the internal audit function provided reasonable assurance to management and the Board on the adequacy and effectiveness of the risk management, controls and governance processes based on the risk based annual audit plan approved by the Audit and Compliance Committee. Guided by the approved risk based annual audit plan for 2017/2018, the control environment of the organization was adequate and effective, except for areas of improvements highlighted to management and Board for enhancement and resolution.

Compliance with Laws and Regulations

Background and Key Activities of the Compliance Function

In the quest to improve compliance culture as part of risk management practices and combined assurance framework, the Compliance Function in its mandate to provide assurance to the CEO and Board it has facilitated management of compliance risk throughout the organization. Through its mandate, it has identified, evaluated, monitored, reported issues of non-compliance with a view of applying compliance remedies. The future plan of the function is to develop a formal compliance charter / framework with a view of formalizing the compliance function to operate in line with the Generally Accepted Compliance Framework.

Fraud and Corruption

Fraud Prevention and Ethics Policy Framework

Guided, amongst others, by PFMA, Protected Disclosures Act and Combating of Corrupt Activities Act, the Risk and Audit Division has revised the fraud prevention policy framework to reflect on fraud prevention, fraud detection, fraud investigation and fraud resolution. As part of risk management practice, GEP zero tolerance approach towards fraud and corruption, which in essence entails strong policy framework, stating organisation's stance on prevention and investigating fraud and corruption incidents, accountability and consequence management. In addition, inculcating the risk management culture in line with King IV, the GEP has the Conflict of Interest Policy, Code of Conduct and GEP values that are practiced in the organization, although the Compliance Management Framework has not yet been developed to guide the organization on issues of Code of Ethics, infusing ethics standards and practices into GEP policies and Ethics performance review / ethics maturity. The state of reducing fraud and corruption incidents is satisfactory, except in instances communicated to management and Board, including the Shareholder.

Mechanisms in Place to Report Fraud, Corruption and Unethical Behaviour

GEP has a whistle-blowing facility available to all stakeholders, including employees and clients to confidentially report matters of fraud, corruption and unethical behaviour. Matters reported are investigated and the outcomes of the investigation reports are tabled with the relevant governance structures.

For period under review, the number of cases reported and investigated was 9 cases. Of the 9 matters reported, 2 were resolved and interventions such as disciplinary action, registration of criminal cases and possible recovery of losses have been undertaken by the organization. In the matters reported and investigated, none was found to be relating to conflict of interest.

Minimising Conflict of Interest

As part of processes aimed at minimising conflict of interest the Supply Chain Management Unit provides all employees participating in GEP procurement committees with a declaration of interest form and code of conduct that must be signed on an annual basis. Should an official be found to be conflicted in any way they are expected to declare such conflict of interest and recuse themselves from the particular procurement process. All GEP officials are further expected sign a declaration of interest form and to list companies that they and / or their relatives have interest in so as to promote a greater level of transparency in engagements with potential service providers. This list must be updated annually or as and when new service providers falling in this category have been identified.

Code of Conduct

The code of conduct and/or fraud prevention policy was adhered to by employees, except in instances where investigation matters were registered for investigation.

Health Safety & Environmental Issues

The Agency conducts regular health and safety inspections across the various GEP office premises (Head Office, Regional and Satellite Offices) to assess their level of compliance with the Occupational Health and Safety Act, No. 85 of 1993 as amended which sets out the rights and duties of all parties in the workplace, as well as, the procedures for dealing with workplace hazards. Status updates are then submitted on a quarterly basis to the Executive Management Committee, the Risk Governance Social and Ethics Committee and the Board.

A number of non-compliance areas to the Occupational Health and Safety Act were identified within the Head

Office and some of the Regional Offices in the financial year under review. Key issues identified included but were not limited to the following:

- Poor ventilation as a result of inadequacies in relation to windows and mechanical ventilation. Air-conditioning challenges resulting in consistent temperature changes and the recycling of airborne particles such as dust and carpet fibres which may lead to absenteeism due to ill health,
- Physical security gaps relating to the registration and signing out of visitors. In an event of an emergency evacuation it may therefore be difficult for management to account for everyone in the building.
- Rising dampness on the parking area walls tends to cause secondary damage to the building and this unwanted moisture enables the growth of fungi, causing rot or mould that might result in health issues amongst employees.
- The building is not suitable for People with Disabilities and poses a serious risk especially in terms of accessibility and evacuation processes.

The Agency, in conjunction with the shareholder and the landlords, continues to monitor interventions aimed at addressing the identified non-compliances. During the year under review, the entity in partnership with the Gauteng Department of Agriculture, Gauteng Liquor Board and Gauteng Department of Economic Development (Consumer Services) have also initiated a process of procuring shared office space, which is envisaged too be finalised in the 2018/19 financial year.

Company Secretary

The Gauteng Enterprise Propeller outsources the company secretariat role through an external service provider; namely First Corporate Transfer Secretaries. Their role is to:

- Account to the company's Board;
- Provide the directors of the company with guidance as to their duties, responsibilities and powers;
- Make the Board members aware of any law relevant to or affecting the company;
- Report to the GEP Board any failure on the part of the Agency or a Board Member to comply with the rules of the company or the GEP Act;
- Ensure that minutes of all Board meetings and the meetings of any committees of the Board, or of the Agency's Audit & Compliance Committee and Executive Committee, are properly recorded in accordance with the Companies Act;

- Assist in the proper induction, orientation, ongoing training and education of Board members, including assessing the specific training needs of directors and executive management in their fiduciary and other governance responsibilities;
- Provide a central source of guidance and advice to the board, and within the Agency, on matters of good governance and of changes in legislation;
- Ensure direct channel of communication to the chairperson and should be available to provide comprehensive practical support and guidance to members, with particular emphasis on supporting the non-executive directors, the chairperson of the Board and the chairpersons of committees and the Audit and Compliance Committee;
- Ensure that the Board and Board Committee Charters and Terms of Reference are kept up to date.
- Ensure that the proceedings of Board and Committee meetings are properly recorded and that minutes of meetings are circulated to the members in a timely manner, after the approval of the chairperson of the Board or relevant Board Committee.
- Assist the Board with the yearly evaluation of the Board, its individual members and senior management.

Social Responsibility

Social responsibility issues relating to the organisation are overseen by the Risk Governance, Social and Ethics committee which was constituted as a Committee of the GEP Board in terms of section Companies 72(4) of the Act No. 71 of 2008, read with regulation 43 issued in terms of the Companies Act.

The charter for this committee is also aligned to the prescripts of the Labour Relations Act and other relevant labour legislation / regulations and the committee's social and ethics component focuses on areas such as:

- Organizational ethics management programme;
- Corporate citizenship;
- Sustainable development;
- Stakeholder governance; and
- Sustainability / Occupational Health and Safety.

“GEP has a whistle-blowing facility available to all stakeholders, including employees and clients to confidentially report matters of fraud, corruption and unethical behaviour.

AUDIT & COMPLIANCE COMMITTEE REPORT

Mr. Clive Kneale

Chairperson: Audit & Compliance Committee



The Audit and Compliance Committee is pleased to present its report for the financial year ended 31 March 2018.

The Audit and Compliance Committee is an independent statutory committee appointed by the Board of the GEP. The duties and responsibilities of the Audit and Compliance Committee as delegated by the Board of the GEP are included in the report below.

Audit and Compliance Committee Terms of Reference

The Audit and Compliance Committee has adopted formal terms of reference in the form of its Audit and Compliance Committee Charter that has been approved by the Board of the GEP. The Committee has conducted its affairs in compliance with this Charter and has discharged its responsibilities contained therein.

Audit and Compliance Committee Members and Meeting Attendance

The Audit and Compliance Committee consists of five independent non-executive directors. It meets at least four times per year, as specified in terms of its Charter. The Chairperson of the Board, Chief Executive Officer, Chief Financial Officer, GM Risk and Audit, external auditors and other assurance providers attend meetings by invitation only.

Audit & compliance

Risk & Audit Compliance

Committee Meetings

Risk and Audit and Compliance Committee (RAC)

Former Committee: 01 April 2017 – 30 September 2017

No.	Member	Position	Meeting Attendance	*Special Meeting
1	Ms. M. Lehobye	Committee Chairperson	1 of 3	0 of 1
2	Mr. T. Sithole	Committee Member	3 of 3	1 of 1
3	Ms. M. Ramusi	Committee Member	1 of 3	1 of 1
4	Ms. I. Motau	Committee Member	2 of 3	0 of 1
5	Ms. L. Manenzhe	Ex-Officio Member	3 of 3	1 of 1

*Audit and Compliance Committee (ACC)

Current Committee: 01 October 2017 – 31 March 2018

No.	Member	Position	Meeting Attendance	*Special Meeting
1	Mr. C. Kneale	Committee Chairperson	4 of 4	-
2	Ms. D. Maithufi	Committee Member	4 of 4	-
3	Ms. C. Walters	Committee Member	4 of 4	-
4	Mr. O. Mlonyeni	Committee Member	2 of 4	-
5	Mr. L.G. Marincowitz	Committee Member	3 of 4	-
6	Ms. L. Manenzhe	Ex-Officio Member	1 of 4	-

* note:

The new GEP Board as appointed on 01 October 2017 resolved that there be a name change of the former Risk and Audit Committee to the current Audit and Compliance Committee.



Roles & Responsibilities

Statutory Duties

The Audit and Compliance Committee's roles and responsibilities include its statutory duties as per the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), as well as the Treasury Regulations issued in terms of the PFMA and the responsibilities assigned to it by the Board. The Audit and Compliance Committee executed its duties in terms of the requirements of King IV and in instances where King IV requirements have not been applied; explanations are outlined in the Corporate Governance Statement included elsewhere in this Annual Report.

The Committee was responsible for performing its duties as set out in the Charter, which included reviewing the following:

- The effectiveness of the GEP's internal control systems;
- The risk areas of the GEP's operations to be covered in the scope of the internal and external audits;
- The accounting and auditing concerns identified because of the internal or external audits;
- The GEP's compliance with legal and regulatory provisions; the GEP Act, the PFMA, as well as the Treasury Regulations;
- The activities of the Risk and Audit Unit, including its work programmes, coordination with the External Auditors, the reports of significant investigations and the responses of Management to specific recommendations;
- The independence and objectivity of the External Auditors;
- The review of the Financial Statements with specific attention to:
 - ✓ Underlying accounting policies or changes thereto;
 - ✓ Major estimates and managerial judgements;
 - ✓ Significant adjustments flowing from the year-end audit;
 - ✓ Compliance with effective South African Standards of Generally Recognised Accounting Practice (GRAP), the PFMA and other statutory precepts; and
 - ✓ The appropriateness of the going concern assumption.

The Audit and Compliance Committee also undertook the following activities during the year under review:

- Reviewing and approving the Internal Audit Charter and Internal Audit Plan;
- Conducting investigations within its Terms of Reference; and
- Encouraging communication between Members of the Board, Executive Management, the Risk and Audit Division, and the External Audit partner.

External Auditors

During the 2017/18 financial year, the Audit and Compliance Committee met with the External Auditors and with the GM Risk and Audit without management being present. The Committee is satisfied that it complied with its legal, regulatory or other responsibilities. The Audit and Compliance Committee approved the engagement letter, terms, audit plan and budgeted audit fees for the 2017/18 financial year.

Financial Statements and Accounting Policies

The Audit and Compliance Committee has evaluated the Accounting Policies and Financial Statements of the GEP for the year ended 31 March 2018 and concluded that these comply, in all material respects, with the requirements of the PFMA, and were prepared in accordance with the effective South African Standards of GRAP issued by the Accounting Standards Board (the ASB). The Committee has established a process to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the GEP. No matters of significance have been raised in the past financial year.

Irregular and Fruitless and Wasteful Expenditure

The Audit and Compliance Committee is satisfied with the processes in place to detect and disclose irregular and fruitless and wasteful expenditure within GEP.

Internal Financial Controls

The Audit and Compliance Committee's assessment of the internal financial controls in the organisation is that the systems, although enhanced, should still be improved. Despite this and based on the information and explanations given by Executive Management and the Risk and Audit Division, together with discussions held with the Auditor-General of South Africa on the result of their audits, the Audit and Compliance Committee believes the internal financial controls are adequate to ensure that the financial records are relied upon for preparing the Financial Statements, and accountability for the assets and liabilities is maintained.

Based on the results of the formal documented review of the design, implementation and effectiveness of the GEP's

system of internal financial controls conducted by the Risk and Audit Division during the 2017/2018 financial year end, in addition, considering information and explanations given by Executives and discussions with the External Auditor on the results of their audit, the Audit and Compliance Committee is of the opinion that the GEP's system of internal financial controls is effective and forms a sound basis for the preparation of reliable Financial Statements.

Whistle-blowing

The Audit and Compliance Committee receives and deals with any concerns or complaints, whether from within or outside GEP, relating to the accounting practices and risk and audit matters, the content or auditing of the Agency's financial statements, the internal financial controls of GEP and related matters.



Duties Assigned by the Board



In addition to the statutory duties of the Audit and Compliance Committee, as reported above, the Board has determined further functions for this Committee to perform, as set out in the Audit and Compliance Committee Charter. These functions include the following:

Integrated Reporting and Combined Assurance

The Audit and Compliance Committee fulfils an oversight role regarding the GEP's Integrated Report and the reporting process, including the system of internal financial control. Furthermore, this Committee oversees cooperation between the Internal and External Auditors and other assurance providers. A Combined Assurance Forum has been formed which is chaired by the General Manager: Risk and Audit and reports to the Committee on a quarterly basis.

The Audit and Compliance Committee considered the GEP's sustainability information as disclosed in the Integrated Report and has assessed its consistency with operational and other information known to the Committee Members, and for consistency with the Annual Financial Statements. The Audit and Compliance Committee discussed the sustainability information with GEP's Executive Management and has considered the conclusion of the Auditor-General of South Africa. The Committee is satisfied that the sustainability information is reliable and consistent with the financial results, whilst noting that sustainability reporting will be enhanced.

The Office of the Auditor-General of South Africa performed an assurance engagement on annual performance indicators included under the heading "Performance Information by Programme" that forms part of the GEP's integrated sustainability reporting. It is envisaged that such assurance of sustainability information will become more encompassing in line with the recommendations of King IV.

Going Concern

The Audit and Compliance Committee reviewed a documented assessment by Executives of the going concern premise before agreeing that the adoption of the going concern premise is appropriate in preparing the Financial Statements.

Governance of Risk

The Board has assigned oversight of the GEP's risk management function to the Risk, Governance, Social and Ethics Committee (RGSEC). Some members of the Audit and Compliance Committee are also members of the RGSEC to ensure that information relevant to these committees is transferred regularly. The Audit and Compliance Committee fulfils an oversight role regarding financial reporting risks, business risks and fraud risk as it relates to financial reporting.

Internal Audit

The Audit and Compliance Committee is responsible for ensuring that GEP's Risk and Audit Division is independent and has the necessary resources, standing and authority within the GEP to enable it to discharge its duties. This Committee considered and recommended the Internal Audit Charter for approval by the Board. The Risk and Audit Division's Annual Audit Plan was approved by the Committee.

The Risk and Audit Division reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all the GEP's operations. The GM Risk and Audit is responsible for reporting the findings of the Risk and Audit Division work against the agreed Internal Audit Plan to the Audit and Compliance Committee on a regular basis.

The GM Risk and Audit has a functional reporting line to the Audit and Compliance and RGSEC Committees, primarily through its Chairperson and reports administratively to the CEO. The Audit and Compliance Committee is also responsible for the assessment of the performance of the GM Risk and Audit and the Risk and Audit Division.

Evaluation of the Expertise and Experience of the Chief Financial Officer and Finance Function

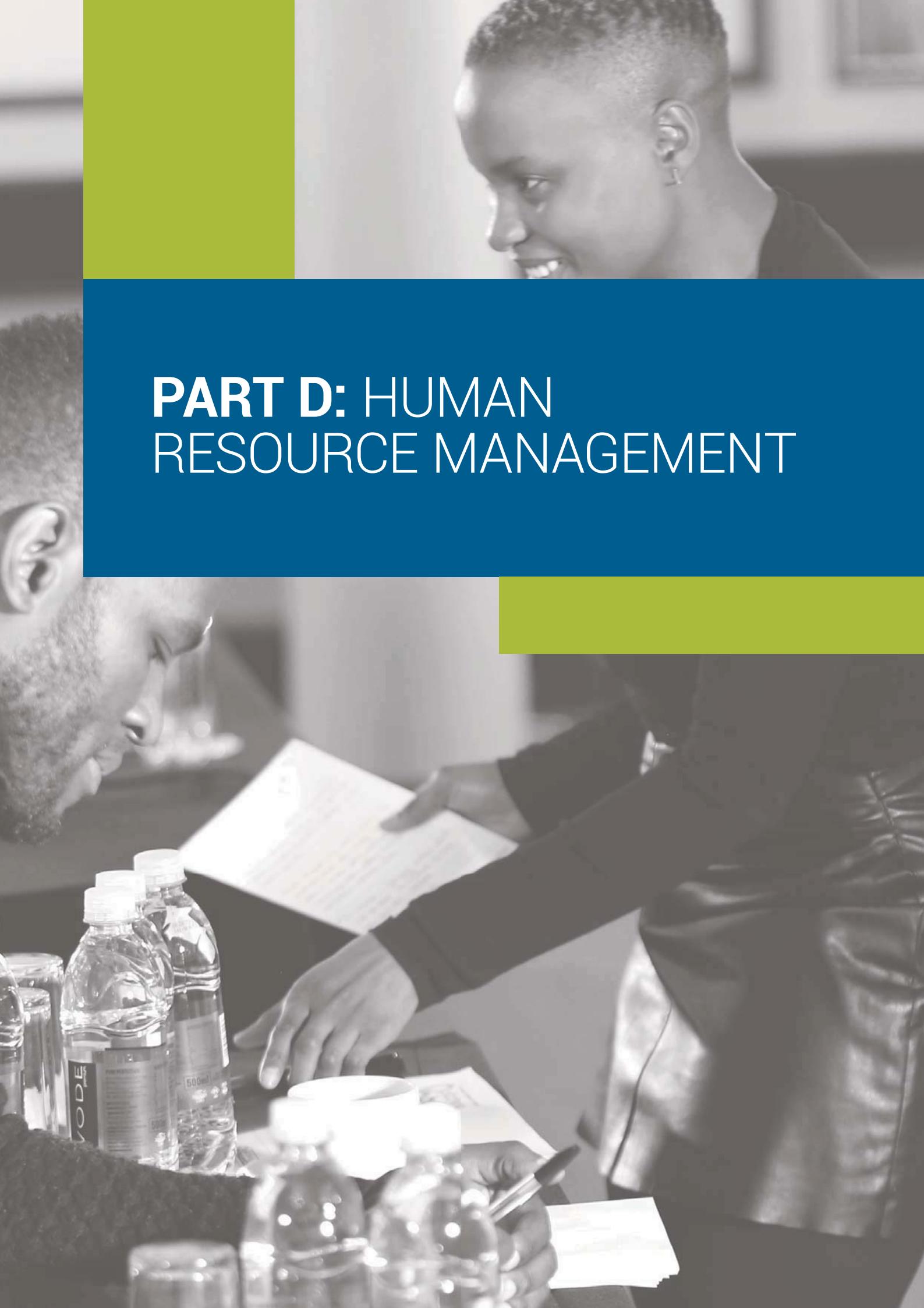
The Audit and Compliance Committee has satisfied itself that the GEP Chief Financial Officer has appropriate expertise and experience. The Committee has considered and has satisfied itself with the appropriateness of the expertise and adequacy of the resources in the finance function and the experience of the senior members of Management responsible for the Finance Function.

The Audit and Compliance Committee is satisfied that it complied with its legal, regulatory or other responsibilities and is proud to have undertaken the journey with GEP leadership towards the achievement of the Agency's clean audit for the 2017/18 financial year.

The Audit and Compliance Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and believes the audited annual financial statements be accepted and read together with the report of the Auditor-General.



Mr. Clive Kneale
Chairperson of the Audit and Compliance Committee



PART D: HUMAN RESOURCE MANAGEMENT

CORPORATE SERVICES & HUMAN RESOURCES REPORT

Ms. Cathrine Mamabolo

Acting GM: Support & Administration



Overview of GEP Human Resources Matters

The GEP organisational structure was amended and approved on the 24 May 2017. The organisational structure was amended to ensure implementation of the approved mandate and also to ensure timeous provision of GEP services to the Gauteng Province.

Set HR priorities for the year under review and the impact of these priorities

The entity had scheduled a Relationship by Objectives with the recognised union in the year under review but the session was not held due to labour dispute in a process of being reviewed.

Workforce planning and the implementation of key strategies to attract and recruit a skilled and capable workforce also remained high on the 2017/18 HR priority listing. As result of this a total of 24 positions were advertised in the year under review and the recruitment processes for the 14 positions were finalised. Three employees assumed duties in the 2017/18 with twelve to assume duties in the beginning of the next financial year (2018/19). In addition, a total of four graduate trainees and seven interns were appointed in the FY2017/18.

Employee performance management framework

The GEP has an approved Performance Management Policy in place and employees' performance is managed in line

with the provisions of the policy. Employee performance was assessed in the FY2017/18 but no bonuses were paid due to financial constraints faced by the entity. Employees were, however paid a goodwill payment ranging from 2% (management) to 4% (lower level employees).

GEP Employee wellness programmes

The Agency's appointed wellness service provider in the financial year 2017/18 was Careways. The GEP Employee Health and Wellness Program (EHWP) was thus administered by Careway. During the year under review 9.2% of employees utilised the EHWP with a total of six Employee Health sessions having been held which is a 75% growth compared to the previous financial year.

Policy Development

The GEP reviewed a total of six policies to ensure proper governance and administration efficiencies. Key amongst these policies are Succession Policy which aims to ensure that possible successors for key and critical positions are identified and developed to ensure business continuity which might be affected by various exits. and consulted with employees, they will have submitted for approval next financial.

Human Resources Achievements

- To ensure continuous learning and development of employees a total of 30 Bursaries were awarded and 64 employees were trained in line with the Personal Development Plans which were developed to address the developmental areas of employees.
- The Workplace Skills Plan was developed and submitted to the Services SETA, the plan was fully implemented.
- The GEP partnered with the Gauteng City Region Academy to provide the one year Foundation Management Development Program (FMDP) to four employees and a further four employees started with the New Management Development Program in the middle of the year under review.
- During the year under review the GEP, revised and submitted the Employment Equity Plan and Progress report to the Department of labour, some of the noticeable achievements in the report is an increase in the representation of black females at Senior Management level which has increased to 51%.
- To increase the capacity especially in core business, a total of 24 positions were advertised and 18 positions were filled whilst no suitable candidates were identified for 4 positions and 2 remaining ones will be filled in the next financial year.

Challenges Faced by The Public Entity

- Building of sound Labour Relations remained an area of concern during the financial year;
- Budgetary Constraints remain as a challenge for GEP.
- Capacity Challenges in the Support Services part of the business (given the need for the prioritisation of core business).
- Poor organisational compliance to the Performance Management Policy is yet another area to be addressed going forward.

Future HR Plans / Goals

- Conduct the Skills Audit to ensure that the entity personnel is properly trained in line with their current responsibilities.
- Participation in GPG Employee Health Programme.
- Relationship by objectives (RBO) workshop to ensure sound labour relations

Human Resource Oversight

Statistics

The public entity must provide the following key information on human resources. All the financial amounts must agree to the amounts disclosed in the annual financial statements. Where considered appropriate provide reasons for variances.

Personnel Cost by Programme

Programme/activity/objective	Total Expenditure For The Entity (R'000)	Personnel Expenditure (R'000)	Personnel expenditure as a % of total expenditure. (R'000)	No. Of Employees	Average Personnel Cost Per Employee (R'000)
Programme 1: Administration	77 383	43 941	19%	71	619
Programme 2: Investment	42 269	16 714	7%	30	557
Programme 3: Enterprise Support	53 818	8 414	4%	20	421
Programme 4: Regional Operations	56 860	24 521	11%	48	511
Total	230 330	93 590	41%	166	564

Personnel Cost By Salary Band

Level	Personnel Expenditure (R'000)	% of personnel expenditure to total personnel cost (R'000)	No. Of Employees	Average Personnel Cost Per Employee (R'000)
Top Management	7 469	8%	6	1 245
Senior Management	34 774	37%	32	1 087
Professional qualified	31 205	33%	51	612
Skilled	17 913	19%	54	332
Semi-skilled	2 229	3%	24	93
Unskilled				
Total	93 590	100%	166	564

Performance Rewards

Employee Level	Employee Rewards	Personnel Expenditure (R'000)	% Of Performance Rewards To Total Personnel Cost (R'000)
Top Management	GOODWILL	127	5%
Senior Management	GOODWILL	696	30%
Professional qualified	GOODWILL	894	38%
Skilled	GOODWILL	561	24%
Semi-skilled	GOODWILL	57	3%
Unskilled	-	-	-
Total	-	2 335	100%

Training Costs

Gep Budget Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure As A % Of Personnel Cost.	No. Of Employees Trained	Average Training Cost Per Employee
GEP employee training costs	93 590	1 094	1.2%	94	11.6

Employment & Vacancies

Programme/activity/objective	2017/2018 No. of Employees	2017/2018 Approved Posts	2017/2018 Vacancies	% of vacancies from total vacancies
Programme 1: Administration	67	89	28	56%
Programme 2: Investment	21	28	11	22%
Programme 3: Enterprise Support	20	14	-	-
Programme 4: Regional Operations	45	56	11	22%
Total	153	188	50	100%

Programme/ activity/objective	2017/2018 No. of Employees	2017/2018 Approved Posts	2017/2018 Vacancies	% of vacancies from total number of Approved Posts
Top Management	5	7	2	1%
Senior Management	29	37	8	4%
Professional qualified	44	64	21	11%
Skilled	52	71	17	9%
Semi-skilled	23	9	2	1%
Unskilled				
Total	153	188	50	26%

Employment Changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	5	-	1	4
Senior Management	31	1	2	30
Professional qualified	49	2	7	44
Skilled	54	-	2	52
Semi-skilled	9	15	1	23
Unskilled				
Total	148	18	13	153

Reasons for Staff Leaving

Reason	Number of employees terminated	% of total no. of staff leaving from total number of employee terminated
Death	-	-
Resignation	9	69%
Dismissal	3	23%
Retirement	1	8%
Ill Health	-	-
Expiry of contract	-	-
Other	-	-
Total	13	100%

Employees resigned to pursue other interest whilst others had found new jobs. Some of the vacant positions will be filled in the new financial year (2018/19).

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	-
Written Warning	-
Final Written warning	2
Dismissal	3
Total	5

Equity Target & Employment

Equity Status

The company structure was revised. There is also high staff turnover at the middle management level. All employees are reported as per their substantive positions.

Employees are not obliged to report their disabilities.

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	2	2	0	0	0	1	0	0
Professional qualified	22	30	0	0	1	1	0	0
Skilled	12	11	1	2	0	1	0	1
Semi-skilled	1	2	0	1	0	1	0	1
No Grade	4	0	0	0	0	0	0	0
Total	41	45	1	3	1	4	0	2

Levels	FEMALE								
	African		Coloured		Indian		White		
	Current	Target	Current	Target	Current	Target	Current	Target	
Top Management	0	2	0	0	0	0	0	0	0
Senior Management	2	3	0	0	0	0	0	0	0
Professional qualified	28	33	1	1	1	1	1	1	1
Skilled	38	34	3	4	0	0	1	1	1
Semi-skilled	22	25	0	1	1	1	0	0	1
No Grade	12	0	0	0	0	0	0	0	0
Total	102	97	4	6	2	2	2	3	

Levels	DISABLED STAFF				
	Male		Female		
	Current	Target	Current	Target	
Top Management	0	0	0	0	0
Senior Management	0	0	0	0	0
Professional qualified	1	1	0	0	0
Skilled	0	1	0	0	0
Semi-skilled	0	0	0	0	1
Unskilled	0	0	0	0	0
Total	1	2	0	1	



PART E: FINANCIAL INFORMATION

Gauteng Enterprise Propeller

(Incorporated in terms of the Gauteng Enterprise Propeller Act No. 5 of 2005)
Annual Financial Statements for the year ended 31 March 2018

General Information.

Nature Of Business and Principal Activities

The Agency is a public body established in terms of the Schedule 3C listing of provincial public entities as provided in the Public Finance Management Act (PFMA), No.1 of 1999. The existence, functions, duties of the Agency are governed by the Gauteng Enterprise Propeller, No 5 of 2005 (the GEP Act) and delivery on its mandate is primarily driven by the provincial Transformation, Modernisation and Reindustrialisation (TMR) Strategy requires GEP to drive: the revitalisation of township economies; enhanced participation of SMMEs and Co-ops in the Province's mainstream economy; and the growth and development of the 11 identified sectors, i.e. the agro-processing, automotive, manufacturing, information and communications technology (ICT), tourism, pharmaceuticals, creative industries, construction, real estate, finance and mineral beneficiation.

Board Members

K. Mthembu (Chairperson)
M. Diedricks (Deputy Chairperson)
L. Manenzhe (Acting Chief Executive Officer)
C. Kneale
D. Dakile
L. Marincowitz
T. Ratshitanga
C. Walters
T. Magerman
D. Maithufi
M. Hlophe
S. Njikelana
O. Mlonyeni

Registered Office

GEP Head Office
6th Floor
Marshalltown
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 (AGSA)

Company Secretary

First Corporate Secretaries (Pty) Ltd

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The reports and statements set out below comprise the annual financial statements presented to the Gauteng provincial legislature:

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REPORT BY THE CHIEF FINANCIAL OFFICER

Ms. Nomfanelo Genuka

Chief Financial Officer



The Gauteng Enterprise Propeller's Annual Financial Statements (AFS) have been prepared in accordance with the Standards of Generally Recognised Accounting Practice, as well as, the requirements of the Public Finance Management Act, 1 of 1999 and the Companies Act, 71 of 2008. The AFS have been prepared according to appropriate accounting policies which are consistently applied and supported by reasonable and prudent judgement and estimates.

GEP's capital funding requirements are sourced mainly from grants received from the Gauteng Department of Economic Development which is its sole shareholder. This funding is mainly to assist the operational activities and programmes such as financial support provided through the issuing of loans to SMMEs and Co-operatives, Business Development Support (non-financial) and implementation of interventions that seek to curb youth unemployment and promote entrepreneurship.

During 2017/18 financial year, GEP paid out R15 million in Financial Support Loans compared to R75 million paid out in the previous financial year. The decrease in payment of Financial Support Loans was on the main attributed to a reduction in the budget allocated during the period under review which necessitated that the Agency focus more on lower value thresholds in the assessment of financial support applications as a means of ensuring delivery on the 2017/18 Annual Performance Plan.

Despite the challenges that GEP encountered during the period under review, it has managed to maintain and improve its systems and controls. By way of illustration, the average percent spent in creditors' payments improved and was at 5.6% in 2017/18 as compared to 12.5% of the previous financial year as confirmed by the Auditor General. This shows that GEP met its target of ensuring that the turnaround period for the payment of creditors is five (5) days. It further demonstrates the Agency's commitment towards ensuring timely processing of payments for SMMEs, in particular, so as to ensure their cashflow and sustainability is not compromised.

STATEMENT OF FINANCIAL POSITION

Assets

The total assets as at 31 March 2018 were at R187.8 million, thus having increased by R16 million in comparison to total asset value of R171 million recorded for the previous financial year.

The current assets as at 31 March 2018 were R129 million, reflecting an increase of R36 million from the previous financial year's R93 million. An increase of R33m from cash and cash equivalents resulted in the positive movement in assets. This movement between the cash and cash equivalents (i.e. R33 million) and total current asset of (R16m), was due to the financial support loans impact in

the Statement of Financial Position. On the other hand, the loans issued in 2017/18 which totalled R15 million, the loan repayments of R15,2 million, the accrued interest of R8,9 million together with an impairment of R25 million resulted into a total asset reduction of R17m for the period under review.

Liabilities

GEP total liabilities as at 31 March 2018 were R42 million, this being an increase of R17 million from the previous financial year's total liabilities. This was mainly attributable to an increase in unspent conditional grants of R17 million as at year end, when compared to the 2016/17 financial year.

Net Assets Value

Although the Agency's AFS were prepared on a going concern basis, the Net Asset Value (NAV) of GEP was reduced by R500 000.00 (five hundred thousand rands) in the 2017/18 year from R146m to R145m. The slight decrease in NAV was due to the increase in total liabilities as reflected above. The Agency's financial position as at the end of the period under review remained sound, and it is thus imperative for GEP to strengthen its debt collection rate. This will enhance the support provided to township SMMEs and Cooperatives and positively impact employment creation and growing the Gauteng economy.

STATEMENT OF FINANCIAL PERFORMANCE

Revenue from non-exchange transactions

The total revenue from non-exchange transactions decreased by R18 million, from R247 million in 2016/17 to R229 million for 2017/18. This was due to the year-on-year provincial grant (GDED) budget reduction of R15 million from R215 million in 2016/17 to R200 million for 2017/18.

Revenue from Exchange transactions

The revenue from exchange transactions decreased by R1.4m, this because of a drop in accrued interest in the financial support loans R700k and training and management fees R1.3m movement from prior year.

Expenditure

The total expenditure for the year under review was R230 million against an allocated budget of R244 million, this being a reduction in expenditure amounting to R16m in comparison to the previous financial year. GEP implemented cost containment measures which resulted in the Agency being able to increase its support to small businesses participating in the Enterprise Supplier Development and Township Business Renewal programmes. The expenditure was attributed mainly to a spending of R71 million on SMME Business Development Support and Cooperative support intervention, confirming GEP's commitment towards growing the small business sector in the Gauteng province and driving Youth programmes aimed at promoting job creation. The 2017/18 expenditure on SMME and Cooperative financial and non-financial overall shows a reduction of R29 million when comparing to the 2016/17 financial year, mainly due to grant reduction from the Shareholder.

Loan Book Performance and Credit Risk

During the year under review, GEP exceeded the targeted R15 million collection amount projected to be achieved by successfully realising a total debt repayment of R15,2 million from outstanding debtors. This above the R14,6 million collection value from the prior year, thus serving as affirmation of the Agency's consistent commitment to re-inforce its resource base through the collecting of outstanding debt.

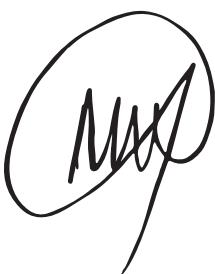
The Agency wrote - off bad debts for an overall total amount of R4 132 (four thousand, one hundred and thirty-two rands) in 2017/18. GEP did, however, provide for debtors to the value of R52 million, compared with a provision for doubtful debts of R27 million in the previous financial year. The increase in the provision for doubtful debts is reflective of the broader difficult macro - economic environment that SMMEs in the province operate in which negatively impacted their ability to repay amounts due to GEP. Overall challenges in relation to debt collection included a reluctance by some SMMEs to repay funds due to GEP, certain small businesses closing down and a generally high exposure to short-term contracts.

Despite the difficult macro-economic environment, GEP was still able to collect R15,2 million from debtors, this being an excess of R200 000.00 (two hundred thousand rands) against the budgeted 2017/18 collections figure. The provision for doubtful debts is an indication that GEP might write - off 33% of its total loan book, which is an increase from 18% in the previous financial year. Furthermore, the current year increase in the provision for doubtful debts reflects GEP's struggle, for a variety of reasons, to collect funds that are owed to it by defaulting clients this notwithstanding GEP's best endeavours to recover outstanding debt. This presents a cashflow challenge as it reduces GEP's ability to expand its support reach to a larger number of township businesses through its collections revenue. This dictates a need for greater emphasis to be placed on the training and developing SMMEs to promote their sustainability towards credit worthiness and access to more opportunities.

Appreciation

I would like to extend words of gratitude to the Executive Management team and the entire GEP employee complement who contributed to the attainment of the clean audit outcomes for 2017/18. It was a difficult year that came with several challenges but through determination and hardwork, we continued to strive for greater achievements - with the same spirit the year ahead will be a phenomenal success.

A final word of appreciation also goes to the Accounting Officer, Audit, Risk and Compliance Committees and the Board of Directors for their unwavering support and demonstrating good leadership.

A handwritten signature in black ink, enclosed in a simple oval outline. The signature appears to read "NMF" followed by a stylized surname.

Ms. Nomfanelo Genuka
Chief Financial Officer

“through determination
and hardwork, we
continued to strive for
greater achievements



Report of the Auditor-General

to Gauteng Provincial Legislature on the
Gauteng Enterprise Propeller

Report on the audit of the financial statements



Opinion

I have audited the financial statements of the Gauteng Enterprise Propeller set out on pages 111 to 149, which comprise the statement of financial position as at 31 March 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Enterprise Propeller as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa of 1999(Act No 1 of 1999) (PFMA).

Basis for opinion

I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matters

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

Material Impairments

As disclosed in note 3 to the financial statements, material impairments to the amount of R27 159 227 (2017: R8 487 960) were provided for. This represents 31%(2017:8%) of the total financial support loans.

As disclosed in note 4 to the financial statements, material impairments to the amount of R25 423 157 (2017: R18 716 103) were provided for. This represents 36%(2017:39%) of the total receivables from exchange transactions.

Responsibilities of the accounting authority for the financial statements

The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the 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.

In preparing the financial statements, the accounting authority is responsible for assessing the Gauteng Enterprise Propeller's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report



Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the entity for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2 _ Investment Management	49
Programme 3 _ Enterprise Support	49 _ 50
Programme 4 _ Regional Operations	51 _ 54

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

Other matters

I draw attention to the matters below.

Achievement of planned targets

Refer to the annual performance report on pages **49 to 54** for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a significant number of targets.

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2 _ Investment Management. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation



Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information



The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies



I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Other reports



I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

The entity investigated allegations of intentional misrepresentation of information. The investigations were instituted in May 2017 and completed before financial year-end. The necessary disciplinary actions were taken based on the outcomes of the investigations.

Auditor-General

Johannesburg
31 July 2018



Annexure Auditor-General's responsibility for the audit

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- Conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Gauteng Enterprise Propeller's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the entity to cease continuing as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at 31 of March 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Financial support loans at amortised costs			
	3	9,535,231	22,403,864
Receivables from exchange transactions	4	45,953,510	29,258,938
Cash and cash equivalents	5	74,111,198	41,350,135
		129,599,939	93,012,937
Non-Current Assets			
Property, plant and equipment	6	6,771,736	6,855,125
Intangible assets	7	14,335	224,589
Financial support loans at amortised costs	3	51,436,695	70,986,380
Other investments	8	1	1
		58,222,767	78,066,095
Total Assets		187,822,706	171,079,032
Liabilities			
Current Liabilities			
Operating lease liability	9	4,549,177	3,796,971
Trade and other payables	10	8,552,249	8,927,411
Unspent conditional grants	11	29,173,455	12,306,516
		42,274,881	25,030,898
Total Liabilities		145,547,825	146,048,134
Net Assets		145,547,825	146,048,134
Accumulated surplus			

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Performance as at 31 of March 2018

Figures in Rand	Note(s)	2018	2017
Revenue from non- exchange transactions	12	229,117,860	247,527,437
Revenue from exchange transactions	13	10,325,517	11,747,651
Programs and projects	14	(67,096,672)	(100,525,600)
Operating expenses		(175,611,310)	(160,212,921)
Operating deficit		(3,264,605)	(1,463,433)
Finance Income	17	2,764,291	3,955,921
Finance costs	18	-	(1,378)
(Deficit) surplus for the year		(500,314)	2,491,110

Statement of Changes in Net Assets as at 31 of March 2018

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 April 2016	143,557,024	143,557,024
Changes in net assets		
Surplus/(Deficit) for the year	2,491,110	2,491,110
Total changes	2,491,110	2,491,110
Balance at 01 April 2017	146,048,134	146,048,134
Changes in net assets		
Surplus/(Deficit) for the year	(500,314)	(500,314)
Total changes	(500,314)	(500,314)
Balance at 31 March 2018	145,547,825	145,547,825

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Cash Flow Statement as at 31 of March 2018

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Cash receipts from non-exchange transactions		251,430,100	244,530,500
Cash received from exchange transaction		2,427,344	2,813,283
Cash receipt from financial support loans		13,756,506	12,716,911
Finance income	17	2,764,291	3,955,921
		270,378,241	264,016,615
Payments			
Employee costs and Suppliers		(220,455,633)	(245,108,646)
Finance costs	18	-	(1,378)
Cash paid as financial support loans	3	(15,044,198)	(74,958,507)
		(235,499,831)	(320,068,531)
Net cash flows from operating activities	20	34,878,410	(56,051,916)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(2,202,048)	(5,764,554)
Proceeds from sale of property, plant and equipment		84,701	104,375
Purchase of other intangible assets	7	-	(3,146)
Net cash flows from investing activities		(2,117,347)	(5,663,325)
Cash flows from financing activities			
Finance lease payments		-	(58,506)
Net increase/(decrease) in cash and cash equivalents		32,761,063	(61,773,747)
Cash and cash equivalents at the beginning of the year		41,350,135	103,123,881
Cash and cash equivalents at the end of the year	5	74,111,198	41,350,134

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts as at 31 March 2018

Budget on Cash Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to Note 32
Revenue						
Revenue from exchange transactions						
Receipts on loan book	15,000,000	-	15,000,000	13,756,506	(1,243,494)	A
Interest and other income	-	3,511,776	3,511,776	13,089,808	9,578,032	B
Total revenue from exchange transactions	15,000,000	3,511,776	18,511,776	26,846,314	8,334,538	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	197,374,000	2,923,100	200,297,100	200,293,100	(4,000)	
Rollover Income	-	29,043,620	29,043,620	29,043,620	-	
Grant: GEM	-	1,000,000	1,000,000	318,231	(681,769)	C
Grant: YPMO	20,000,000	245,408	20,245,408	20,003,997	(241,411)	C
Grant: Sun International Management Ltd	-	700,000	700,000	700,000	-	C
Grant: Ekurhuleni Municipality	-	2,538,147	2,538,147	-	(2,538,147)	C
Grant: Old Mutual	-	250,000	250,000	250,000	-	C
Grant: Nedbank	-	500,000	500,000	500,000	-	C
Grant: Deliverology	3,000,000	5,037,000	8,037,000	1,167,200	(6,869,800)	C
Grant: JMP Top Structure	-	14,600,000	14,600,000	-	(14,600,000)	C
Grant: Mohlakeng	2,000,000	-	2,000,000	-	(2,000,000)	C
Grant: GGB	-	6,500,000	6,500,000	5,885,332	(614,668)	C
Total revenue from non-exchange transactions	222,374,000	63,337,275	285,711,275	258,161,480	(27,549,795)	
Total revenue	237,374,000	66,849,051	304,223,051	285,007,794	(19,215,257)	

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Statement of Comparison of Budget and Actual Amounts as at 31 March 2018 (Continued)

Budget on Cash Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference to Note 32
Expenditure						
Personnel	(102,400,000)	8,700,000	(93,700,000)	(93,279,922)	420,078	
Depreciation and amortisation	-	-	-	(2,446,670)	(2,446,670)	D
Debts impairment	-	-	-	(25,382,452)	(25,382,452)	E
Repairs and maintenance	(100,000)	(3,974,393)	(4,074,393)	(2,778,431)	1,295,962	F
General expenses	(89,070,000)	(95,679,655)	(184,749,655)	(118,771,487)	65,978,168	1G
Capital expenditure	(1,000,000)	(1,800,000)	(2,800,000)	(2,202,048)	597,952	
Financial support loans	(29,800,000)	10,444,536	(19,355,464)	(15,044,198)	4,311,266	H
Total expenditure	(222,370,000)	(82,309,512)	(304,679,512)	(259,905,208)	44,774,304	
Operating surplus						
	15,004,000	(15,460,461)	(456,461)	25,102,586	25,559,047	
Loss on disposal of assets and liabilities	-	-	-	(49,020)	(49,020)	
Adjustment for Capital Movements	-	-	-	(25,553,880)	(25,553,880)	
	15,000,000	(15,000,000)		-	(25,602,900)	(25,602,900)
Actual Amount on Comparable Basis	15,000,000	(15,000,000)		-	(500,314)	(500,314)

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

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 in accordance with section 91(1) of the Public Finance Management Act (PFMA).

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.

1.1 Going concern assumption

The board of the Gauteng Enterprise propeller has evaluated the Annual Financial Statements and believe that there is no reason why GEP will not be operating in the next twelve (12) months, as such the entity will continue to operate as a going concern.

1.2 Significant judgments 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 judgment 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 judgments 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 judgments 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 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 impairment 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 debtor invoiced amounts.

Where the debtor has not paid for four 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 debtor 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 Controller 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 the 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.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies (Continued)

Taxation

The Entity has been exempted from Income tax by South African Revenue Services in terms of Section 10(1)(can)(l) 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 (including infrastructure 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 over more than one financial year.

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.

Initial Recognition

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.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent Measurement

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation

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

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies (Continued)

Overview 2017/2018	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	3-7 years
Leasehold improvements	Straight line	Lease period
Leased Assets	Straight line	Lease period

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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.

Assets which the entity holds for rental to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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.

An intangible asset carried at cost less any accumulated amortisation and any impairment losses.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies (Continued)

The amortisation period and the amortisation method of 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:

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.

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.

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 another financial asset.

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 instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- The entity designates at fair value at initial recognition; or
- Are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies (Continued)

Financial Support loans are categorised and are stated at their amortised cost using the effective interest rate method less and allowance for impairment. An estimate of 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 accounts due according to the original term. Further assessments are done in conjunction with all relevant units to establish the likelihood of further collections and or non financial support to delinquent SMMEs. 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 uncollected, 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 include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

1.6 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 on the remaining balance of the liability.

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

Operating leases - lessor

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

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

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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 cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies (Continued)

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.

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Recoverable amount of an asset or a cash-generating unit is the higher its 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.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 replacement 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.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies (Continued)

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.

1.9 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.10 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.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies (Continued)

A provision is used only for expenditures for which the provision was originally recognised.

Contingent Liability is a possible obligation that rises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of GEP. Contingent Liability are not recognised in the statement of financial position of the entity but disclosed in the notes.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

1.11 Commitments

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

1.12 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.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

Measurement

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

1.14 Comparative figures

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

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 year 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 is expenditure incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

1. This Act; or
2. The State Tender Board Act, 1968 (Act No. 86 of 1968), or Any regulations made in terms of the Act; or
3. Any provincial legislation providing for procurement procedures in that provincial government.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Accounting Policies (Continued)

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 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 program/expenditure item, be disclosed as such in the note to the 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 01/04/2017 to 31/03/2018.

Related parties

As a consequence of the constitutional independence of the three spheres of government in South Africa, all three spheres of government are considered to be related parties.

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.

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.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 20: Related parties	01 April 2017	Applicable Related-party Relationships and transactions are disclosed according to this Standard, Presented in Note 23
GRAP 108: Statutory Receivables	01 April 2017	Not applicable. Receivables of the entity arise from contracts or other agreements and not as a result of legislation, supporting regulations, or similar means.
GRAP 32: Service Concession Arrangements: Grantor	04 April 2017	Not applicable. The entity is not engaged in any service concession arrangements.
GRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2017	Not applicable. The entity is not engaged in any service concession arrangements.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
3. Financial support loans at amortised costs		
At amortised cost		
Net amount outstanding as at the 31 March 2018	60,971,925	93,390,244
Balance at 1 April	101,878,203	39,609,892
Amounts advanced	15,044,198	74,958,507
Bad debts written-off	(4,132)	-
Transfer to receivables	(28,867,117)	(12,877,746)
Recapitalization of interest and initiation fees	80,000	187,550
Balance as at 31 March	88,131,152	101,878,203
Less: Impairment on Loans	(27,159,227)	(8,487,960)
Opening balance at April	(8,487,960)	(3,601,501)
Current movement	(18,671,266)	(4,886,459)
	60,971,925	93,390,244
Non-current assets	51,436,695	70,986,380
Current assets	9,535,231	22,403,864
	60,971,926	93,390,244
4. Receivables from exchange transactions		
Trade debtors	70,137,496	47,570,015
Impairment of trade receivables	(25,423,157)	(18,716,103)
Balance at 1 April	(18,716,103)	(11,462,738)
Current year movement	(6,707,054)	(7,253,365)
Net debtors	44,714,339	28,853,912
Deposits (leases) and prepayments (software licence)	1,239,171	405,026
	45,953,510	29,258,938

Trade and other receivables past due but not impaired

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

0 to 30 days	89,909,973	29,934,478
31 to 60 days	3,909,417	9,459,736
61 to 90 days	4,814,081	7,527,586

The provision matrix does not impair on client from 0 - 3 months.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	43,001	43,001
Operating bank balances	66,757,765	31,574,302
Development fund bank balance	341,737	503,407
Financial support bank balances	6,968,695	9,229,425
	74,111,198	41,350,135

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

6. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Motor vehicles	122,000	(106,750)	15,250	477,347	(435,989)	41,358
Office equipment	8,700,789	(5,754,251)	2,946,538	9,399,935	(5,701,131)	3,698,804
IT equipment	5,954,208	(2,514,165)	3,440,043	4,667,389	(2,154,866)	2,512,523
Leasehold improvements	1,252,038	(882,133)	369,905	1,252,038	(649,598)	602,440
Total	16,029,035	(9,257,299)	6,771,736	15,796,709	(8,941,584)	6,855,125

Reconciliation of property, plant and equipment - 31 March 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Motor vehicles	41,358	-	-	(26,108)	15,250
Office equipment	3,698,804	-	(7,427)	(744,839)	2,946,538
IT equipment	2,512,523	2,202,048	(41,558)	(1,232,970)	3,440,043
Leasehold improvements	602,440	-	-	(232,535)	369,905
Total	6,855,125	2,202,048	(48,985)	(2,236,452)	6,771,736

Reconciliation of property, plant and equipment - 31 March 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Leased assets	53,398	-	-	(53,398)	-
Motor vehicles	67,466	-	-	(26,108)	41,358
Office equipment	1,516,370	2,842,316	(5,661)	(654,221)	3,698,804
IT equipment	1,065,478	2,345,711	(44,819)	(853,847)	2,512,523
Leasehold improvements	318,991	576,527	-	(293,078)	602,440
Total	3,021,703	5,764,554	(50,480)	(1,880,652)	6,855,125

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand		2018	2017			
7. Intangible assets						
	2018	2017				
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	47,515	(33,180)	14,335	783,337	(558,748)	224,589

Reconciliation of intangible assets - 31 March 2018

	Opening balance	Disposals	Amortisation	Total	
Computer software	224,589	(36)	(210,218)	14,335	
Reconciliation of intangible assets - 31 March 2018					
	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	482,844	3,146	(309)	(261,092)	224,589

8. Other investments

Balance at 31 March 2018

Over the years, the Gauteng Department of Economic Development ("the shareholder") transferred an investment to Gauteng Enterprise Propeller (GEP) in line with the mandate of GEP. The investment has devalued over a number of years to a value of R1 (for the purpose of disclosure). This investment is in the process of being liquidated, hence the re-valuation value is unknown until the liquidation process is finalised.

Wakegem (Pty) LTD	1	1
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9. Operating lease liability

Operating lease accrual	4,549,177	3,796,971
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The straight-line accrual relates to office accommodation lease contracts with escalation clause.

The amounts payable under the contract are charged to the statement of financial performance on a straight-line basis over the term of the contract.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
10. Trade and other payables		
Trade payables	2,687,972	2,502,257
Accrued leave pay	5,308,229	5,844,237
Accrued 13th Cheque	556,048	580,917
	8,552,249	8,927,411
11. Unspent conditional grants		
Unspent conditional grants comprises of:		
Ekurhuleni Municipality	2,538,147	2,538,147
Youth Accelerator Programme (Project Vuthela)	241,410	245,408
Gauteng Entrepreneurship Model	681,769	1,000,000
Sun International Management Ltd	-	700,000
Nedbank	-	250,000
Gauteng Gambling Board	1,075,129	460,461
Old Mutual	-	250,000
DED: Deliverology	8,037,000	-
JMP	14,600,000	-
Mohlakeng Hub	2,000,000	-
Gauteng Department of Agriculture and Rural Development (GDARD)	-	6,862,500
	29,173,454	12,306,516

In line with the agreement entered into between GEP and Ekurhuleni Municipality, an amount of R9.7m was transferred to GEP during the 2015/16 financial year. The Agency met the conditions related to the amount of R7.2m, between 2015/16 and 2016/17. The remaining balance of R2.5m was not spent due to lack of commitment from participants (some of their reasons were: failed to attend training, cooperatives collapsed due to relationships issues, and some opted for permanent employment). This balance will be spent during the 2018/19 financial year subject to conditions being met. Should the status quo remain by the end of quarter one (1) the approval will be sought from the municipality to redirect the funds to support TER initiatives in Ekurhuleni.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

In order to reduce the high number of unemployed youth in Gauteng, GEP entered into a three (3) year (2016/17 to 2018/19) agreement with Amahlo Consulting services. The Contract commenced in 2016/17 financial year following a successful three month pilot that was delivered in June 2016. Based on the success of the pilot, GEP submitted a proposal to the shareholder to redirect their three (3) year R60m Youth PMO funds towards the GEP youth programme. Key objectives of the programme include the provision of accredited training (waste management, security, plumbing, and ICT); establish SMME's and Cooperatives, provide job readiness training and placement. At the end of March 2017, 99% of the R20m allocated towards the project was spent. The 245k balance was spent during 2017/18 financial year, with 99% total expenditure against the R20m allocation achieved. For the period ending 31 March 2018, R241k has been carried over to the 2018/19 financial year.

A conditional grant of R1m was received from the Department of Economic Development in the 2016/17 financial year for the development of the Gauteng Entrepreneurship Model (GEM). This model is a framework that seeks to develop a common understanding and approach for enterprise development across the Province, and to identify opportunities for accelerating growth for Gauteng - based entrepreneurs. As at 31 March 2018, 32% of the R1m allocation had been spent, leaving a balance of R682k, which was related to outstanding project phases that were yet to be finalized at year-end (i.e. consultations with key stakeholders such as Gauteng Provincial Departments and Development Finance Institutions and incorporation of final inputs into the model).

Nedbank and Old Mutual each transferred R250k respectively in 2016/17 to contribute towards the 2017/18 TEA awards, and a further R250k was received from Nedbank in 2017/18. The allocation was spent and all conditions were met in the 2017/18 financial year.

In line with the mandate of GEP, the entity entered into a Sponsorship agreement with the Gauteng Gambling Board (GGB) to fund prize monies towards Township Entrepreneurship Awards (TEA) nominees and winners in the 2017/18 financial year. An amount of R6.5m was transferred by the GGB towards the awards, 85% had been spent by 31 March 2018. The unspent balance of R1m due to unmet conditions will be spent during the 2018/19 financial year subject to conditions being met. Should the winners fail to meet the conditions by the end of quarter 2, GGB will be requested to approve redirecting the balance towards support to township based SMMEs.

In line with the Provincial mandate Gauteng Department of Economic Development identified areas that have potential to create Labour intensive jobs within the 11 key sectors. In this regard, GEP has been tasked with championing the Furniture, Construction, Clothing and Textile and Wholesale and Retail sub sectors. A total amount of R8m was transferred to GEP during the 2017/18 financial year. Projects were partly implemented in March 2018 and the payments will be effected in the 2018/19 financial year.

An additional R2m was transferred by the Gauteng Department of Economic Development for the renovations and refurbishment of Mohlakeng Hub. The implementation of the project has started and will be done in phases hence partial payments were made before year end. The balance will be effected after the completion of the project.

In the third quarter of the 2017/18 financial year, the shareholder resolved to transfer R14.6m to GEP for the establishment of the Jewellery Manufacturing Precinct (JMP). The precinct is aimed to attract investors within the agro-processing sectors both locally and internationally.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
12. Revenue from non-exchange transactions		
Provincial grants	200,293,100	215,718,000
Conditional Grant - Sun International Management LTD	700,000	-
Youth Accelerator Programme (Project Vuthela)	20,003,997	19,754,593
Dinokeng	-	7,200,000
Conditional Grant - Ekurhuleni Municipality	-	188,925
Conditional Grant - Gauteng Gambling Board (GGB)	5,885,332	4,215,919
Conditional Grant - Old Mutual	250,000	-
Conditional Grant - Liquor Board	-	450,000
Conditional Grant - Nedbank	500,000	-
Conditional Grant - Gauteng Entrepreneurship Model	318,231	-
Conditional Grant: Deliverlogy	1,167,200	-
	229,117,860	247,527,437
13. Revenue from Exchange Transactions		
SETA claims	279,602	159,260
Sundry Income (Initiation fees, transfer duty, assessment fees)	343,991	246,365
Training and management fees	-	1,360,426
Insurance claims	84,701	7,193
* Finance Income: financial support loans	8,987,723	9,670,663
Bad debts recovered: financial support loans	629,500	252,835
Profit/(loss) on disposal of Property, plant & equipment	-	50,909
	10,325,517	11,747,651

*Finance Income: Financial Support Loans comprises of non-cash interest of R7.4m and cash interest of R1.5m.

Gauteng Enterprise Propeller

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Figures in Rand	2018	2017
14. Programs and project		
SMME product development	10,783,274	37,200,342
SMME seminars and training	1,206,842	1,413,391
SMME sponsorships	1,232,540	1,295,000
SMME business development support	53,874,016	60,616,867
	67,096,672	100,525,600
15. Employee related costs		
Basic Salary	66,291,863	64,319,590
Performance bonus (Ex-gratia)	2,334,979	1,293,710
Medical aid - company contributions	2,914,585	2,663,460
Unemployment Insurance Fund	258,436	287,614
Workman's Compensation Assistance	58,939	-
Skills Development Levy	788,767	774,443
Leave pay provision charge	99,974	1,311,023
LRA awards - severence package	633,862	1,659,027
Travel, motor car, accommodation, subsistence and other allowances	4,150,791	4,493,626
13th cheques	2,149,872	2,404,206
Acting allowances	1,269,492	1,481,768
Retirement benefits (Contribution to retirement fund)	12,328,362	11,739,023
	93,279,922	92,427,490
16. Debt Impairment		
Bad Debts Written-off		
Financial support loans	-	-
Bad debts written-off	(4,132)	-
	(4,132)	-
Provision for Debt Impairment		
Financial support loans	(18,671,266)	(4,886,459)
Trade and other receivables	(6,707,054)	(7,253,365)
	(25,378,320)	(12,139,824)

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
17. Finance Income		
Finance Income - Bank	2,764,291	3,955,921
18. Finance costs		
Interest paid - Finance Lease	-	1,378
19. Auditors' remuneration		
Internal and External Audit Fees	2,230,635	3,051,021

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
20. Cash generated from (used in) operations		
(Deficit) surplus	(500,314)	2,491,110
Adjustments for:		
Depreciation and amortisation	2,446,670	2,142,272
Profit/(Loss) on write-off assets	49,020	(50,909)
Debt impairment	25,382,452	12,139,527
Movements in operating lease assets and accruals	752,206	1,309,578
Other non-cash items	(88,826)	(2,907)
(Increase)/decrease in financial support loans	13,747,051	(62,268,312)
Changes in working capital:		
Receivables from exchange transactions	(23,401,626)	(7,617,182)
Trade and other payables	(375,162)	(111,631)
Unspent conditional grants	16,866,939	(4,083,462)
	34,878,410	(56,051,916)

*An amount of R6 862 500 from the unspent grant was returned to the Gauteng Department of Agricultural and Rural Development in the 2017/18 financial year.

21. Commitments

Certain contracts were entered into during the year for the provision of goods and/(or) services. As at 31 March 2018, the outstanding commitments for contracts in progress amounted to:

Approved and contracted

■ Financial support loans approved but not yet paid out	4,311,266	16,997,628
■ Program and projects	22,190,587	9,566,904
■ Orders placed but goods or services not delivered	4,693,704	6,274,486
■ Contracts	9,120,378	80,367
	40,315,935	32,919,385

Operating leases - as lessee

Minimum lease payments due

■ Within one year	14,326,276	16,161,548
■ In second to fifth year inclusive	23,877,126	38,368,943
	38,203,402	54,530,491

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

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

22. Contingencies

As at 31 March 2018, there was an ongoing litigation process against the Gauteng Enterprise Propeller (GEP) relating to a Service Provider, Batuka, who is suing GEP for an amount of R143 640. Batuka applied for summary judgment on the 22 March 2018 against GEP and it was dismissed by the court.

GEP attorneys are attending to filing a plea so that the matter can go on trial.

23. Related parties

Relationships

Department of Economic Development	Government Department
Department of Agriculture & Rural Development	Government Department
Dinokeng	State Owned Entity
Gauteng Gambling Board	State Owned Entity
Ekurhuleni Municipality	Government Municipality
Gauteng Liquor Board	State Owned Entity

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.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
Funding from Gauteng Provincial Department of Economic Development	200,293,100	215,718,000
Gauteng Gambling Board (GGB)	6,500,000	-
Gauteng Department of Agriculture and Rural Development	-	7,087,500
DED: Deliverology	8,037,000	-
Gauteng Liquor Board	-	495,000
Gauteng Provincial Department of Economic Development (JMP TOP Structure)	14,600,000	-
Gauteng Provincial Department of Economic Development (Project Vuthela)	20,000,000	20,000,000
Gauteng Provincial Department of Economic Development (GEM)	-	1,000,000
Gauteng Provincial Department of Economic Development (Mohlakeng Hub)	2,000,000	-
<hr/>		
DED Deliverology		
Grant Revenue	1,167,200	-
Expenditure	(1,167,200)	-
Grant Liability	8,037,000	-
<hr/>		
Gauteng Gambling Board (GGB)		
Grant Revenue	5,885,332	4,215,919
Expenditure	(5,885,332)	(4,215,919)
Grant Liability	1,075,129	460,461
<hr/>		
Ekurhuleni Municipality		
Grant Revenue	-	188,925
Expenditure	-	(188,925)
Grant Liability	2,538,147	2,538,147
<hr/>		
Department of Agriculture and Rural Development		
Grant Revenue	-	7,087,500
Expenditure	-	(225,000)
Grant Liability	-	6,862,500

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
23. Related parties (continued)		
Gauteng Liquor Board (GLB)		
Grant Revenue	-	495,000
Expenditure	-	(495,000)
Youth Program (Project Vuthela)		
Grant Revenue	20,003,797	20,000,000
Expenditure	(20,003,797)	(19,754,592)
Grant Liability	241,611	245,408
Gauteng Entrepreneurship Model (GEM)		
Grant Revenue	318,231	-
Expenditure	(318,231)	-
Grant Liability	681,769	1,000,000
Dinokeng Conditional Grant		
Grant Revenue	-	7,200,000
Expenditure	-	(7,200,000)
JMP Top Structure		
Grant Liability	14,600,000	-
Mohlakeng Hub		
Grant Liability	2,000,000	-

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
23. Related parties (continued)		
Remuneration of directors and key management		
Directors - Fees for attendance of Board and Board committee meetings		
Appointed up until 30 September 2017		
L. Magagane	133,132	250,576
T. Sithole	113,033	183,246
M. Ramonyai	112,820	159,479
R. Kekana	74,795	169,721
K. Duba	74,583	141,726
M. Lehobye	50,887	159,479
M. Africa	95,130	152,519
C. Busetti	105,829	187,318
M. Maroga	95,130	159,479
M. Ramusi	88,139	152,684
T. Ratshitanga	85,069	141,685
I. Motau	105,190	179,371
L. Madavha	82,504	41,190
Directors total	1,216,241	2,078,473
 Directors : Appointed on 1 October 2017		
K. Mthembu	179,526	
M. Diedricks	111,359	
C. Kneale	76,126	
D. Dakile	85,744	
L. Marincowitz	70,211	
T. Ratshitanga	89,818	
C. Walters	91,594	
T. Magerman	65,263	
D. Maithufi	114,842	
M. Hlophe	18,949	
S. Njikelana	81,634	
O. Mlonyeni	73,894	
Directors Total	1,058,960	-

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

23. Related parties (continued)

Senior management remuneration

2018

	Salary	Bonus (Exgratia)	Acting Allowance	Total
L. Manenzhe - Acting Chief Executive Officer	-	7,155	311,124	318,279
L. Maluleke - Chief Operations Officer	1,721,479	12,855	-	1,734,334
N. Genuka - Chief Financial Officer	1,543,575	14,491	-	1,558,066
LHS. Dube - GM Risk & Audit	1,569,737	8,765	-	1,578,502
VB. Ntshoko - GM Strategy, Monitoring & Evaluation	1,568,586	11,686	-	1,580,272
MC. Mamabolo - Acting GM: Corporate Support & Administration	1,281,084	33,441	188,038	1,502,563
M. Ndebele - GM Stakeholder Management & Revenue Generation	664,952	33,298	-	698,250
	8,349,413	121,691	499,162	8,970,266

The Gauteng Department of Economic Development (Shareholder) seconded the Acting CEO who is paid an acting allowance by GEP

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

23. Related parties (continued)

Directors attendance of Board and board Committee meetings (Term ended 30 September 2017)

	Board	RAC*	REMCO	BDC	CC	Joint BDC & CC	Risk & Compliance
L. Magagane	6/8	*	2/3	*	2/2	2/2	*
T. Sithole	7/8	3/3	*	2/2	*	1/2	*
L. Madavha	4/8	3/3	1/3	*	*	*	*
M. Maroga	5/8	*	*	0/2	*	2/2	1/1
M. Ramonyai	8/8	*	1/3	2/2	*	2/2	0/1
R. Kekana	3/8	*	2/3	*	*	*	*
K. Duba	1/8	*	1/3	*	*	*	1/1
M. Lehobye	1/8	1/3	*	*	*	*	*
M. Africa	6/8	*	*	*	2/2	1/2	*
C. Busetti	5/8	*	*	2/2	2/2	2/2	*
M. Ramusi	4/8	1/3	*	*	1/2	0/2	*
T. Ratshitanga	3/8	*	*	*	2/2	0/2	*
I. Motau	7/8	2/3	1/3	*	*	*	*

Risk and Audit Committee (RAC)

Risk Management

Human Resource and Remuneration Committee (REMCO)

Business Development Committee (BDC)

Credit Committee (CC)

Joint BDC and CC

Audit and Compliance Committee (ACC)

Risk Governance, Social and Ethics Committee (RGSEC)

* Non Member of Committee

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

23. Related parties (continued)

	Board	ACC	REMCO	BDC	CC	RGSEC	Joint BDC & CC	Adhoc
K. Mthembu	13/13	*	*	*	4/4	*	1/2	14/14
M. Diedricks	9/13	*	6/6	4/4	*	*	*	4/4
C. Kneale	8/10	4/4	*	*	*	5/5	*	
D. Dakile	10/10	*	6/6	*	*	5/5	*	
L. Marincowitz	10/10	3/4	*	4/4	*	*	2/2	
T. Ratshitanga	11/13	*	*	4/4	4/4	*	2/2	
C. Walters	13/13	4/4	*	*	*	5/5	*	
T. Magerman	7/10	*	*	4/4	4/4	*	2/2	
D. Maithufi	10/10	4/4	*	*	3/4	5/5	2/2	
M. Hlophe	5/10	*	1/6	3/4	*	*	0/2	
S. Njikelana	9/10	*	6/6	*	*	5/5	*	
O. Mlonyeni	10/10	2/4	6/6	*	*	*	*	

Figures in Rand

2018

2017

24. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets by class

Financial support loans	60,971,926	93,390,243
Receivables from exchange transactions	45,953,510	29,258,938
Cash and cash equivalents	74,111,198	41,350,135
	181,036,634	163,999,316

Financial liabilities by class - at carrying value and fair value

Trade and other payable (non-exchange)	2,687,972	2,502,257
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Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

25. Risk management

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.

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.

Financial Liabilities	0 - 12 months	1 - 5 years	5 years	Total
Trade and other payables	2,687,972	-	-	2,687,972

Credit risk

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

Trade and other receivables comprise a large number of customers dispersed across different industries and geographical areas.

Credit evaluations are performed by the 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 as net of impairment.

The debt management committee monitors the performance of receivables on a regular basis. At 31 March 2018, 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	430,967	354,058	799,821	698,578	7,926,367	10,209,792
Expansion	724,953	983,428	581,999	527,177	13,136,493	15,954,049
Franchise	89,941	86,845	88,588	87,882	2,669,978	3,023,235
Handover	94,005	331,430	410,277	418,420	9,886,389	11,140,520
Mafisa	14,786	14,412	14,673	15,657	575,273	634,802
Micro Finance	98,315	85,052	40,927	32,089	1,189,976	1,446,359
Start up	179,123	176,361	176,284	180,859	1,141,121	1,853,749
TMR	105,779	104,617	104,852	104,032	32,553	451,833
Total	1,737,869	2,136,203	2,217,421	2,064,694	36,558,150	44,714,339

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

25. Risk management (continued)

Interest rate risk

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

The net interest income at 31 March 2018 is R2 764 291 (2017: R3 955 921)

The sensitivity analysis below has been determined based on the exposure to interest rate on financial instruments at the balance sheet date. For the 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.

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.

The interest rate re-pricing profile at 31 March 2018 is summarised as follows:

	0 - 12 months	Beyond 1 year	Total floating rate borrowings/investments
Financial support loans	9,535,231	-	9,535,231
Receivables from exchange transactions	45,953,510	-	45,953,510
Cash & cash equivalents	74,111,198	-	74,111,198
	129,599,939	-	129,599,939

26. 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 to continue government funding and, if necessary, potential sources of replacement funding.
- In the case of GEP whose operations are substantially government funded, 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 Agency 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.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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27. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- Gauteng Liquor Board (GLB) signed a memorandum of understanding with GEP for an amount of R550k to support the beneficiaries that won the category for civil society organisation such as AA, SANCA, and other NPOs whose existence and activities serve to redress the negative effects of alcohol and substance abuse.

28. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure

-

No fruitless and wasteful expenditure was incurred during the year.

29. Irregular expenditure

Opening balance

-

No irregular expenditure was incurred during the year.

30. Retirement benefit information

It is the policy of the entity to encourage, facilitate and contribute to the provision of retirements 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 charge to the statement of financial performance of R12 328 362 (2017: R11 739 023) represents contributions payable to those schemes by the entity at rates specified in the rules of schemes. The entity had no post-retirement obligations for retirement benefits, at year end.

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

31. Deviation from supply chain management regulations

Paragraph 36 of the same gazette states that the accounting officer (Chief Executive Officer) may dispense with the official procurement process in certain circumstances, provided that he/she records the reasons for any deviations and reports them to the next meeting of the Board and includes a note to the annual financial statements.

The below deviations were approved by the accounting officer (Chief Executive Officer) in line with paragraph 36 in the Government gazette No 27636.

The below table reflects the approved deviations:

Service Details	Supplier Name	Type of Service	Type of Deviation	Total
Leadership Development Conference	Leadership Conferences	Training	Sole Provider	177,825
Professional Fees	Corporate Governance Framework Research Institutes	Professional Fees	Sole Provider	3,800
Women in Leadership Advancement Conference	Intelligence Centre	Training	Sole Provider	109,431
IPM Convention	IPM	Training	Sole Provider	29,184
Advert: CEO Position	Sunday Times/The Star	Advertisement	Sole Provider	70,000
New Board Induction	Corporate Governance Framework Research Institutes	Training		17,100
				407,340

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

32. Budget differences

Material differences between 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.

- A. For the year 2017/18 financial year, GEP collected revenue of R15.3m which includes cash interest of R1.5m. The projected revenue was R15m which shows an over-collection of R270k from the collected revenue.
- B. The entity received R13.1m at year end compared to the budget of R3.5m. The positive variance of R9m is due to the interest on the loan book of R8.9m, interest earned from the bank account of R2.7m, and other income of R1.5m which is SETA income, sundry income, training fees and bad debts recovered.
- C. At year end, GEP had met the conditions for an amount of R28.5m for conditional grants and R29.1m remains unspent as at year end. The unspent grant is committed and will be spent in the 2018/19 financial year (refer to par. G). For additional details please refer to note 11.
- D. These are non-cash items not budgeted for.
- E. These are non-cash items not budgeted for.
- F. In the financial year 2017/18, GEP did not have significant amount of repairs and maintenance. This resulted in a positive variance of R1.2m.
- G. For general expenditure, the entity had an original budget of R89m and adjustment of R96.6m which was received to fund other priority areas and bringing our total budget to R185.7m.

The expenditure for year amounted to R119m with a positive variance of R66m committed. Included in the R66m variance is R29.1m for conditional grants unspent, R22m for programs and projects and the difference of R15.9m is goods and services committed at year end.

- H. GEP commenced the year with an original budget of R29.8m at the beginning of the financial year and it was reduced by R10.4m to R19.4m. The actual financial support loans advanced for the year amounted to R15m, leaving a positive variance of R4.3m which will be disbursed in the financial year 2018/19.

Gauteng Enterprise Propeller

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
33. General expenses		
Advertising	2,076,824	8,189,036
Auditors remuneration	2,230,635	3,051,021
Bank charges	90,376	90,455
Consulting and professional fees	9,222,036	7,156,127
Catering	74,712	8,215
Community fund	4,258,961	3,287,407
Office equipment rental	1,450,885	1,277,890
Insurance	315,788	324,068
IT expenses	1,916,380	1,912,046
Motor vehicle expenses	29,081	58,681
Printing and stationery	1,847,587	1,374,194
Library maintenance	11,605	28,478
Maintenance of software	2,189,039	2,644,489
Telephone and fax	2,304,033	2,829,872
Training	574,283	441,394
Travel - local	60,400	97,785
Travel - overseas	870,707	846,306
Board meetings	37,627	6,474
Bursaries	606,989	320,929
Courier services	7,030	28,500
Travel reimbursement	1,019,146	952,575
Recruitment	571,008	526,026
SMME product development	10,783,274	37,200,342
SMME seminars and training	1,206,842	1,413,391
SMME sponsorships	1,232,540	1,295,000
SMME business development support	53,874,016	60,616,867
	98,861,804	135,977,568

Gauteng Enterprise Propeller

Annual Financial Statements for the year ended 31 March 2018

Notes to the Annual Financial Statements

Figures in Rand	Note(s)	2018	2017
Revenue			
Government grants & subsidies		220,297,097	243,122,593
Revenue - Sun International Management		700,000	-
Revenue - Nedbank		500,000	-
Interest received - Bank		2,764,291	3,955,921
Revenue - Old Mutual		250,000	-
Revenue - Gauteng Entrepreneurship Model		318,231	-
Revenue: Deliverolgy		1,167,200	-
Revenue from exchange transactions	13	10,325,517	11,696,742
Revenue -Ekurhuleni Municipality		-	188,925
Revenue - Gauteng Gambling Board		5,885,332	4,215,919
Total revenue		242,207,668	263,180,100
Expenditure			
Employee related costs	15	(93,279,922)	(92,427,490)
Depreciation and amortisation		(2,446,670)	(2,142,272)
Finance costs	18	-	(1,378)
Operating lease and utilities		(19,909,683)	(16,594,098)
Debt impairment	16	(25,382,452)	(12,139,527)
Repairs and maintenance		(2,778,431)	(1,457,566)
General expenses	33	(98,861,804)	(135,977,568)
Total expenditure		(242,658,962)	(260,739,899)
Operating (deficit) surplus		(451,294)	2,491,110
Loss on disposal on property, plant and equipment		(49,020)	-
(Deficit) surplus for the year		(500,314)	2,491,110



**economic
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GAUTENG PROVINCE