ANNUAL REPORT

2014/2015

Moulding Entrepreneurs

GEP

Gauteng Enterprise Propeller

economic development
Department: Economic Development
GAUTENG PROVINCE

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ORGANISATIONAL INSIGHT

MANDATE

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

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

VISION

Africa's leading enterprise development and business support agency.

MISSION

To enable entrepreneurs

VALUES

Professional

. Efficient
. Knowledgeable
. Full spectrum service

Accountable

. Responsive
. Reliable
. Work with integrity

Focused

. SMME Sector
. Sector specialists
. Trained staff

Accessible

. Location
. Language
. Customer service

GOALS

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

STATEMENTS & FOREWORD

MEC's FOREWORD

MR LEBOGANG MAILE
MEMBER OF THE EXECUTIVE COUNCIL: ECONOMIC DEVELOPMENT

Introduction

Gauteng Enterprise Propeller (GEP) was incorporated in terms of the Gauteng Enterprise Propeller Act (N0. 5 of 2005) and listed as a schedule 3c Provincial Public Entity in terms of the Public Finance Management Act, with a mandate to promote, foster and develop small enterprises in Gauteng as an agency for the Gauteng Department of Economic Development (GDED).

The GEP supports township enterprises through, amongst others, the Incubation model, Mentoring and Coaching, Skills Development Training, Investment Management, Community Fund, Business Development Support and Township Business Renewal programmes. This is in support of Pillar 2 Entrepreneurship Development of the Gauteng Township Economy Revitalization Strategy.

GEP continues to champion the agenda of SMME's, Cooperatives and the informal business development and support in line with the Provincial Outcome Plans, Gauteng SMME strategy, Cooperatives Strategy, the National Informal Business Upliftment program and recently the Gauteng Informal Business Upliftment Strategy known as GIBUS.

The revitalization of the township economy

The new administration has developed radical measures to ensure that the inclusive economic agenda is realized. The adoption of the Gauteng Transformation, Mordenisation and Re-industrialisation Plan (TMR) in 2014 demonstrated that Gauteng government has clear intentions of turning the province's dormant townships from being reserve labour hubs and distribution centers into productive and manufacturing hubs. Both the Gauteng Township Revitalisation Program (TER) and the TMR intends to create and stimulate the economy from below, and further address the broader challenges of marginalization, poverty reduction and changing the economic landscape.

A number of studies conducted indicate that the Gauteng's economy is skewed towards the few hence, the call to change the ownership patterns through targeted and redistributive initiatives aimed at changing the spatial patterns and the apartheid geography. With the advent of these key programs, TER and TMR targeting the marginalized and economically under-developed regions, the role of the Gauteng Enterprise Propeller becomes critical. Globally, the SMME's have become the engines of growth and job creation.

In its effort to accelerate growth in the Gauteng province, there has been a number of engagements with various stakeholders, including business and civil society. Upon taking over the reigns in 2014, we embarked on a series of townships roadshows to deepen our understanding of the SMME's and the needs of various stakeholders. Over 65 townships were covered by the roadshows, followed by the regional and provincial summits. Over 50 000 people were reached by these township roadshows. These comprised of SMME's, business chambers and civil society.

The revitalisation of township economy is rooted in the National Development Plan, which emphasizes that 90% of the new 11 million jobs to create by 2030, will come from Small, Micro and Medium Enterprises (SMME), and the G2055, which emphasizes that Gauteng City Region growth path should be inclusive and equitable. The Gauteng Township Economy Revitalisation Programme is of the key strategies aligned to the provincial pillars of Radical Economic Transformation, Decisive Spatial Transformation, Modernisation of the Economy and Re-industrialisation.

Whilst the government has done a lot to ensure that townships become liveable and vibrant economic centres to its residents, more can still be done to re-invigorate the entrepreneurial spirit of township economies. Low levels of entrepreneurial activities hold innovation back and we have a duty to encourage entrepreneurship and industrialists.

The low rate of survival and sustainability of small medium enterprises is due to a combination of factors including lack of access to commercial finance, high interest rates, poor value proposition and under-developed skills. It is worth noting that despite all these challenges raised from various townships in the Gauteng province, the current economic climate does not provide a conducive environment for growth and support that is needed to increase capacity and capabilities of entrepreneurs. The budget squeeze in government and other funding agencies appears to limit the prospect of growth. This mirrors the economic challenges globally and nationally.

Despite all the challenges attributed to slow growth, the Gauteng government has and continues to mobilize resources to achieve the TMR agenda.

GEP's performance

In the financial year 2014/15 the Gauteng Enterprise Propeller achieved their annual performance targets relating to the financial and non-financial support to SMMEs, Cooperatives and Informal Traders. All accomplishments are in response to the objective of revitalizing and modernizing Gauteng township economies as reflected in the TMR.

Central to the achieved targets, the entity financially supported 643 existing SMMEs in excess of the annual target of 105 businesses. The achievement was due to timeous assessment and rapid approval of loan applications by the credit committee. Similarly, increased number of deals funded mainly through the

Community Fund at the end of the fourth quarter resulted in 673 new SMMEs supported financially.

The consistent provision of Business Development Support (BDS) Interventions assisted the Agency to support 3159 existing and 1809 new SMMEs non-financially, against the planned target of 1260 and 540 SMMEs respectively.

The efficiency of the Business Development Support (BDS) interventions also contributed to the non-financial support provided to 733 existing Cooperatives and 220 new Cooperatives. The end of the period under review recorded 909 Township based Informal business Proposals that have been supported, with the provision of tailor-made training to Informal Traders largely contributing to the overachievement of the targeted 534 Proposals.

It was recorded that 365 SMMEs and Cooperatives in infrastructure and related industries were incubated. Of this total, 16 Cooperatives from the Tshepo 10 000 programme supported, 13 Investment Management, 9 Regional Operations and 76 Crazy Website SMME Training receive financial and non-financial supported.

During the period under review, GEP had planned to establish 5 Enterprise Hubs. The establishment of the Hubs entailed Research, costing, refurbishment of existing infrastructure and business process re-engineering. In this regard, research and scoping were completed at two Hubs (Toekomsrus and Khutsong Harmony Business Centre) and purchase orders were issued for work that has resumed at two Hubs (Mabopane Skills Centre and Hammanskraal Skills Centre), while a call Centre was established at one Hub (Ennerdale).

Similar to the Enterprise Hubs, the revitalization of the Old Industrial Parks entailed research, scoping and refurbishment of existing infrastructure. For the period under review, scoping and research were completed while purchase orders were issued for work that has resumed at 5 Industrial Parks (Residentia Industrial Park, Kaiprop Industrail Park - Katlehong, Khutsong Industrial Park, Ga-Rankuwa Industrial Park and Orlando Industrial Park).

GEP has embarked on a debt collection campaign to ensure that the beneficiaries are able to pay back the money for the benefit of other businesses and cooperatives. This will in turn ensure the sustainability of the agency and continuous support to the needy businesses.

PWD Empowerment Programme

In partnership with MEDUNSA, GEP supported businesses owned by disabled people. The programme comprised the identification and assessment of potential entrepreneurs from people with disability through the MODE database (150 existing entrepreneurs) and from a network of affiliated disability service providers (100 startup entrepreneurs). We have screened a group of 26 students from Sedibeng of which 21 were trained and supported in various sectors of the economy. These includes tiling and construction, catering, shoe repair etc. 19 passed the exam and have started their businesses. 35 people from Ekurhuleni have completed the screening test and 32 have been trained in the 10 business modules. 28 passed the exam and have started their businesses. We have screened the third group of start-ups comprising 23 people from the West Rand, East Rand and Johannesburg. 18 commenced training on the 4th November 2014 and completed on the 30th November.

Youth Placement Programme

The agency continues to assist the province in creating direct employment through the Youth Placement Programme. In partnership with various organisations, GEP has placed over 657 youth. These includes youth placed in Merafong Libraries, Ekurhuleni Libraries, Gia Manje (an IT company), Brains Empowerment Media, Film and Related Incubation Programme, Kwame Diamonds (diamond cutting and polishing), and Morad Consulting (an engineering and project Management Company).

Despite the needs and the demands within the enterprise development space, the overall achievement of performance targets allocated through the Annual Performance Plan (APP) is encouraging.

Given the limited jobs opportunities on the market, GEP needs to assist in investing skills to SMME's and cooperatives in order to develop productive and critical capabilities to stimulate the local economies and compete with foreign national businesses. Possible partnerships with seta's and the Gauteng City Region Academy are needed in order to change the economic landscape of the province. The growing demands within the SMME's and Cooperatives space calls for the recapitalization of the agency.

Mr Lebogang Maile
Member of the Executive Council:
Economic Development

CHAIRPERSON'S REPORT

MS LEBOGANG MAGAGANE
BOARD CHAIRPERSON

Introduction

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

It is important to note that SMMEs are seen as playing a vital positive role in stimulating the Economy in South Africa, thus the focus on the development of the sector to promote economic growth and employment opportunities.

The province has adopted a 10-Pillar Programme that embarks on making Gauteng a radically transformed, modernized and industrialized Province. Whilst the government has put a lot of work into this to ensure that townships become livable and vibrant economic center for residents, a lot more effort needs to be done in ensuring that the entrepreneurial spirit of the township economy is re-invigorated to drive levels of entrepreneurial activity.

It is against this backdrop that the Gauteng Provincial Government (GPG) has called for township economy revitalization and has developed a five year GPG strategy plan determined to revitalize and mainstream the township economy. The GPG TER strategy aims to contribute to the overall vision of the 2030 National Development Plan, which stresses that majority of the envisioned 11 million new jobs will be generated by SMMEs and the Gauteng 2055 which underpins that the growth path of Gauteng city region be inclusive and equitable.

GEP, as a vehicle through which Provincial Government can disburse funding to achieve this objective, is privileged to be part of this radical transformation initiative and as such our revised strategy will accordingly be geared to realigning the organisation's business model to address the imperatives of TER and TMR.

Reviewing the current year

GEP products and services are geared to respond to SMME needs through the creation of adaptable services to address any identified gaps in the market. As such GEP has in the previous years identified access to working capital as one of the challenges faced by SMMEs. In addition to the ongoing programs initiated in preceding years, the organization embarked on finding an alternative solution to traditional loans. Consequently an Invoice Discounting concept was developed as a new initiative to form part of our offering.

The Invoice discounting project was conceptualized with the view of alleviating the problem of working capital and cash flow faced by SMMEs as a direct result of delayed payments from clients. The objective of the product is to provide short term borrowing to SMMEs against their sales invoices that are still to be paid by their customers. The initiative is to be rolled out in the 2015/16 financial year and is envisaged to benefit 50 township based SMMEs.

During the financial year, due to financial constraints and the changed economic landscape, the organization decided to place a temporary moratorium on new business development and loan applications. This period provided us with an opportunity to reflect and review the business model of the organization. The outcome expected from this period is a streamlined and optimal organization structure, a revised model geared at meeting the strategic imperatives of TER/TMR and a maximized operational efficiency of the organization.

Looking Forward

As GEP we recognize that fostering and developing SMMEs takes a collective effort, projects to be implemented under TER and TMR strategy are capital intensive and our 2015/16 MTEF Budget Allocation will not suffice, as such we plan to unlock previous unrealized partnership initiatives, to forge and build new strategic partnerships with other government entities, with private sector as well and international business to raise additional funding. Through instruments of government such as the BBBEE Policy, we believe we are well positioned to partner with the private sector as they seek to meet their enterprise development objectives.

GEP, similar to other development finance institutions has continued to struggle with debt collection. Our ability to deliver our mandate to the citizens of the Province hinges on our ability to recover loans granted to our clients. GEP has thus focused its efforts on the development and implementation of comprehensive procedures and information systems to monitor timely the evolution of individual clients across the loan portfolio. The introduction of a new Loan Management System is anticipated to lead to an effective monitoring that will highlight criteria for classifying and reporting problem loans as well as possible corrective action.

Looking forward, our internal goals will focus on reducing our increased debtors book. We intend to collect from all the entities that have been previously supported by GEP and have not honored their contractual obligations in respect of loan repayments.

Our collections will enable us to be self-sufficient and generate more revenue to fund more SMMEs. Debt collection is the cornerstone to financial sustainability of the organization.

Provision of efficient and timely support to SMMEs remains one of our priorities towards fulfilling our role in delivering our mandate. We recognize the need to provide great customer service and have consequently prioritized improving our turnaround time in the next financial year. We look forward to assisting SMMEs to breaking new ground and fast tracking the transformation of the economy of our nation.

Acknowledgment

It has been a great honour for me to be appointed as the Chairperson of Gauteng Enterprise Propeller. I have been humbled by the opportunities to work with and serve the citizens of Gauteng. I believe that as a Board, we have established ways of working together that reflect the goals of our entity and we strive to ensure that our processes are inclusive, transparent, responsive, and always centered on service delivery.

I would like to also thank the erstwhile Chief Executive, Mrs. Twala –Tau the Chairperson of the Board, Dr. Matseke as well as the BoD whose term ended in September 2014 for their contribution in laying the foundation based on which we are building a formidable GEP. A special word of thanks also goes to our Acting Chief Executive, Mrs. Manenzhe who when called upon to takeover the reigns did so with enthusiasm and drive. Similarly, I would like to thank the entire GEP staff for their devotion and hard work during this period.

My sincere gratitude also goes to my fellow Board members for their apparition and generous commitment to GEP and for the backing they have bestowed to me.

The successes registered would not have been possible without the on-going support of Honourable MEC Maile as we move forward in creating an enabling environment for SMMEs. We are grateful for his leadership and passion to drive radical transformation of the economic landscape of Gauteng Province.

Ms Lebogang Magagane
Board Chairperson

ACTING CHIEF EXECUTIVE OFFICER'S REVIEW

MS LEAH MANENZHE
ACTING CHIEF EXECUTIVE OFFICER

OVERVIEW

GEP continues to bridge the gap of financial services and non-financial support in Gauteng. During the past financial year, the entity continued to exercise tight controls and oversight over our spending in the organisation in order to get the greatest possible benefits from the limited funds at our disposal. GEP has identified and implemented Cost Containment measures in some of the operational costs to ensure that limited resources gets channelled to the core mandate of entrepreneurship development.

GEP remains serious and committed to sound financial management as it continues its role to facilitate business development and improve the level of competitiveness globally. This will in turn assist in changing the current economic landscape characterized by low sector and business performance culminating to job losses. In the year under review we continued with the optimal use of limited resources available to us in order to obtain the maximum benefits possible. The organization continues to do more with little, reaching more businesses in line with the growing mandate of Township revitalization and the transformation, modernization and Re-industrialisation.

Despite the many challenges faced with debt collection in the year under review, our lending continued at a reduced rate. Loans advanced during this year were R 26 million compared to R 28 million advanced in the previous year. The automated Loans Management System is in place to enhance the production of accurate and reliable information for reporting purpose and ensure monthly billing to our clients.

FINANCIAL POSITION STATEMENT

Assets

The total assets at 31 March 2015 were R 85 million, showing a decrease of R42 million from the previous year. This is also reflected in the net cash outflow from the operating activities in the cash flow statement, also when compared with cash inflow in the previous year.

The current assets at 31 March 2015 were R65 million, showing a decrease of R34 million from the previous year. This is also reflected in the reduction of cash and cash equivalent balance by R52 million and R10 million mainly due to utilization of prior year's rollover surplus during the year under review.

Liabilities

The total at 31 March 2015 were R11 million, showing a decrease of R11 million from the previous year R22 million. This is mainly due to a refund of R7.5 million of Mafisa Fund, utilization of R10.6 million of Transnet Itireleng Fund SMMEs development.

Net Assets Value Statement

Changes in assets and liabilities showed an effect in net assets of R73 million showing the movement of R20 million. Although the size of the financial position statement appears sound. It is therefore imperative for GEP bolster its debt collections rate to enable it to make a noticeable impact in the market.

FINANCIAL PERFORMANCE STATEMENT

GEP experienced a net deficit of R19.7 million for the year in review, and this is a reduction when compared with a surplus of R1.5 million for the previous year. The current financial performance is attributed to the following:

Revenue

Although the provincial grant of R153 million for the year remained the same; when comparing to the previous financial year GEP was allocated with additional funding of R 24 million by the Department of Economic Development. An additional allocation was earmarked for conditional grant amounting to R10 million from Transnet, and GEP derecognized the carrying amount of R7.5 million of Mafisa liability and recognized it as a development fund in the statement of our financial performance during the financial year under review.
Therefore, the total revenue from non-exchange transactions was R180 million and from exchange transactions, was R 5,7 million resulting from other income. This brought us to a total of revenue amount of R186 million, which is R38 million more than the previous financial year.

Expenditure

Our total expenditure for the year under review amounted to R206 million showing an increase of R59 millions when comparing to the previous financial year. This expenditure was to support the facilitation of SMME's township enterprises and Cooperatives.

This expenditure is attributed mainly to spending of R66 million on SMME Business Development Support displaying an escalation of R25 million spent in the previous year. The payroll cost for the year amounted to R84 million, reflecting an increase of R20 million when compared to previous financial year as a result of salary increase and new appointments.

Loan Book Performance and Credit Risk

During the year under review GEP experienced serious challenges with the collection of outstanding debt from clients. Whilst in the past few years the collection was over 70% of outstanding debt, there was a sudden drop to below 50% of collection rate. Factors that led to low collections when compared to the previous financial year are caused by reluctance to pay due to entitlement mentality of government funds by some clients, business of clients closing down, high exposure to short-term contracts, lack of timeous invoicing of clients, reduced frequency of visibility to clients etc.

THE YEAR AHEAD

Our clients risk emanate predominantly from the financial support loan book due to customer non-performance or default clients. In its effort to respond to the growing demands, the organization has embarked on a debt collection drive to ensure that more businesses benefit. In light of the shrinking economy, the organization anticipates budget squeeze in the year ahead, hence the debt collection becomes imperative. With the introduction of the Loan Management System (LMS), GEP will be in a position to issue statements, monthly billing to clients timeously and application of due diligence and managing the high frequency of visibility to clients will be done efficiently. The processing of hand-over defaulting clients to legal is in place to ensure efficient and effective management of credit risk. This will ensure an improvement in our debt collection rate showing an increase of 75%.

The 2015/16 MTEF allocation is aligned with the strategic objectives linked to the Township Economic revitalization and a radically transformed economy in Gauteng. Although the mandate of GEP has increased but the budget over the years has shown a decrease in line with the current economic stagnation resulting in the organization not able to achieve some of the targets aligned to the new mandate.

In the meantime, management continues to exercise cost cutting measures on every area of spending within the organization in order to get the greatest possible benefit from the limited funds at our disposal.

GEP will ensure that financial and non-financial support to SMME's and co-operatives continues to address the mandate. Throughout these challenges, the agency will continue supporting small businesses participating in the supplier development programs, township businesses and the Township Renewal Funding Scheme in line with the priority sectors as spelled out in the Premier's Provincial Address in 2014. In partnership with other stakeholders and the private sector, the organization intends to improve its revenue generation and be able to respond to other emerging tasks.

Ms Leah Manenzhe
Acting Chief Executive Officer

BOARD MEMBERS

Ms Lebogang Magagane
Board Chairperson

Mr Thulani Sithole
Deputy Chairperson

Mr Rodney Kekana
Chairperson:
Human Resources &
Remuneration

Ms Morwesi Ramonyai
Chairperson: Business
Development Committee

Ms Leah Manenzhe
Acting Chief Executive Officer

Mr Monde Africa
Chairperson:
Credit Committee

Ms Mamoroke Lehobye
Chairperson: Risk and Audit Committee

Mr Kingsley Duba

Ms Innocentia Motau

Mr Tshilidzi Ratshitanga

Ms Mary-Jane Ramusi

Ms Claire Busetti

Ms Millicent Maroga

ORGANISATIONAL REPORT

DIAGNOSTIC VIEWS SUCCESS STORY

BACKGROUND

Diagnostic Views is a radiology practice based at Shop No 006, Management House, 38 Melle Street, Braamfontein, Johannesburg. The company co-owned by Mr. Jackson Lebogo and Mr.Lehlohonolo Majoro who are both qualified Radiographers. Mr. Majoro is a 50% shareholder while Mr. Lebogo is both director and shareholder of the company, holding equivalent shares as Mr. Majoro. The company was registered in 2013 but only started operating on the 2nd of February 2014. The owners of the company have contributed R689 141 to date.

The capital was used to purchase an office based X-ray machine and other office equipment. Currently the practice has one digital X-ray machine and requires more X-ray machines to service the new clientele.

CHALLENGES

Diagnostic Views needed funds to increase the assets capacity of its radiology practice in order to meet the increasing demand of mobile X-ray clinics.

The business started with one X-ray machine that was based in the radiology practice in Braamfontein, however, in June 2014 Lonmin Platinum procured the service of Diagnostic Views to conduct lung X-ray for 1500 mine workers who's medical aid had expired. The company had to take out the X-ray machine from radiology practice and put it into a converted mobile X-ray trailer which they bought for R140 000. While the company was still busy with Lonmin Platinum project, the department of Military Veterans procured Diagnostic Views radiology services for health and Wellness for the month of August and September 2014. This resulted in the company resources being stretched beyond the company's means. The Lonmin project was temporary suspended in order to deal with the second project.

GEP provided financial support to Diagnostic Views with an amount of R1 406 298. The funding was used to procure X-ray machinery that would enable the business to cater for more clients.

RESULTS

Due to GEP's intervention, Diagnostic Views was able to secure three contracts from Correctional Services, Group Five and Medupi Power Station (3 year contract).

Diagnostic Views will continue to receive Post Investment Assistance from GEP.

WYSE WEST MANUFACTURING SUCCESS STORY

BACKGROUND

Wyse West Manufacturing Cooperative was established in 2012 by the Randfontein Local Municipality (RLM) as a business involved in the manufacturing of bricks. The business currently operates from rented premises with a lease agreement of R8400 per month. This company targets local community members, government departments, building contractors, construction companies, cooperatives that have been awarded contracts as well as other businesses operating within their vicinity. The company has employed six members who fulfill various tasks in the company. Wyse West is registered in the RLM's database as one of their development projects, which subsequently markets the business to various stakeholders.

In addition, RLM has provided the entity with a start-up capital to purchase stone, sand and cement. WG Wyn, Drift Dand and RTC Cement sponsored the business with R430 000.

CHALLENGES THAT FACED THE COMPANY

GEP did an assessment on the company's operations and found gaps with regard to the marketing strategy, human resource policies and procedures, quality management system, financial management system and training (basic business skills, customer care, sales and marketing, costing and pricing, practical tendering, basic financial concepts, project management).

SOLUTION

GEP provided business development support based on the assessment findings report. Whilst the company currently uses manual financial records, it will be assisted with an electronic financial management system. GEP further provided exposure through exhibitions at the Rand Easter Show and the Thebe Exhibition.

RESULTS

The business turnover increased from R70 000 in 2013 to the current R210 000. The company had employed additional six people bringing the total number to twelve.

ORGANISATIONAL PERFORMANCE INFORMATION

Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Target Achieved	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comment	Deviation	Reason/s for Deviation	Plan of Action for Deviation
Provide accessible and timeous Financial solutions	Development of funding solutions	Number of funding solutions developed	2 new funding Solutions	2 Solutions: - Hybrid Product - Integrated Business Development Support	Yes	Internal Resources		-	-	-
	Provision of accessible and Timeous funding packages	Number of captive deals approved	40 Deals	37 Deals	Yes	Internal Resources		(3)	Two captive loans were not approved due to insufficient information and pending verification, hence the non-achievement of the target.	Physical verification of one of the pending deals will be conducted in April 2015, for approval of the deal in the First Quarter of 2015/2016.
		Number of captive applications assessed	300 Applications	349 Applications	Yes	Internal Resources		+49	-	-
		Number of Micro deals approved	100 Deals	98 Deals	Yes	Internal Resources		(2)	The target was not achieved due to the pending submission of requested additional information on some of the Micro loan applications.	Follow-up will made with the applicants for submission of the requested additional submission.
		Number of micro applications assessed	250 Applications	457 Applications	Yes	Internal Resources	The number of allocations was boosted by the partnership with COT on the Tshepo 10k programme, which referred a large number of Micro-Finance applications to GEP.	+207	-	-
Ensure increased funding of businesses owned by transversal groups	Provision of funding solutions to transversal groups	% of total amount Approved	% of approved amount 40% to Women owned	53 % to Women	Yes	Outreach Pro-grammes	-	+13%	n/a	n/a
			30% to Youth owned	41% to Youth	Yes	Outreach pro-grammes	-	+11%	n/a	n/a
			2% to people with disabilities	3% to PWD	Yes	Partnership referrals and outreach pro-grammes	-	+1%	n/a	n/a

ORGANISATIONAL PERFORMANCE INFORMATION (CONTINUED)

Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Target Achieved	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comment	Deviation	Reason/s for Deviation	Plan of Action for Deviation
To improve the quality of the loan book	Recovery on debtors invoiced	% recovery of invoices	70% invoices recovered	43% debt recovery	Yes	Soft collections are done internally; Legal collections are outsourced.	A collections call centre has been established, in partnership with the MAD skills centre in order to augment existing efforts.	(27%)	The target is not achieved due to ongoing tracking of Debtors with overdue payments.	Debtors with overdue payment will continue to be tracked for collection of arrear installments and interest. It is expected that the call centre will contribute to the collection rate.
To Facilitate Business Sustainability	Reduce invoices owed to Businesses	Number of Business Invoices Discounted	100 Business Invoices	Concept developed and approved	Yes	n/a	Invoice Discounting has not been rolled out pending finalization of Partnership Agreement for the programme.	(100)	The target is not achieved due to pending finalization of Partnership Agreement for the programme.	The Partnership Agreement will be concluded in time for implementa-tion of the programme in 2015/2016.
To Ensure enhanced products, services, systems & interventions	Develop & enhance products, services, systems & interventions	Number of new systems and products developed/-improved	5 products/ systems	The 5 products/sys-tems are: • Boardworks • Bulk SMS • E-Mail Querries system • Collections Call Centre • LMS	Yes	Internal Resources Partner-ships Service Providers	-	-	n/a	n/a
	Facilitate mentorship programme	Number of SMME's/Coops participating in Mentorship Programme	160	169 SMMEs	Yes	Internal Resources Service Providers	-	+69	n/a	n/a
	Develop business skills and facilitate access to micro finance for businesses owned by PWD	Number of PWD entrepre-neurs supported	250 PWD Entrepreneurs	282 PWD	Yes	Internal Resources	GEP has made extensive use of partnerships in order to achieve this target. This will continue to be the approach going forward	+32	n/a	n/a
To develop business within key growth sectors	To develop Businesses within the Tooling Manufacturing sector	Number of Tooling SMME's Incubated over a 3-5yr period	15 SMMEs	18	Yes	Partner-ships Partnership	This was achieved in partnership with the Gauteng Tooling Initiative (GTI)	+3	n/a	n/a
	Youth Entrepreneurial Programme	Number of Youth Businesses Supported	1000 Youth Businesses	911 Youth Businesses	Yes	Internal Resources Partner-ships Service Providers		(89)	The target could not be achieved due to the limitation of funds for Business Develop-ment Support Interven-tions aimed at youth businesses.	Youth businesses will continue to be provided with the Business Development Support Interventions in the 2015/2016 financial year.

ORGANISATIONAL PERFORMANCE INFORMATION (CONTINUED)

Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Target Achieved	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comment	Deviation	Reason/s for Deviation	Plan of Action for Deviation
To provide strategic directions and support to create conducive environment for business incubation and cooperatives support	SMME and Cooperative Incubator Support programmes	Number of cooperatives and SMMEs incubated in 11 sectors	280 cooperatives assisted to participate in Incubator programs	365 Cooperatives incubated	Yes	Internal Resources Partner-ships	The target has been achieved through partnering with Co-ops development organizations in the province.	+85	n/a	n/a
		Number of small & emerging businesses incubated in the 5 Revitalized Industrial Parks	75 small & emerging businesses incubated in the 5 Revitalised Industrial Parks	84 businesses incubated	Yes	Internal Resources Service Providers	-	+9	n/a	n/a
		Number of cooperatives members trained	200 Co-op's trained	495 Coops members trained	Yes	Internal Resources Partner-ships Service Providers Internal Resources	The target was achieved by a combination of work done by the Co-ops unit, the Regions and from Partnerships	+295	n/a	n/a
		Number of New & Existing GTA Supported Township based cooperatives	20 New & Existing GTA supported Township Based Co-op's	36	Yes	Internal Resources	The database for these business was supplied by the GTA	+16	n/a	n/a
	Create market access opportunities through exhibitions and similar platforms	Number of co-operatives participating in exhibitions	40 co-ops assisted	48	Yes	Internal Resources	The municipalities played a supporting role in the delivery of this indicator.	+8	n/a	n/a
		Number of Township co-operatives participating in exhibitions	50 co-ops participating	48	Yes	Internal Resources Partner-ships	-	(2)	The target was partially achieved due to the assessment of businesses that will be assisted to exhibit in 2015/2016.	Businesses assessed in the fourth quarter will be assisted to exhibit in 2015/2016
		Number of ICT SMME's/Coops Participating in Incubator Support Programme	100 ICT SMME's/Coops Participating in Incubator support programme	113	Yes	Internal Resources Partner-ships Internal Resources Partner-ships	This worked was delivered largely through the partnership with The Innovation Hub	+13	n/a	n/a

ORGANISATIONAL PERFORMANCE INFORMATION (CONTINUED)

Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Target Achieved	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comment	Deviation	Reason/s for Deviation	Plan of Action for Deviation
		Number of Film & Related Industries SMME's /Coops Participating in Incubator Support Programme	60 SMME's/Coops Participating in Incubator support programme	126 SMMEs participating in incubator support programme	Yes	Internal Resources Partner-ships	This was delivered in partnership with organisations like Urban brew and Kofifi.	+66	n/a	n/a
		Number of Infrastructure & Related Industries SMME's /Coops Participating in Incubator Support Programme	100 Infrastruc-ture related SMME's/Coops Participating in Incubator support programme	56 SMMEs participating in Infrastructure related	Yes	Internal Resources Partner-ships		(44)	The target was not achieved due to the limitation of funds required to provide support to Infrastruc-ture SMMEs and Cooperatives	Infrastructure SMMEs and Cooperatives will continue to be supported in the 2015/2016 financial year.
		Number of furniture Making SMME's /Coops Participating in Incubator Support Programme	6 Furniture Making SMME's/Coops Participating in Incubator support	6 SMMEs in Furniture Making industry	Yes	Internal Resources Partner-ships	This was achieved from a combination of internal efforts and partnership with Hosea	-	n/a	n/a
Provide effective and efficient after care support Services	Evaluate and Monitor the performance of funded businesses	Number of SMMEs monitored and assessed by Post Investment	160 Clients	97 Clients Monitored	Yes	Internal Resources	The target did not take into account that short term contract finance clients would not require after-care, a large number of these loans were processed in the year under review arising out of the Tshepo 10 000 partnership	(63)	The actual achieved is aligned to the number of businesses funded and only on loans that are still due according to the Age Analysis hence the target is not achieved.	The performance indicator and target will be reviewed in 2015/2016 for alignment with the Age Analysis of the Loan Book.
	Facilitate, implement and manage the tailor made interventions	Number of SMME's/Coop s supported through Post Investment Interventions	145 Clients	45 clients assisted with interventions	Yes	Internal Resources Service Providers	The interventions are only recommended when it is necessary, not for every client monitored.	(100)	The target is not achieved due to the review and pending approval of some of the developed interven-tions.	The review and approval of the remaining interventions will be carried over for implementa-tion in 2015/2016.
To develop business within key growth sectors	Training and Development of people in the Automotive sector.	Number of people trained in the auto mechanical repairs & Artisans trained in auto body repairs	900 people for Mechanical Training 60 people for Auto Body Training	427	Yes	Internal Resources Partner-ships	n/a	(533)	The target was not achieved due to limitation of resources for the Training programme	The target will be discontin-ued in the 2015/2016 financial year.

ORGANISATIONAL PERFORMANCE INFORMATION (CONTINUED)

Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Target Achieved	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comment	Deviation	Reason/s for Deviation	Plan of Action for Deviation
		Number of FET /Tertiary Students in dual training & development programme and YESDP	500 young people developed	1047	Yes	Internal Resources Partner-ships	This was delivered in conjunction with partners, most notably Westcol and Joburg Water.	+547		
Provide Quality Non-Financial Support and Training Services to SMMEs and Co-operatives in Gauteng	Maintain, Enhance and sustain newly developed Township Hubs	Number of Newly Developed Township hubs Maintained, sustained & enhanced	1 Hub	Operational Plan submitted to DED	Yes	Internal Resources	-	Hub not fully functional	The target is partially achieved due to pending funding of the incubation programme for the SMMEs based at the Hub as well as for the Hub's operations	The Operational Plan of the Hub will be reviewed under the leadership of the Department
	Increased assistance struggling township businesses through the Township Business Renewal programme	Number of Township Businesses supported through the Township Business Renewal Funding Scheme	200 businesses From Funding Scheme	355 Businesses	Yes	Internal Resources Partner-ships	-	+155	n/a	n/a
	Increased number of SMMEs benefiting from GEP Financial and Non-Finan-cial Interven-tions	Number of Existing & New SMME's Developed in 11 Sectors business benefiting Non-Finan-cially	(1800) 1260 Existing Businesses 540 New Businesses	(4968) 3159 existing businesses 1809 new businesses	Yes	Internal Resources Partner-ships	This was delivered in conjunction with various partners.	+3168	n/a	n/a
	Jobs sustained or created through BDS Interventions to SMMEs	Number of Jobs Sustained or Created through BDS Interventions to SMMEs	617 jobs	1793 jobs	Yes	Linked to the above indicator.	-	+1176	n/a	n/a
	To provide focused support to Co-opera-tives.	Number of Existing & New Co-ops Developed in the 11 identified sectors Assisted Financially	140: 70 Existing co-ops 70 New Co-ops	186 Coops: 95 existing 91 new Coops	Yes	Internal Resources Partner-ships	-	+46	n/a	n/a
		Number of Existing & New Co-ops Developed in the 11 identified sectors Assisted Non-Finan-cially	300: 210 Existing co-ops 90 New co-ops	953 Coops: 733 existing 220 new Co-ops	Yes	Internal Resources Partner-ships	This was delivered in conjunction with various partners.	+653	n/a	n/a

ORGANISATIONAL PERFORMANCE INFORMATION (CONTINUED)

Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Target Achieved	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comment	Deviation	Reason/s for Deviation	Plan of Action for Deviation
		Number of small holder farmers supported	5 Small holder farmers	5 Small Holder Farmers	Yes	Internal Resources Partner-ships	These were assisted through the MAFISA programme	-	n/a	n/a
		Number of Township Co-ops assisted from the target groups	30% of 2081 Women-owned Co-ops & SMME's benefiting from all interventions	144% (3007 women-owned Coops and SMMEs: 456 Coops and 2551 SMMEs)	Yes	Internal Resources Partner-ships		+2383	n/a	n/a
			20% of 2081 Youth-owned Co-ops & SMME's benefiting from all interventions	72% (1503 youth-owned Coops: 228 Coops and 1275 SMMEs)	Yes	Internal Resources		+1087		
			4% of 2081 PWD-owned Co-ops & SMME's benefiting from all interventions	14%(301 PWD-owned Coops and SMMEs: 45 Coops and 179 SMMEs)	Yes	Internal Resources Partner-ships		(1780)		
		Number of jobs sustained through BDS & CAP Interventions to Co-ops	575 jobs	645 jobs	Yes	Internal Resources		+70	n/a	n/a
	Support for start-ups, survivalists, and Informal Businesses	Number of Start-Up Businesses Assisted through GEP Community Fund	230 Businesses	252 Businesses	Yes	Internal Resources	This is a highly sought after package	+22	n/a	n/a
		Number of Informal Traders Trained	375 Township Informal Traders	909 Informal Traders Trained	Yes	Internal Resources	This was delivered in conjunction with partners, most notably Westcol and Joburg Water.	+534	n/a	n/a
		Number of Informal Traders assisted towards formalization through CIPC Registration and other Compliance Interventions	50 Informal Traders	75 Informal Traders assisted through CIPC Registration	Yes	Internal Resources Partner-ships	The registrations were done at the Transnet SMME Hub by a GEP Information officer	+25	n/a	n/a

ORGANISATIONAL PERFORMANCE INFORMATION (CONTINUED)

Strategic Objective	Outcome / Measurable Objective	Indicator / Performance Measure	Annual Target	Annual Target Achieved	Evidence Available (if Yes) Mitigation Plan (if No)	Resources Utilised	CEO Comment	Deviation	Reason/s for Deviation	Plan of Action for Deviation
To Ensure enhanced products, services, systems & interventions	Develop & enhance products, services, systems & interventions	Number of small and emerging businesses participating in the supplier development programme	3 SMME's & Emerging Businesses	25	Yes	Internal Resources Partner-ships	The SDP is done in partnership with the UNDP and BUSA/ BBC	+22	n/a	n/a
		Number of Youth Participating in YESDP	1000 Youth	657 Youth Participants	Yes	Partner-ships	-	(343)	The target was not achieved due to limitation of resources for programme.	The programme will continue in the 2015/2016 financial year.
		Number of Township Entrepreneur Hubs established for SMME's & Coops in 11 Sectors	5 incubators/Hubs	5	Yes	Internal Resources Partner-ships	• Hamman kraal • Khutsong Harmony Business Centre • Ennerdale • Mabopane Skills Centre • Toekomsrus	-	n/a	n/a
		Number of Waste Recycling Cooperative Centres Established & Functioning effectively in each township	5 Waste Coop Centres	5 Waste Coop Centers	Yes	Internal Resources Partner-ships	The target was achieved due to Partnership with City of Joburg on the following Centres: Meadowlands, Malboro, Zondi, Evaton and Orange Farm	-	n/a	n/a

MAHLAKISE CAFE SUCCESS STORY

BACKGROUND

Mahlakise Café Cc is a 100% black owned company based in Alexander, North of Johannesburg. The entity is owned and managed by Mbopha Mashigo. Mr. Mashigo is a member of the Alexander Greater Chamber of Commerce. The entity is a mini retail store that sells fast foods, groceries and beverages to the local community and the surrounding areas. It started selling fish and chips but has since grown into a mini retail store and restaurant. This business operated from the family-owned property and does not pay rent but pays water and lights to the municipality. The business is located at a busy intersection close to schools and churches. This factor gives it an edge over its competitors. Future plans for the business include opening another retail store which will include a butchery.

Mahlakise Café employs six staff members and has its own transport for sourcing stock and delivery. Mr Mashigo has invested R20 000 in the business that was used to purchase two register machines, catering equipment and upgrades to the shop. The business has no marketing material except signage sponsored by Coca Cola. The other advantage to this retail store is the FNB ATM found inside the store.

Challenges faced the company

This company was operating without a business plan. They had a desire to grow the business but lack of funding was a challenge. Similar to other small business businesses, they were using a manual system to keep their records. The area they were operating from was not re-zoned for that type of business.

SOLUTION

GEP assisted by developing a business plan which resulted in sourcing funding. As a result, more outlets have since been opened around Alexander. GEP intervened by providing Township Business Revitalisation programme at the costs of R40 000, 00. The money was used to purchase tables, chairs, a fryer and ice-cream machine on behalf of the business. Tools for marketing such as signage were provided the restaurant was be able to increase its market share. Through GEP's advice, the business now has a financial management service system installed.

RESULTS

• The business plan was submitted to GEP for funding to open more outlets in the area.
• The funding was approved which enabled the client to open two more branches.
• The company also benefited through our TBR programme for purchasing of equipment.
• The business has now employed 12 permanent employees.
• Annual turnover has surged from R200 000 in 2010-2011 to R280 000 in 2014-2015

TSOTETSI FARMING
SUCCESS STORY

BACKGROUND

Tsotetsi Farming is a vegetable farming business situated at Plot 45, Dreamland Agricultural Holdings, De Deur. The business was founded by Mrs Tsotetsi, which she now manages with her husband at the farm where they also reside. Mrs Tsotetsi had been operating the business on a smaller scale due to the lack of irrigation equipment and insufficient water. Funds were required in order to assist her in expanding the business to take full advantage of the scale benefits.

A loan of R256 183 was approved in April 2014 to pay for small equipment such as borehole drilling, irrigation equipment, fencing, operational costs and some contingencies. A six month grace period was granted, after which monthly amounts of R8720 over a period of 36 months would be payable. The loan amount was meant to cover two planting cycles of various vegetables, including; cabbage, carrots, beetroot, squash, watermelons, beans, spinach etc. An amount of R130 318 was disbursed and the client has since indicated that she doesn't need the funds for the second cycle anymore.

These vegetables would be sold to a fresh produce market in Vereeninging, local funeral services, as well as local hawkers and individual buyers.

INVESTMENT MANAGEMENT

OVERVIEW

During the 2014/2015 financial year, a budget of R35, 6 million was allocated to the unit of which 137 were approved. Performances against transversal targets for the unit were as follows;

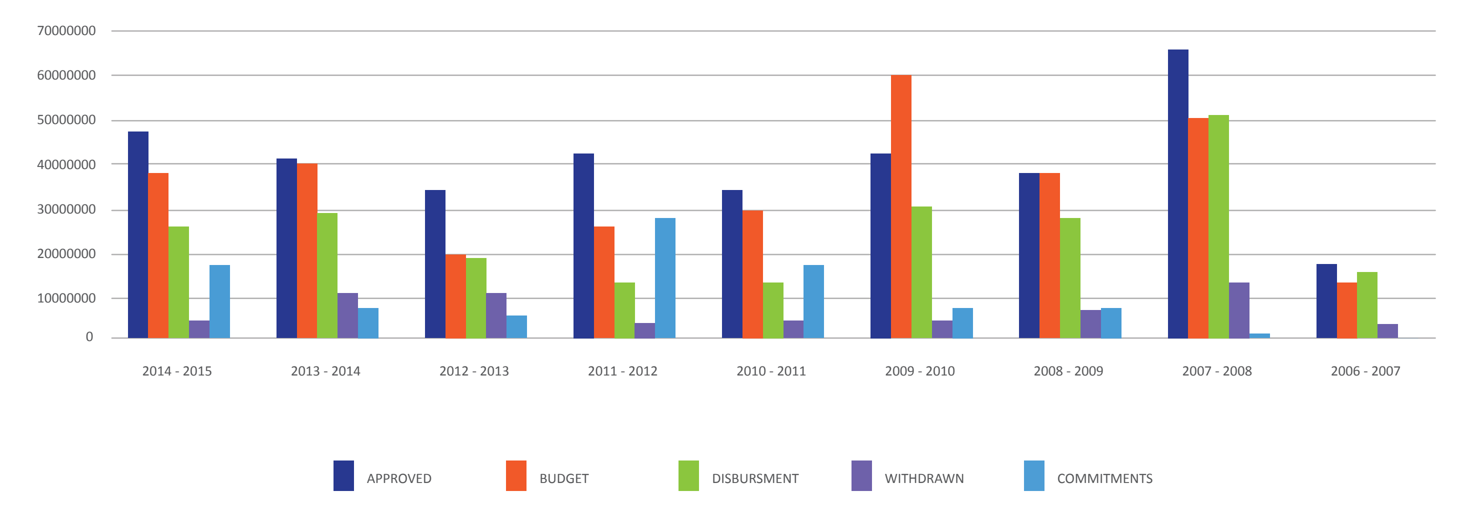
- R23, 1mil was disbursed
- R10, 1mil was withdrawn
- R15, 6mil is still committed

The breakdown per funds was as follows;
Total approved deals approved for the 2014/15 financial year;

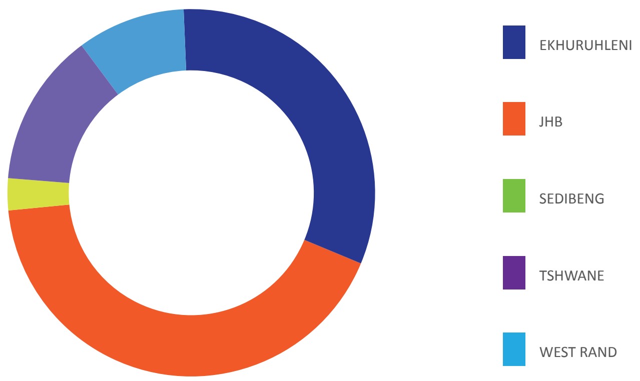
- 137 deals were approved
- Total spend was R48, 884, 873
- R26 397 831 (54%) for women owned businesses
- R13 687 764 (28%) for youth owned businesses
- R488 849 (1%) for People With Disabilities owned businesses

EXPEDITURE GRAPH

	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007- 2008	2006- 2007	Cumulative
APPROVED	48 884 872,67	41 271 516,00	34 152 971,48	42 421 281,00	33 754 957,78	41 492 789,86	37 067 198,00	64 682 169,00	18 400 000,00	362 127 755,79
BUDGET	35 600 000,000	40 000 000,00	20 000 000,00	25 000 000,00	30 000 000,00	60 000 000,00	36 000 000,00	50 000 000,00	15 000 000,00	311 600 000,00
DISBURSMENT	23 146 907,54	29 408 450,00	17 659 767,00	13 644 930,00	12 732 036,00	29 650 096,00	25 924 941,00	51 150 276,00	15 915 020,00	219 232 423,54
WITHDRAWN	10 148 584,13	11 969 520,75	12 765 354,00	2 415 000,00	3 091 384,85	3 214 700,00	5 500 025,00	12 843 058,00	2 484 980,00	64 432 606,73
COMMITMENTS	15 589 381,00	7 289 799,87	3 727 850,48	26 361 351,00	17 931 536,93	8 627 993,86	5 642 232,00	688 835,00	-	85 858 980,14

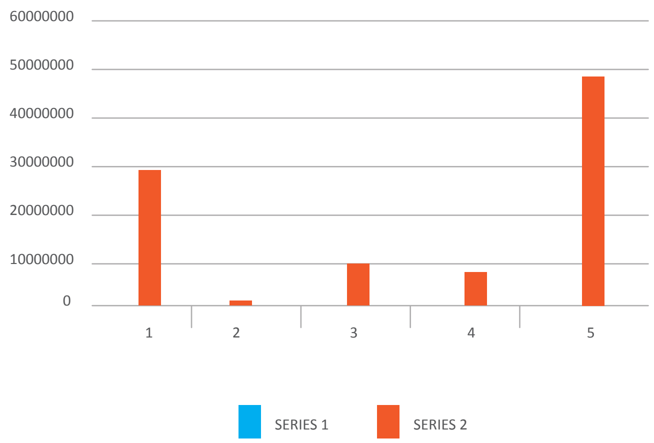


REGION



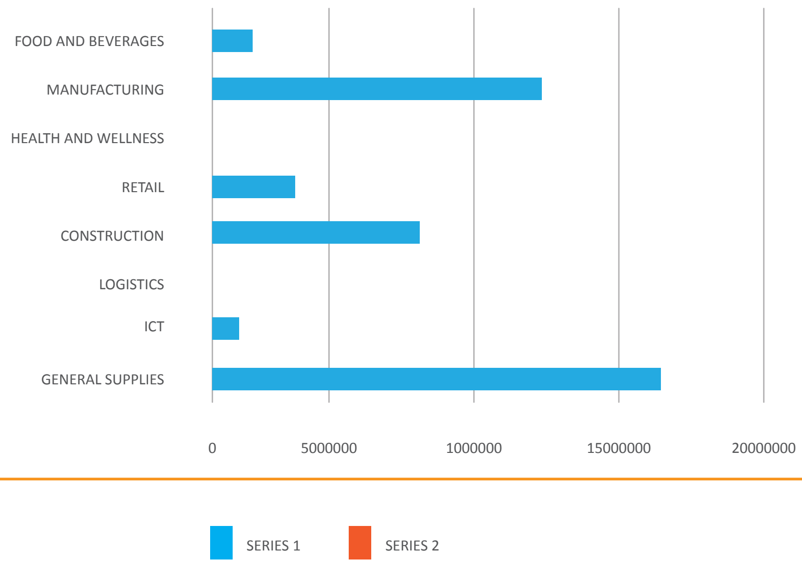
REGION	
Ekhuruhleni	R 12 556 522,84
JHB	R 22 884 850,27
Sedibeng	R 913 073,51
Tshwane	R 8 461 450,24
West Rand	4068975,81
	48884872,67

PRODUCT



PRODUCT	
Contract	R 29 084 518,77
Franchise	R 2 048 002,50
Expansion	R 9 739 649,82
Start-up	R 8 012 701,58
	R 48 884 872,67

SECTOR



SECTOR	
Agriculture	5058568
General Supplies	17032210,43
ICT	960045,1
Logistics	74355
Construction	8187394,62
Retail	3468029,08
Health & Wellness	65542
Manufacturing	12446923,94
Food and Beverages	1591804,5
	48884872,67

RAND WEST BRAKE & CLUTCH SUCCESS STORY

BACKGROUND

The Rand West Brake and Clutch started operating in 2010 and was registered in 2011 as a Close Corporation. The business is owned by Mr. Thabo Linus Sihlangu. Through the help of his family, Mr. Sihlangu bought a Jewellery franchise. He bought and distributed jewelry from 1997 to 1998. In 1999, he inherited the family business, a taxi and transport business operating within the local routes between Randfontein, Joburg and North West. The business then expanded to include gross boarder transit between Westonaria and Musina in Mozambique, but due to the escalating running costs and the complexity of the passenger transport industry, Mr. Sihlangu subsequently exited the business to take advantage of the networks and opportunities established within the vehicle repairs and spares fitting industry.

The services offered by the business are brakes and clutch supply, repairs, fitting & maintenance. It also does reconditioning of old brakes & clutches to resell them. Major clients currently include Wesbank Auto and the West Rand District Municipality (WRDM). The company operates within the Central Business District (CBD) in Randfontein Town and has the capacity for 18 light-duty vehicles. The monthly rental is R7200 (R4200 for workshops and R3000 for the office space. It also caters to residential clients from the surrounding areas and to lesser extent local taxi drivers.

GEP provided business development support and the company received marketing material in 2011. In addition, GEP assisted 2013) through GEP assistance.

The business buys parts from reputable suppliers that sell quality products at discounted rates. The following are some of the suppliers that is Safeline, Sachs, KBC and Luk Clutches. The auto repair and maintenance industry is highly competitive with a variety of players. Rand West's core competitive advantage lies in its ability to deliver superior services and good customer services. In addition Rand West has been recognised as an accredited fitment and service center by major insurance and fleet management organisations. The company is registered with Innovation Group, Motorite Insurance Administrators, Wesbank Auto and Standard Bank Fleet. The company has invested approximately above a million Rand in machinery, equipment, vehicles, office furniture, property development, security, parts and workshops etc. The amount also includes money spent on outsourcing some equipment they do not currently have. Rand West employs over 10 employees.

Through the assistance of GEP the company was able to access the services of a specialist to conduct property valuation in 2014 in order to acquire a property for expansion purposes. The expansion will increase the vehicle handling capacity as well as efficiency to deliver quality services to the clients.

CHALLENGES THAT FACED THE COMPANY

The company lacked Human Resources policies to ensure compliance with Labour Relations Act. The business did not have sufficient equipment, financial support, property valuation and Business development training.

SOLUTIONS

GEP conducted a thorough assessment of the business operations and the owner was advised to implement interventions provided by GEP. Those interventions were in the form of marketing tools and electronic financial management systems. The marketing project consists of signage and other printed marketing material. The owner and team members were also advised to attend GEP training to further develop their basic business skills.

The property valuation report was able to assist the company to acquire funding from GEP financial support to the value of R1 379 412. Renovations are currently underway at the new property to finalize the workshops in terms of errecting the structure and roofing.

RESULT

The business turnover has increased from R300 000.00 in 2013 to R1 800 000.00 in 2014. By acquiring the property the company was able to save R4200.00 in monthly rental, which will now go towards the payment of GEP loan. The property also provided a sense of security since the company now owns it. Additional machinery will also supplement the capacity to deliver good quality services and products. The company now employs about 10 people.

FAST CATCH SECURITY AND TRAINING SERVICES SUCCESS STORY

BACKGROUND

Fast Catch Security is a 100% black owned company operating from a Roodepoort based office since February 2014. The entity is owned and managed by Thabo Alfred Mphothe, who after completing matric obtained various security certificates including firearm and dog handling.

Mr Mphothe has also received PSIRSA certificates for grade A and B. He then decided to start his own business in security which provides services in security guarding; both armed and unarmed, special event security, armed response and movable assets protection.

CHALLENGES THAT FACED THE COMPANY

As a startup, the company could afford purchase of security tools and uniforms. It was operating without Private Security Regulatory Authority (PSIRA) accreditation, which is a legal requirement for any security company that wishes to operate. There was no marketing tools.

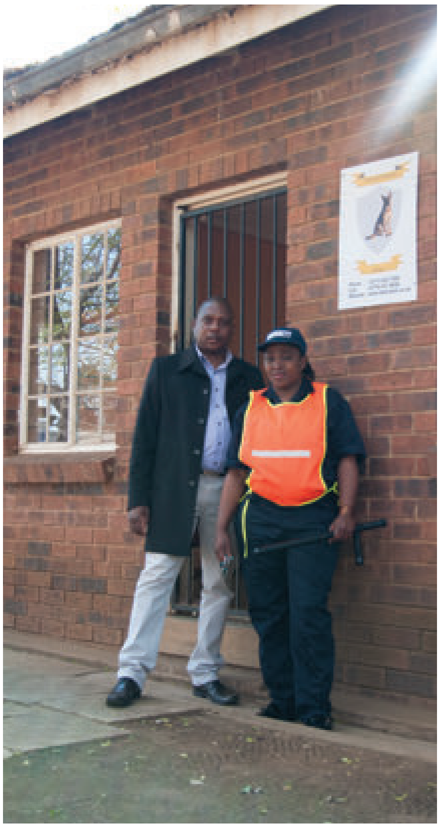
SOLUTION

GEP provided business development support and the company was able to register with PSIRA, and obtained short security contracts including a four month contract with SKS Business Solution for a night shift guard from July 1st 2014 to November 30th 2014. Fast Catch Security also secured a one month contract with a car rental company for a day and night shift guard.

In addition, GEP disbursed an amount of R9000, 00 a community fund to purchase security tools such as handcuffs, batons and uniforms. Other marketing material such as pull up banners, business cards, signage boards and branded beret and reflector jackets were also purchased.

RESULTS

Due to GEP intervention, the company has employed two permanent staff and marketing has improved. Compliance mechanisms with PSIRA regulations have been introduced. And all security guards are using proper protective clothing.



CORPORATE GOVERNANCE REPORT

CHIEF FINANCIAL OFFICER's REPORT

NOMFANELO GENUKA
ACTING CHIEF FINANCIAL OFFICER

OVERVIEW

GEP continues to bridge the gap of financial services and non-financial support in Gauteng. During the past financial year, the entity continued to exercise tight controls and oversight over our spending in the organisation in order to get the greatest possible benefits from the limited funds at our disposal. GEP has identified and implemented Cost Containment measures in some of the operational costs to ensure that limited resources gets channelled to the core mandate of entrepreneurship development.

GEP remains serious and committed to sound financial management as it continues its role to facilitate business development and improve the level of competitiveness globally. This will in turn assist in changing the current economic landscape characterized by low sector and business performance culminating to job losses. In the year under review we continued with the optimal use of limited resources available to us in order to obtain the maximum benefits possible. The organization continues to do more with little, reaching more businesses in line with the growing mandate of Township revitalization and the transformation, modernization and Re-industrialisation.

Despite the many challenges faced with debt collection in the year under review, our lending continued at a reduced rate. Loans advanced during this year were R 26 million compared to R 28 million advanced in the previous year. The automated Loans Management System is in place to enhance the production of accurate and reliable information for reporting purpose and ensure monthly billing to our clients.

FINANCIAL POSITION STATEMENT

Assets

The total assets at 31 March 2015 were R 85 million, showing a decrease of R42 million from the previous year. This is also reflected in the net cash outflow from the operating activities in the cash flow statement, also when compared with cash inflow in the previous year.

The current assets at 31 March 2015 were R65 million, showing a decrease of R34 million from the previous year. This is also reflected in the reduction of cash and cash equivalent balance by R52 million and R10 million mainly due to utilization of prior year's rollover surplus during the year under review.

Liabilities

The total at 31 March 2015 were R11 million, showing a decrease of R11 million from the previous year R22 million. This is mainly due to a refund of R7.5 million of Mafisa Fund, utilization of R10.6 million of Transnet Itireleng Fund SMMEs development.

Net Assets Value Statement

Changes in assets and liabilities showed an effect in net assets of R73 million showing the movement of R20 million. Although the size of the financial position statement appears sound. It is therefore imperative for GEP bolster its debt collections rate to enable it to make a noticeable impact in the market.

FINANCIAL PERFORMANCE STATEMENT

GEP experienced a net deficit of R19.7 million for the year in review, and this is a reduction when compared with a surplus of R1.5 million for the previous year. The current financial performance is attributed to the following:

Revenue

Although the provincial grant of R153 million for the year remained the same; when comparing to the previous financial year GEP was allocated with additional funding of R 24 million by the provincial government. An additional allocation was earmarked for conditional grant amounting to R10 million from Transnet, and GEP derecognized the carrying amount of R7.5 million of Mafisa liability and recognized it as a development fund in the statement of our financial performance during the financial year under review.
Therefore, the total revenue from non-exchange transactions was R180 million from exchange transactions, and R 5,7 million from other income bringing us to a total of revenue amount of R186 million, R38 million more when comparing to the previous financial year.

Expenditure

Our total expenditure for the year under review amounted to R206 million showing and increase of R59 millions when comparing to the previous financial year to support the facilitation of SMME's township enterprises and cooperatives.

This expenditure is attributed mainly to spending of R66 million on SMME Business Development Support displaying an escalation of R25 million spent in the previous year.
The payroll cost for the year amounted to R84 million, reflecting an increase of R20 million when compared to previous financial year as a result of salary increase and new appointments.

Loan Book Performance and Credit Risk

During the year under review GEP experienced serious challenges with the collection of outstanding debt from clients. Whilst in the past few years the collection was over 70% of outstanding debt, there was a sudden drop to below 50% of collection rate. Factors that led to low collections when compared to the previous financial year are caused by reluctance to pay due to entitlement mentality of government funds by some clients, business of clients closing down, high exposure to short-term contracts, lack of timeous invoicing of clients, reduced frequency of visibility to clients etc.

THE YEAR AHEAD

Our clients risk emanate predominantly from the financial support loan book due to customer non-performance or default clients. In its effort to respond to the growing demands, the organization has embarked on a debt collection drive to ensure that more businesses benefit. In light of the shrinking economy, the organization anticipates budget squeeze in the year ahead, hence the debt collection becomes imperative. With the introduction of the Loan Management System (LMS), GEP will be in a position to issue statements, monthly billing to clients timeously and application of due diligence and managing the high frequency of visibility to clients will be done efficiently. The processing of hand-over defaulting clients to legal is in place to ensure efficient and effective management of credit risk. This will ensure an improvement in our debt collection rate showing an increase of 75%.

The 2015/16 MTEF allocation is aligned with the strategic objectives linked to the Township Economic revitalization and a radically transformed economy in Gauteng. Although the mandate of GEP has increased but the budget over the years has shown a decrease in line with the current economic stagnation resulting in the organization not able to achieve some of the targets aligned to the new mandate.

In the meantime, management continues to exercise cost cutting measures on every area of spending within the organization in order to get the greatest possible benefit from the limited funds at our disposal.

GEP will ensure that financial and non-financial support to SMME's and co-operatives continues to address the mandate. Throughout these challenges, the agency will continue supporting small businesses participating in the supplier development programs, township businesses and the Township Renewal Funding Scheme in line with the priority sectors as spelled out in the Premier's Provincial Address in 2014. In partnership with other stakeholders and the private sector, the organization intends to improve its revenue generation and be able to respond to other emerging tasks.

“GEP REMAINS SERIOUS AND IS COMMITTED TO SOUND FINANCIAL MANAGEMENT AS IT CONTINUES ITS ROLE TO FACILITATE BRIDGING THE GAP BETWEEN THE FIRST AND SECOND ECONOMIES IN SOUTH AFRICA”

GOVERNANCE FRAMEWORK

KEABETSWE ONUOKA
COMPANY SECRETARY

Corporate Governance is a framework of rules, practices and processes by which an entity is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders - including its shareholder, management, customers, suppliers, and the community.

GEP's corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation such as the board, managers, shareholder and other stakeholders and lays down the rules and procedures for decision-making. Accordingly, the responsibilities of the Board include setting the entity's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to the shareholder on their stewardship.

GEP is led and controlled by the Board, which is collectively responsible for the long-term success of the entity. The Board attains this by creating and preserving value, and has as its foremost principle acting in the interest of the entity and the shareholder.

ROLE OF THE BOARD

Provide input to, review proposals for and then approve strategy

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

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

GEP's Governance Framework is built on King III Principles of Good Corporate Governance and the Protocol on Corporate Governance in the Public Sector undergirded by: Accountability; Transparency and Openness; Integrity Stewardship; Efficiency and Leadership.

THE BOARD STRUCTURE

GEP BOARD
- RISK AND COMMITTEE
- HUMAN RESOURCES AND REMUNERATION COMMITTEE
- CREDIT COMMITTEE
- BUSINESS DEVELOPMENT COMMITTEE

COMPOSITION

The Board of GEP is the entity's Accounting Authority as contemplated in section 49(2)(a) of the Public Finance Management Act and is appointed by the Member of Executive Council ("MEC") responsible for the Gauteng Department of Economic Development in terms of Section 7 of the GEP Act 5 of 2005.

The year under review saw the term of the erstwhile Board come to an end on 30th September 2014. Accordingly, the MEC appointed a new Board with effect from the 1st October 2014. The new Board consisted 12 non-executive members. The Chairperson of the erstwhile Board along with 2 other members of the old Board were re-appointed. The Chief Executive Officer is an ex-officio member of the Board but does not receive additional remuneration or allowances for serving on the Board.

Old Board

MEMBER	POSITION	DATE OF APPOINTMENT	END OF TERM	MEETING ATTENDANCE
Dr. K.O.P. Matseke	Chairperson	01 September 2011	30 September 2014	3/3
Mr. J. Ngcebetsha	Deputy Chairperson	01 September 2011	30 September 2014	3/3
Ms. P. Twala-Tau	Chief Executive Officer	01 April 2012	30 September 2014	3/3
Mr. T. Sithole	Director	01 September 2011	30 September 2014	3/3
Mr. K. Mkonza	Director	01 September 2011	30 September 2014	1/3
Dr. D. Ndlovu	Director	01 September 2011	30 September 2014	1/3
Dr. T. Mazwai	Director	01 September 2011	30 September 2014	1/3
Ms. M. Mutlaneng	Director	01 September 2011	30 September 2014	1/3
Ms. M. Ramonyai	Director	01 June 2012	30 September 2014	2/3
Ms. D. Maphatiane	Director	01 January 2013	30 September 2014	2/3
Ms. Z. Taho	Director	01 January 2013	30 September 2014	1/3
Mr. M. Mampuru	Director	01 January 2013	30 September 2014	3/3
Ms. D. Maja	Director	01 February 2013	30 September 2014	1/3

New Board

MEMBER	POSITION	DATE OF APPOINTMENT	MEETING ATTENDANCE
Dr. K.O.P. Matseke	Chairperson (Resigned 5 May 2015)	01 October 2014	5/5
MS. L. Magagane	Deputy Chairperson (Appointed Chairperson 8 June 2015)	01 October 2014	5/5
Ms. P. Twala-Tau	Chief Executive Officer (Resigned May 2015)	01 April 2012	5/5
Mr. T. Sithole	Director (Appointed Deputy Chairperson 8 June 2015)	01 October 2014	4/5
Mr. K. Duba	Director	01 October 2014	5/5
Ms. M. Lehobye	Director	01 October 2014	3/5
Ms. M. Ramusi	Director	01 October 2014	5/5
Ms. C. Busetti	Director	01 October 2014	4/5
Ms. M. Ramonyai	Director	01 October 2014	4/5
Mr. M. Africa	Director	01 October 2014	5/5
Mr. T. Ratshitanga	Director	01 October 2014	2/5
Ms. M. Maroga	Director	01 October 2014	4/5
Mr. R. Kekana	Director	01 October 2014	4/5

INDUCTION AND CONTINUED DEVELOPMENT

To enable the new Board members to contribute to the organisation as quickly as possible a two-day induction programme was conducted in October 2014. The induction programme was structured in a manner that provided new Board members with all the information and support they need to be confident and productive in their role. The agenda covered presentations geared to help new members to understand the organisation, the environment in which it operates, and their role in making the organisation a success.

The Board members are able to make further enquiries of the Executives whenever necessary, and have access to the services of the Company Secretary. There Board is also allowed by the GEP Act and its Charter to take independent professional advice, if they deem this to be necessary, at the entity's expense.

Board Evaluation

Owing to the appointment of new Board members during the course of year under review and in order to allow the induction programme to be completed, the Board resolved to postpone its evaluation process to the 2015/16 financial year.

Board Committees

Each Committee of the Board has a written charter approved by the Board. The Charters summarise the objectives, remit and powers of the Committees. All Committee members are provided with appropriate induction on joining their respective Committees, as well as on-going access to training. Feedback from each of the Committees is provided to the Board by the respective Committee Chairpersons at the next Board meeting.

Risk and Audit Committee

Member	Term	Attendance
T. Sithole (Chairperson)	04/11/11 - 30/09/14	4/4
D. Maphatiane	26/03/13 - 30/09/14	3/4
N. Sandlana	15/03/12 - 30/09/14	4/4
L. Madavha	15/03/12 - 30/09/14	3/4
M. Mcambi	15/03/12 - 30/09/14	4/4
T. Sithole (Chairperson)	24/10/14	3/3
M. Lehobye	24/10/14	3/3
M. Ramusi	24/10/14	3/3

Human Resources and Remuneration Committee

Member	Term	Attendance
M. Ramonyai (Chairperson)	17/10/12 - 30/09/14	2/2
J. Ngcebetsha	04/11/11 – 30/09/14	0/2
D. Ndlovu	04/11/11 – 30/09/14	2/2
K.O.P. Matseke	04/11/11 – 30/09/14	2/2
M. Mampuru	26/03/13 – 30/09/14	2/2
M. Olivier	03/12/13 – 30/09/14	1/2
R. Kekana (Chairperson)	24/10/14	2/2
K.O.P. Matseke	24/10/14	1/2
L. Magagane	24/10/14	2/2

Credit Committee

Member	Term	Attendance
Mr. K. Mkonza (Chairperson)	04/11/11 - 30/09/14	2/2
Dr. T. Mazwai	04/11/11 - 30/09/14	0/2
Ms. M. Mutlaneng	04/11/11 - 30/09/14	0/2
Ms. D. Maja	26/03/13 - 30/09/14	1/2
Mr. M. Mcambi	26/03/13 - 30/09/14	2/2
T. Ratshitanga (Chairperson)	24/10/14	3/3
L. Magagane	24/10/14	2/3
M. Africa	24/10/14	3/3
M. Ramusi	24/10/14	2/3
C. Busetti	24/10/14	3/3
K. Duba	24/10/14	2/3

Board and Committees Remuneration

The remuneration and allowance of the Board was determined by the MEC in line with Section 10(4) of the GEP Act as follows:

Chairperson of the Board	R12 500	R3 600
Deputy Chairperson and members	R10 000	R3 250

RISK AND AUDIT COMMITTEE

MS. MAMOROKE LEHOBYE
RISK AND AUDIT COMMITTEE CHAIRPERSON

We are pleased to present the report of the Risk & Audit Committee ("the Committee") for the year ended 31 March 2015.

The Risk and Audit Committee's role is regulated by the Terms of Reference adopted by the Board. These Terms have been drafted from sections of the Public Finance Management Act 1 of 1999, Treasury Regulations issued by National Treasury, and Generally Recognized Accounting Practice (GRAP). In exercising its responsibilities the Committee subscribes to the principles of King III Report on Corporate Governance and is continually improving its oversight for closer alignment.

These responsibilities, and compliance with appropriate governance and international best practice, are incorporated in the Committee's charter, which is reviewed annually and approved by the Board.

SIGNIFICANT HIGHLIGHTS

Combined Assurance
We, as a Committee, continue to embrace the model of combined assurance as a defence to risk mitigation. The Combined Assurance Framework was put in place during the year under review to ensure the integration, coordination and alignment of risk management and assurance processes within the entity as well as to optimise and maximise the level of risk, governance and control oversight over the risk landscape.

The main focus of Combined Assurance lies on the harmonization and efficient utilisation of the different assurance functions to provide holistic rather than fragmented assurance to key stakeholders. A risk framework has been approved by the Committee and the results of which should start materialising in the 2016 financial year end.

Audit Opinion
The Committee has received and acknowledged the Audit Opinion and Management Report for the year under review and have had meaningful engagements with the Auditor General to this regard. These engagements have provided insight on areas of focus for the ensuing year with respect to weaknesses in controls that we should give attention to.

The Committee considers the accounting practices and internal financial controls that have led to the compilation of the annual financial statements to be appropriate. To a large extent, we concurred with and accepted the Auditor General's report on the annual financial statements and have recommended the approval thereof to the Board. The Board subsequently approved the financial statements, which have been submitted to National Treasury and the Gauteng Department of Economic Development.

Financial Performance

The entity has recorded a loss of R19 million for the year under review. The Committee has understood the root causes of the loss and appreciate the measures we have to put in place to mitigate the recurrence of such losses. Those measures include:
• The effective implementation of the Loan Management System which will assist us in identifying and quantifying amounts owed to the entity as well as channelling our focus to adequately recover money owed for future distribution.
• The review of our post investment initiatives to assist us in identifying early warning signs for clients that are in distress to proactively intervene to create sustainable entrepreneurs in the Province.
• Fund raising to augment the grant received from DED to enable our funding efforts as well as review our lending terms and conditions to ensure a sustainable pool of funds to avail for redistribution.
• A review of the organisational structure to be aligned to the Province's programme of Transformation, Modernisation and Reindustrialisation.
• Curbing the recurrence of Irregular and Wasteful Expenditure to ensure effective use of limited resources available to the organisation and holding official accountable for misuse of public fund.

CONCLUSION
Having considered, analysed, reviewed and debated information provided by management, internal audit and external audit, the Committee confirmed that:

• the internal controls of the entity had been effective in all material aspects throughout the year under review;
• these controls had ensured that GEP's assets had been safeguarded;
• proper accounting records had been maintained; and
• resources had been utilised efficiently.

APPRECIATION
The Committee would like to thank the Board, the Honourable MEC Maile, the Department of Economic Development, management and internal and external auditors for their support in assisting the Committee in discharging its duties in the current financial year. We look forward to attain our goal of a clean audit in the ensuing year.

Ms. Mamoroke Lehobye
Risk and Audit Committee Chairperson

FINANCIALS

FINANCIAL STATEMENTS CONTENTS

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The enterprise provides financial and business development support to SMME's located in Gauteng, including the provision of short term loans for project finance, working capital and start up businesses. All financial support, in the form of loans to Small business, is governed by the regulations contained in the National Credit Act.
Members	L. Magagane (Chairperson) Appointed 01-10-2014 T. Sithole (Deputy Chairperson) Appointed 01-10-2014 P. Twala-Tau (CEO) Resigned May 2015 K. Matseke (Chairperson) Resigned 05-05-2015 R. Kekana Appointed 01-10-2014 K. Duba Appointed 01-10-2014 M. Africa Appointed 01-10-2014 M. Ramonyai Appointed 01-10-2014 M. Ramusi Appointed 01-10-2014 C. Busetti Appointed 01-10-2014 M. Lehobye Appointed 01-10-2014 M. Maroga Appointed 01-10-2014
Registered office	6th Floor 124 Main Street Johannesburg, 2001
Business address	6th Floor 124 Main Street Johannesburg, 2001
Postal address	P O Box 61464 Marshalltown, 2107
Bankers	First National Bank Limited Registration number 1929/001225/06 ABSA Bank Limited Registration number 1986/004794/06
Auditors	Auditor-General of South Africa
Company Secretary	K. Onuoka
Company registration number	Incorporated in terms of the Gauteng Enterprise Propeller Act No. 5 of 2005

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The entity's directors are responsible for the preparation and fair presentation of the entity's annual financial statements, comprising the statements of financial position at 31 March 2015; the statement of financial performance; the statement of the changes in net assets; statement of cash flows, statement of comparison of budget and actual and the notes to the annual financial statements for the period then ended, which include a summary of significant accounting policies and other explanatory notes and the directors' report in accordance with South African Standards of Generally Recognised Accounting Practices (SA Standards of GRAP).

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

The director's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of supplementary schedules included in these financial statements. The entity's annual financial statements are based on appropriate accounting policies, which are supported by reasonable and prudent judgments and estimates. The annual financial statements have been prepared on a going concern basis. This basis presumes that the assets will be realized and the liabilities settled in the normal course of business.

Accordingly, no adjustments have been made to the valuation or classification of the assets or liabilities, which may have been necessary if the entity had been unable to continue as a going concern. The annual financial statements set on pages 47 - 78 were circulated and approved by the board of directors and are signed 18 June 2015 on its behalf by:

Ms. L. Magagane
Board Chairperson

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

Introduction

1. I have audited the financial statements of the Gauteng Enterprise Propeller set out on pages 47 to 78, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets and statement of cash flows, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

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

Auditor- general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Gauteng Enterprise Propeller as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA standards of GRAP and the requirements of the PFMA.

Emphasis of matters

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

Commitments

7. The entity approved commitments to fund SMME's and Cooperatives amounting to R30 000 000 relating to the funding partnership arrangement that was entered into with a national funding agency which did not materialise. R21 000 000 was approved and contracted for by accounting authority during the year under review. Payments amounting to R7 000 000 were made to SMME's and Cooperatives as at 31 March 2015, a further payment of R4 600 000 was made subsequent to year end.

Material Impairment

8. As disclosed in note 3 and 4 to the financial statements, material impairments to the amount of R35 719 299 (2014: R21 242 171) were raised in loans which represents 36% (2014: 29%) of the total loan book maintained by the entity. This is due to measures put in place to recover outstanding debts by the entity not being effective.

Report on the legal and regulatory requirements

9. 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 findings on the reported performance information against predetermined objectives for selected programme presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly , I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2015:

• Programme 1 : Loans and Business Development on pages 18 to 24

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

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

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

14. The material findings in respect of the selected programme are as follows:

Programme 1: Loans and Business Development

Reliability of reported performance information

15. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for 38 % of the targets or significantly important targets to assess the reliability of the reported performance information. This was due to lack of monitoring systems to ensure that the reported results are adequately supported by valid evidence.

Additional matters

16. I draw attention to the following matters:

Achievement of planned targets
17. Refer to the annual performance report on page 18 to 24 for information on the achievement of the planned targets for year. This information should be considered in the context of the material findings on the reliability of the reported performance information for the selected programme reported in paragraph 15 of this report.

Achievement of material misstatement

18. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for Programme 1: Loans and Business Development. As management subsequently corrected only some of the misstatements, I dentified material findings on the reliability of the reported performance information.

Compliance with legislation

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

Annual financial statements

20. The financial statements were not submitted within legislated timeframes to the Auditor General and Provincial Treasury as required in Section 55(1)(a) of the PFMA.

21. The financial statement submitted for the auditing were not prepared in all material respect in accordance with the requirement of section 55(1)(a) of the PFMA as material adjustments were identified during the audit.

Expenditure Management

22. The accounting authority did not take adequate steps to prevent irregular expenditure amounting to R2 113 159 as required by section 51(1)(b)(i).

Revenue Management

23. The accounting authority did not take adequate steps to ensure that debtors are collected timeously as required by PFMA 51(1)(b)(i).

Assets management

24. The accounting authority did not ensure that processes, whether manual or electronic, and procedures are in place for the effective, efficient, economical and transparent use of the entity's assets as required by PFMA 51(1)(c).
Internal Control

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

Leadership

26. The accounting authority did not submit financial statements within two months after the end of the financial year as legislated in the PFMA.

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

Financial and performance management

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

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

Auditor General

Johannesburg
19 August 2015

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

DIRECTORS' REPORT

The directors have pleasure in presenting their report on the activities of the entity for the year ended 31 March 2015.

1. Review of activities

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

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

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

General review
The entity received grants totaling R153 million for the year. This money was successfully used to achieve its primary objectives, including the provision of several loans to small businesses. An annual amount is allocated by the Provincial Government on a rolling three year basis.

In terms of the Public Finance Management Act the directors are required to prepare annual financial statements that fairly present the state of affairs and business of the entity at the end of financial year and of the surplus or deficit for the year. To achieve the highest standards of financial reporting, these annual financial statements have been drawn up to comply with South African Standards of Generally Recognised Accounting Practices (GRAP).

Supported by the Risk and Audit Committee, the directors are satisfied that the internal controls, systems and procedures in operation provide reasonable assurance that all assets are safeguarded, that transactions are properly executed and recorded, and that the possibility of material loss or misstatement is minimised. The directors have reviewed the appropriateness of the accounting policies, and concluded that the estimates and judgments are prudent. They are of the opinion that the annual financial statements fairly present the state of affairs and business of the entity at 31 March 2015. The external auditors, who have unrestricted access to all records and information, as well as to the Audit Committee, concur with this statement.

2. Going concern

The financial position of the entity, its cash flows, liquidity position and funding facilities, as set out in the annual financial statements, and future projections of funding requirements from the Provincial Government, have been reviewed and considered by the directors. The directors are of the opinion that the entity will be able to operate within the level of its current facilities for the foreseeable future. For this reason the entity continues to adopt the going concern basis in preparing its financial statements.

3. Events after the reporting date

There were no material events that took place between the balance sheet and the reporting date.

4. Board Of Members

The directors of the entity as at the end of the financial year were as follows:

Name

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

5. Business and postal address

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

6. Secretary

The Company Secretary is K. Onuoka.

7. Contingencies and commitments

During the year the entity did not enter into contracts with service providers which could lead to expenses being incurred in the next financial year, other than those recorded under note 24: Commitments and note 25: Contingencies.

8. Bankers

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

9. Non-current assets

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

10. Distributions to owners

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

11. Auditors

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Mafisa loans	2	-	270 265
Financial support loans at amortised cost	3	15 768 313	12 504 957
Receivables from exchange transactions	4	29 882 365	20 681 702
Receivables from non-exchange transactions	5	8 319 140	13 133 144
Cash and cash equivalents	6	10 607 320	52 433 748
		64 577 138	**99 023 816**
Non-Current Assets			
Property, plant and equipment	7	3 774 119	2 398 141
Intangible assets	8	692 914	53 506
Mafisa loans	2	-	3 746 366
Financial support loans at amortised cost	3	16 042 247	21 804 400
Other investments	9	1	1
		20 509 281	28 002 414
Total Assets		**85 086 419**	**127 026 230**
Liabilities			
Current Liabilities			
Mafisa funds	10	-	12 541 121
Finance lease liability	11	388 012	57 161
Rent straight-lining accrual	12	220 785	219 027
Trade and other payables	13	10 514 921	8 780 130
		11 123 718	**21 597 439**
Non-Current Liabilities			
Finance lease liability	11	58 506	615 786
Transnet Itireleng fund	14	-	10 934 694
Total Liabilities		**11 182 224**	**33 147 919**
Net Assets		**73 904 195**	**93 878 311**
Net Assets			
Accumulated surplus		73 904 195	93 878 311

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2015

Figures in Rand	Note(s)	2015	2014
Revenue from non-exchange transactions	15	179 669 401	141 957 482
Revenue from exchange transactions	16	5 758 630	5 739 684
Programs and Projects		(66 162 705)	(39 779 694)
Operating expenses		**(140 339 184)**	**(107 783 119)**
Operating (deficit) surplus	17	(21 073 858)	134 353
Finance income	20	1 454 261	1 463 493
Finance costs	21	(52 503)	(43 020)
(Deficit) surplus for the year		**(19 672 100)**	**1 554 826**

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2015

Figures in Rand	Accumulated surplus	Total Net assets
Balance at 01 April 2013	**92 323 485**	**92 323 485**
Changes in net assets		
Surplus for the year	1 554 826	1 554 826
Total changes	1 554 826	1 554 826
Balance at 01 April 2014	**93 878 311**	**93 878 311**
Changes in net assets		
Depreciation and amortisation difference see note 31	(302 016)	(302 016)
Net income (losses) recognised directly in net assets	(302 016)	(302 016)
Surplus for the year	(19 672 100)	(19 672 100)
Total recognised income and expenses for the year	(19 974 116)	(19 974 116)
Total changes	(19 974 116)	(19 974 116)
Balance at 31 March 2015	**73 904 195**	**73 904 195**

CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 2015

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Cash receipts from non-exchange transactions		166 324 144	152 447 000
Cash received from exchange transaction		3 194 957	3 107 321
Interest income		1 454 261	1 463 493
Cash receipts as Mafisa loans		100 478	361 904
Cash receipts as financial support loans		8 567 119	22 429 478
		179 640 959	179 809 196
Payments			
Cash paid to suppliers and employees		(186 857 687)	(137 855 378)
Finance costs		(52 503)	(43 020)
Cash paid as Mafisa loans		(206 318)	(1 094 256)
Cash paid as financial support loans		(25 701 863)	(28 314 193)
		(212 818 371)	(167 306 847)
Net cash flows from operating activities	**23**	**(33 177 412)**	**12 502 349**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(2 532 690)	(308 258)
Purchase of other intangible assets	8	(738 932)	-
Net cash flows from investing activities		**(3 271 622)**	**(308 258)**
Cash flows from financing activities			
(Decrease)/increase in Mafisa funding		(5 150 966)	175 192
Finance lease payments		(226 428)	(277 432)
Net cash flows from financing activities		**(5 377 394)**	**(102 240)**
Net (decrease)/ increase in cash and cash equivalents		**(41 826 428)**	**12 091 851**
Cash and cash equivalents at the beginning of the year		52 433 748	40 341 897
Cash and cash equivalents at the end of the year	6	**10 607 320**	**52 433 748**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED MARCH 2015

Budget on Cash Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Note 35)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rollover income	-	35 932 385	35 932 385	35 932 385	-	
Receipts on loan book	22 500 000	-	22 500 000	8 567 119	(13 932 881)	
Interest and Other income	900 000	-	900 000	5 758 630	4 858 630	
Interest received - investment	2 500 000	-	**2 500 000**	1 454 261	**(1 045 739)**	
Total revenue from exchange transactions	**25 900 000**	**35 932 385**	**61 832 385**	**51 712 395**	**(10 119 990)**	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	129 291 000	23 900 000	153 191 000	153 191 000	-	
Transfer revenue						
Conditional grant revenue - Transnet Itireleng Fund	-	10 641 352	10 641 352	10 641 352	-	
Total revenue from non-exchange transactions	**129 291 000**	**34 541 352**	**163 832 352**	**163 832 352**	**-**	
Total revenue	**155 191 000**	**70 473 737**	**225 664 737**	**215 544 747**	**(10 119 990)**	**A**
Expenditure						
Personnel	(70 308 395)	(22 677 062)	(92 985 457)	(83 687 717)	9 297 740	B
General Expenses	(43 782 605)	(39 004 185)	(82 786 790)	(102 773 321)	(19 986 531)	C
Capital expenditure	(5 500 000)	1 997 310	(3 502 690)	(3 271 622)	231 068	D
Loans advanced	(35 600 000)	(10 789 800)	(46 389 800)	(25 908 181)	20 481 619	E
Total expenditure	**(155 191 000)**	**(70 473 737)**	**(225 664 737)**	**(215 640 841)**	**10 023 896**	
	-	-	-	-	-	
(Deficit) / Surplus on a Comparable Basis	**-**	**-**	**-**	**(96 094)**	**-**	

Reconciliation	
Basis difference	
Mafisa funds	7 517 909
Gauteng Gambling Board (GGB)	8 319 140
Depreciation and amortisation	(1 594 944)
Debt impairment	(18 247 909)
Loss on disposal of assets and liabilities	(18 207)
Adjustment for capital movements	(15 551 995)
Actual Amount in the Statement of Financial Performance	**(19 672 100)**

ACCOUNTING POLICIES

1 Corporate information

The entity's financial statements for the period ended 31 March 2015 were authorised for issue in accordance with a resolution of the directors.

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

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

1.1. Presentation of Annual Financial Statements

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

The entity continues to adopt the going concern basis in preparing its annual financial statements. Accounting policies have been consistently applied compared with the previous year.
The financial statements are presented in the nearest South African Rand.

1.2 Significant judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, management made the following judgement, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

Impairment of trade debtors (Financial support loans)
An impairment of trade debtors is established when there is an objective evidence that the entity will not be able to collect all amounts due according to the original terms of the loan. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial recognition, and default or delinquency in payments are considered indicators that the debtor is impaired.Further consideration is done whereby Post Investment assesses the client capability to repay by providing business development interventions. Refer to note 4 for details of the entity's impairment.

Depreciation and impairment
Property, plant and equipment is depreciated on a straight-line basis over its useful life to value. Residual values and useful lives are based on management's best estimate and actual future outcomes may differ from these estimates. Refer to note 9 for details of the entity's property, plant and equipment. The entity only tests for impairment when indicators of impairment are present. When performing impairment testing, the recoverable amount is determined for the individual asset. If the asset does not generate cash flows which are largely independent from other assets then the recoverable amounts of cash flows that are largely independent from other assets or groups of assets that those assets belong to are determined based on the higher of discounted future cash flows.

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

1.3 Property, plant and equipment

Items of property, Plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses if any. Historical cost includes expenditure that is directly attrbutable to the acquisition of the items.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the item's carrying amount or recognised as separate property, plant and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

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

Item	Average useful life
Leased assets	Lease period
Motor vehicles	5 - 8 years
Office equipment and furniture	5 - 15 years
Computer equipment	3 - 5 years
Leasehold improvements	Lease period

ACCOUNTING POLICIES (CONTINUED)

The item's residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Expenditure on the leasehold improvements, if material, is capitalised and depreciated over the period of the lease.
An item's carrying amount is derecognised on disposal or when no future economic benefit or service potential is expected from its use or disposal.

1.4 Intangible assets

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at reporting date.

The annual rate of amortisation currently used is 33.3%.

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

1.5 Investment in associates

Associates are all entities over which the entity has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The entity's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

Unrealised gains on transactions between the entity and its associates are eliminated to the extent of the entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the entity. Dilution gains and losses arising in investments in associates are recognised in the statement of financial performance.

1.6 Financial instruments

Classification
Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

Financial instruments that are classified as at amortised cost and are initially measured at fair value plus transaction costs that are directly attributable to acquisition or issue. Subsequent to initial recognition financial instruments are measured as set out overleaf.

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

Subsequent recoveries of amounts previously written off are credited in the statement of financial position. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

The entity derecognises a financial asset when and only when the right to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition.

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

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

ACCOUNTING POLICIES (CONTINUED)

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

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms. Further assesments are done in conjuction with all relevant units to establish the likelihood of further collections and or non financial support to delinquent SMME's.Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial recognition, and default or delinquency in payments are considered indicators that the debtor is impaired. When a trade debtor is perceived to be uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited in the statement of financial performance as Bad Debts Recovered.

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

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

1.7 Taxation

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

1.8 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Finance leases - lessee
Finance leases are recognised as assets and liabilities 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 recognised as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

Operating leases non - monentary 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.

1.9 Impairment of non-cash-generating assets

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

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
Recoverable service amount is the higher of a

ACCOUNTING POLICIES (CONTINUED)

non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

(a) the period of time over which an asset is expected to be used by the entity; or

(b) the number of production or similar units expected to be obtained from the asset by the entity. Based on the mandate of the entity all non-monetary assets are considered to be non-cash generating assets.

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.

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

ACCOUNTING POLICIES (CONTINUED)

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.

1.10 Short term employee benefits

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

1.11 Provisions

Provisions for restructuring costs and legal claims are recognised when: the entity has a present 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.

1.12 Revenue recognition Government grant

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

Grants that compensate the entity for expenses incurred are recognised in the statement of financial performance on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the entity for the cost of an asset are recognised in the statement of financial performance on a systematic basis over the useful life of the asset if the terms of the grant require this to be done.

Revenue from non-exchange transaction

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions comprise of government grants. An inflow of resources from a non-exchange transactions is recognised as an asset when the entity meets the definition of an asset and the recognition criteria is met. This is then recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. Liabilities are associated with unfulfilled conditions attached to the resources acquired. As the entity satisfies the conditions the carrying amount of the liability is reduced and revenue is recognised.

Revenue from exchange transaction

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

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

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

1.13 Contingencies and commitments

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

1.14 Comparative information

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

1.15 Fruitless and wasteful expenditure

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

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

ACCOUNTING POLICIES (CONTINUED)

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

1.16 Irregular expenditure

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

1.17 Budget information

Budgets are prepared on the cash basis of accounting. The annual budget is prepared prior to the beginning of each financial year and is approved by the Board of Directors prior to implementation.

After the end of September each year, the budget may be revised if necessary due to changes in projects being undertaken and other changes in the operations of the entity which require a reallocation of resources. All budget changes are approved by the Board of Directors prior to implementation of the revised budget. The budget information covers the period 1 April 2014 to 31 March 2015.

1.18 Related parties

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

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

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

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

1.19 Prior period errors

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

1.20 Events after reporting date

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

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

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

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

1. New standards and interpretations

1.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2015 or later periods:

Standards and interpretations issued but not yet effective

• GRAP 20 Related Parties	Applicable. Related party relationships and transactions are disclosed according to the Standard and is presented in note 26
• GRAP 32 Service Concession Arrangements: Grantor	Not applicable. The entity is not engaged in any service concession arragements.
• GRAP 108 Statutory Receivables	Not applicable. Receivables of the entity arise from contracts or other agreements and not as a result of legislation, supporting regulations, or similar means.
• GRAP 17 Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Not applicable. The entity is not engaged in any service concession arragements.

Standards for which the Minister determined a future effective date of 1 April 2015

• GRAP 18 Segment Reporting	Applicable. The Standard requires the presentation of operations of the entity in reportable segments informed by its activities and economic environments. The entity has not early adopted the Standard and the effect of the Standard on the presentation and disclosure in the financial statements is not yet known as it is being assessed for application in the 2015/16 financial year.
• GRAP 105 Transfer of Functions between entities under Common Control	Presently not applicable. No transfer of functions between another entity in the Provincial sphere of Government and the entity has occurred or is expected to occur in the near future.
• GRAP 106 Transfer of Functions between entities not under Common Control	Not applicable. It is not expected that the entity would be party to transfers of functions with entities in the other spheres of Government in the near future.
• GRAP 107 Mergers	Presently not applicable. No merger with another entity in the Provincial sphere of Government and the entity has occurred or is expected to occur in the near future.

Standards amended with effective date 1 April 2014

• GRAP 5: Borrowing Costs	The Standard was amended to allow for the accounting policy choice to either expense or capitalize borrowing costs on qualifying assets. This amendment is to be applied prospectively. The Standard is not applicable to the entity and therefore the amendment has no impact.
• GRAP 100 Discontinued operations	The Standard was amended to not require separate accounting and presentation and disclosure of non-current assets held for sale. The amendment relating to separate accounting is to be applied prospectively and the amendment relating to presentation and disclosure is to be applied retrospectively. The Standard is not applicable to the entity and therefore the amendment has no impact.

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014
2. Mafisa loans at amortised cost			
Net amount outstanding at the end of the period		-	4 016 631
Balance at 1 April		4 217 893	4 268 780
Amount advanced		206 318	1 094 256
Transfer to receivables		(1 322 084)	(1 145 143)
Transfer to financial support loans		(3 102 127)	-
Balance at 31 March		-	4 217 893
Less: Allowance for impairment of loans		-	(201 262)
Balance at 1 April		(201 262)	(1 010 685)
Current year movements		-	809 423
Transfer to financial support loans		201 262	-
		-	**4 016 631**
Non-current assets		-	3 746 366
Current assets		-	270 265
		-	**4 016 631**

Loans receivable consist of loans granted to SMME's to facilitate the economic growth of agricultural companies.
The average loan is 3 years with a fixed interest rate of 8% (2013 – 8%).The Mafisa Loans are in respect of a grant received in the prior periods from the Department of Agriculture, Forestry & Fisheries (DAFF). The enterprise performs all its duties in line with the objectives of the DAFF grant.

At the expiry of the funding agreement with the Department of Agriculture, Forestry and Fisheries (DAFF) on the 4th April 2014, a balance of R2 338 729 was outstanding and due for collection. These committed funds were transferred to financial support loans.

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014
3. Financial support loans at amortised cost			
Net amount outstanding at the end of the period		31 810 560	34 309 357
Balance at 1 April		38 039 385	43 072 073
Amount advanced		25 701 863	28 314 193
Bad debts written off		(3 770 850)	(3 500 000)
Transfer to receivables		(23 352 849)	(29 846 881)
Recapitalisation of interest and Initiation fee		396 790	-
Transfer from Mafisa Loans		3 102 127	-
Balance at 31 March		40 116 466	38 039 385
Less: impairment of loans		(8 305 906)	(3 730 028)
Balance at 1 April		(3 730 028)	(12 048 706)
Transfer from Mafisa Loans		(201 262)	-
Current year movements		(4 374 616)	8 318 678
Net amount outstanding at 31 March		**31 810 560**	**34 309 357**
Non-current assets		16 042 247	21 804 400
Current assets		15 768 313	12 504 957
		31 810 560	**34 309 357**

Loans receivable consists of loans granted to SMME's to facilitate the economic growth. The average loan term is 3 to 5 years linked to the prime rate with an average interest rate at 9.2% (2014 – 8.5%).

4. Receivables from exchange transactions

Trade debtors		56 267 953	37 454 166
Impairment of trade receivables		(27 413 323)	(17 310 881)
Balance at 1 April		(17 310 881)	(2 877 438)
Current year movement		(10 102 442)	(14 433 443)
Net debtors		28 854 630	20 143 285
Finance lease charges paid in advance		-	337 509
Deposits and prepayments		1 027 735	200 908
		29 882 365	**20 681 702**

The carrying amount of the trade receivables approximates their fair value due to their short-term maturity. When management determines if a debtor is impaired, it considers if there has been any change in the credit quality of the debtor during the period, investigates changes in the payment behaviour of the debtor by inspecting the payment history of the debtor and any other evidence that may indicate that the debtor is impaired.

5. Receivables from non-exchange transactions

Grants receivable		-	13 133 144
Gauteng Gambling Board (GGB)		8 319 140	-
		8 319 140	**13 133 144**

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014
6. Cash and cash equivalents			
Operational bank balances		5 943 447	20 021 223
Financial support bank balances		3 862 821	15 878 460
Mafisa funds bank balances		-	5 212 463
Transnet funds bank balances		758 052	11 278 602
Cash on hand		43 000	43 000
		10 607 320	**52 433 748**

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	2014	2013

7. Property, plant and equipment

	31 March 2015			31 March 2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Leased assets	1 093 361	(671 429)	421 932	730 944	(376 480)	354 464
Motor vehicles	607 739	(539 907)	67 832	597 739	(478 792)	118 947
Office equipment	7 658 935	(6 378 143)	1 280 792	6 410 370	(5 134 974)	1 275 396
IT equipment	4 567 174	(3 107 773)	1 459 401	3 878 756	(3 229 422)	649 334
Leasehold improvements	675 511	(131 349)	544 162	-	-	-
Total	**14 602 720**	**(10 828 601)**	**3 774 119**	**11 617 809**	**(9 219 668)**	**2 398 141**

Reconciliation of property, plant and equipment - 31 March 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Leased assets	354 464	333 135	-	(265 667)	421 932
Motor vehicles	118 947	-	-	(51 115)	67 832
Office equipment	1 275 396	319 876	(32 521)	(281 959)	1 280 792
IT equipment	649 334	1 537 303	(9 466)	(717 770)	1 459 401
Leasehold improvements	-	675 511	-	(131 349)	544 162
	2 398 141	**2 865 825**	**(41 987)**	**(1 447 860)**	**3 774 119**

Reconciliation of property, plant and equipment - 31 March 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Leased assets	1 733	730 944	-	(378 213)	354 464
Motor vehicles	219 417	-	-	(100 470)	118 947
Office equipment	1 754 863	91 888	(2 210)	(569 145)	1 275 396
IT equipment	1 134 200	216 369	(11 592)	(689 643)	649 334
	3 110 213	**1 039 201**	**(13 802)**	**(1 737 471)**	**2 398 141**

Lease cell phones

Included in property plant and equipment are leased cell phones. This must be read together with note 11.

NOTES TO THE FINANCIAL STATEMENT

Zero Value Assets

Included in Property Plant and Equipment are zero value assets which are old assets and do not have any significant value. These assets reached zero value in the prior and current year. During the re-assessment of useful lifes of these zero valued assets, management did not revalue these assets as they are old assets with age of +/- 15 years. These assets will be replaced or disposed off over the financial years 2015/16 - 2016/17. These zero valued assets are estimated at R100 000.

Although management acquired new assets to the value of R2 865 825 in the 2014/15 financial year, due to budget constraints management could not replace all these zero value assets. The remaining zero value assets will be replaced in the financial years 2015/16 - 2016/17 as and when funds become available.

8. Intangible assets

	31 March 2015			31 March 2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	1 199 784	(506 870)	692 914	800 990	(747 484)	53 506

Reconciliation of intangible assets - 31 March 2015

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

Reconciliation of intangible assets - 31 March 2014

	Opening balance	Amortisation	Total
Computer software	206 233	(152 727)	53 506

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014
9. Other investments			
Name of entity			
Wakegem (Pty) Ltd		1	1
		1	1
Balance at 31 March		**1**	1
Movements of carrying amounts			
Balance at 1 April		1	1
alance at 31 March		**1**	**1**

In line with the objectives of the entity, the Department transfered an investment in Wakegem (Pty) Ltd in the previous financial years. The investment was subsequently materially impaired to a nominal value of R1 as a result of the on-going litigation

10. Mafisa funds

		2015	2014
At amortised cost			
Funds received from the Loan funding from the Department of Agriculture, Forestry & Fisheries (DAFF)		-	12 541 121

These funds were being used for the development of small scale agricultural and agri-business enterprises by means of interest bearing loans. The 5 year period funding agreement expired on the 4th April 2014, the balance of R5 150 966 of the fund plus interest accrued net of payment and commitments in terms of loan disbursements and the bank charges has been refunded to the Department of Agriculture Forestry and Fisheries (DAFF). The committed funds in terms of disbursements remain financial support loans and therefore the liabiltiy of R7 517 909 has been derecognised and reflected as revenue in the statement of financial performance.

In terms of the agreement 7% interest rate on loan repayment shall acrue to GEP and 1% shall form part of the income statement of GEP, the balance of the interest on loan repayment thereoff has been accrued to the fund.

		2015	2014
Current liabilities		-	12 541 121

11. Finance lease liability

		2015	2014
Minimum lease payments due			
- within one year		411 370	58 621
- in second to fifth year inclusive		59 884	666 335
- later than five years		-	-
		471 254	**724 956**
less: future finance charges		(24 736)	(52 009)
Present value of minimum lease payments		**446 518**	**672 947**
Present value of minimum lease payments due			
- within one year		388 012	57 161
- in second to fifth year inclusive		58 506	615 786
		446 518	**672 947**

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014
Non-current liabilities		58 506	615 786
Current liabilities		388 012	57 161
		446 518	**672 947**

The finance lease liability relates to cell phone lease contracts. The lease period is for 2 years per cell phone.
The lease commencement period varies from one contract to another.The carrying value of finance leased assets is R421 932 (2014: R354 464)

12. Rent straight-lining accrual

Operating lease accrual		220 785	219 027

The straight-line accrual relates to office accomodation lease contracts with escalation clauses. The amounts payable under the contracts are charged to statements performance on a straight-line over the term of the contract.

13. Trade and other payables

Trade and other payables		3 409 478	2 773 924
Accrued leave pay		6 349 269	5 448 449
Accrued 13th cheque		756 174	557 757
		10 514 921	**8 780 130**

14. Transnet Itireleng Fund

Unutilised funds received from Transnet SOC Limited		-	10 934 694

GEP entered into an agreement with Transnet SOC Limited on 25 March 2013 for a 2 year period ending on 25 March 2015 in terms of which Transnet will provide GEP with a list of suppliers which GEP can assist with their development and to facilitate access to procurement opportunities for SMME's. The minimum criteria is that suppliers should be 51% Black owned and managed and located within Gauteng Province.

GEP managed the Transnet Itireleng Fund and assisted in the selection of suppliers in terms of the qualification criteria, managed deal funding and provided mentoring of SMME's and Co-operatives. GEP also identified and proposed investments in terms of the qualifying criteria.

Subsequent to the expiry of the agreement in the 25 March 2015, A liability of R758 052 has since been derecognised and reflected as revenue in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014
15. Revenue from non-exchange transactions			
Provincial grants		153 191 000	128 447 000
Mafisa funds		7 517 909	-
Conditional grant - Transnet Itereleng Fund		10 641 352	13 510 482
Gauteng Gambling Board (GGB)		8 319 140	-
		179 669 401	**141 957 482**
16. Revenue from exchange transactions			
SETA subsidy		224 142	-
Sundry income		40 842	9 651
Training fees		335 395	101 061
Insurance claims received		84 276	48 797
Finance Income - Financial support loans		4 485 496	5 580 175
Bad debts recovered - Financial support loans		588 479	-
		5 758 630	**5 739 684**

17. Operating (deficit) surplus

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

Operating lease charges			
Contractual amounts		13 599 835	12 235 489
Loss on sale of property, plant and equipment		18 207	13 800
Depreciation on property, plant and equipment		1 594 944	1 723 212
Employee costs		83 687 717	63 892 955
Research and development		5 195 295	5 622 630
Debt Impairment and bad debts		18 247 909	8 805 342

18. Employee related costs			
Basic		58 336 442	44 290 853
Bonus		3 892 291	2 299 063
Medical aid - company contributions		2 006 980	1 808 990
UIF		491 287	261 605
WCA		53 303	161 086
SDL		709 906	782 396
Leave pay provision charge		560 317	1 701 891
Employee care		119 021	102 009
Travel, motor car, accommodation, subsistence and other allowances		4 302 841	3 871 754
13th Cheques		2 318 069	1 916 409
Acting allowances		294 041	397 554
Retirement benefits		10 603 219	6 299 345
		83 687 717	**63 892 955**

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

The 66% of employee costs relates to programmes and projects which are attributed to direct core operations and the 34% relates to support employee costs

19. Debt impairment

Write offs			
Mafisa loan		-	-
Financial support loans		3 770 850	3 500 000
		3 770 850	3 500 000
Provision for debt impairment			
Mafisa loan		-	(809 423)
Financial support loans		4 374 616	(8 318 678)
Trade and other receivables		10 102 443	14 433 443
		14 477 059	5 305 342
		18 247 909	**8 805 342**

20. Finance income

Finance income - Bank		1 454 261	1 463 493

21. Finance costs

Interest paid - Finance lease		52 503	43 020

22. Auditors' remuneration

Fees		**2 395 501**	**1 844 133**

23. Cash (used in) generated from operations

(Deficit) surplus		(19 672 100)	1 554 826
Adjustments for:			
Depreciation and amortisation		1 594 944	1 723 212
Loss on sale of assets		18 207	13 800
Mafisa funds		(7 517 909)	-
Debt impairment		18 247 909	8 805 324
Transent Intereleng fund		(758 052)	-
Other non-cash items		(1 345 525)	1 565 411
(Increase)/decrease in Financial Support loans		(2 077 083)	(3 285 990)
(Increase)/decrease in Mafisa loans		4 217 893	(758 535)
Changes in working capital:			
Receivables from exchange transactions		(19 303 105)	3 522 954
Receivables from non-exchange transactions		(8 319 140)	-
Trade and other payables		1 734 791	(659 930)
Rent straight-lining provision		1 758	21 277
		(33 177 412)	**12 502 349**

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

24. Commitments

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

At 31 March 2015, the outstanding commitment for contracts in progress amounted to:

Approved and contracted

Details of contracts in force

Financial support loans approved but not yet paid		15 589 381	7 849 271
Programmes and projects		-	14 792 117
Orders placed but goods or services not delivered		2 234 254	6 066 618
Various contracts currently in progress		1 678 225	4 449 584
		19 501 860	**33 157 590**

Operating leases

Minimum lease payments due			
- within one year		2 119 098	1 641 429
- in second to fifth year inclusive		1 952 326	1 937 572
		4 071 424	**3 579 001**

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

25. Contingencies Contingent liabilities

The entity is in dispute settlement with one of its service provider on a contract that was terminated.The entity has a propability to incur costs relating to this uncertain event which is currently in litigation. The settlement may result in a cash outflow from the entity.

The entity is also in dispute on performance bonuses for some staff emanating from the 2013/14 performance review, which matter is still at the CCMA.

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

26. Related parties

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

	2015	2014
Funding from Gauteng Provincial Department of Economic Development	153 191 000	128 447 000
Funding from the Department of Agriculture, Forestry & Fisheries (Termination of agreement)	(5 150 966)	132 382
Transnet SOC Ltd	-	24 000 000
Gauteng Gambling Board (GGB)	8 319 140	-

Transnet SOC Ltd

	2015	2014
Conditional Grant Funding	-	24 000 000
Conditional Grant Revenue / Expenditure	(10 641 352)	(13 510 842)
Conditional Grant Liability	-	(10 934 694)

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014
26. Related parties (continued)			
Remuneration of directors and key management			
Directors - Fees for attendance of Board and Board committee meetings			
K. Matseke (Chairperson)		201 774	221 652
J. Ngcebetsha (Deputy Chairperson)		71 042	171 424
M. Mutlaneng		-	-
T. Mazwai		74 522	171 640
T. Sithole		176 856	195 700
D. Ndlovu		71 042	144 087
K. Mkonza		81 483	154 406
Z. Taho		77 805	154 424
D. Maphatiane		84 964	164 744
D. Maja		84 766	164 746
M. Mampuru		57 605	192 084
M. Ramonyai		159 453	164 748
L. Magagane		88 412	-
R. Kekana		84 931	-
K. Duba		84 733	-
M. Lehobye		91 925	-
M. Africa		98 853	-
C. Busetti		95 373	-
M. Maroga		84 964	-
M. Ramusi		98 853	-
T. Ratshitanga		81 451	-
Directors total		**1 950 807**	**1 899 655**
Risk and Audit Committee			
N. Sandlana		51 490	142 678
N. Mcambi		102 980	164 032
L. Madavha		30 894	132 484
		-	-
Credit Committee			
P.T. Sithole		-	81 522
N. Mcambi		-	50 000
Human Resource and Remuneration Committee			
M. Olivier		20 596	20 000
Board Sub-Committee members total		**205 960**	**600 716**
Total paid to directors		**2 156 767**	**2 500 371**

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand

26. Related parties (continued)

Senior management 2015	Salary	Bonus	Total
P. Twala-Tau	2 679 212	655 643	3 334 855
- Chief Executive Officer			
J Lukhele	783 710	-	783 710
- Chief Financial Officer			
K. Onuoka	1 402 596	232 104	1 634 700
- Company Secretary			
L. Kwapeng	1 215 669	215 438	1 431 107
- Specialist : Strategy, Planning and M&E			
L. Zabala	1 482 326	258 000	1 740 326
- GM: Corporate Services			
P Zondo	1 159 086	-	1 159 086
- GM: Marketing and Communication			
N. Nadasan	1 389 243	-	1 389 243
- GM Loans, Debt Recoveries and Bus Development			
- Resigned 31 December 2015			
P. Mayaba	1 556 021	116 667	1 672 688
- Chief Information Officer			
N. Mcambi	389 181	-	389 181
- GM Loans, Debt Recoveries and Bus Development			
M. Ndebele	1 178 680	203 693	1 382 373
- Specialist Stakeholder, Partnerships and Resource Mobilisation			
O.Mlambo	1 382 044	145 549	1 527 593
- Specialist: Special Projects			
R. Mogatle	985 734	178 181	1 163 915
- Specialist : Risk Management & Audit			
M. Malokane	1 385 878	-	1 385 878
- Legal Advisor			
Total emoluments	**16 989 380**	**2 005 275**	**18 994 655**

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

26. Related parties (continued)

Board and Board Commettee Attendance - Term ended 30 September 2014

	Board	RAC	REMCO	BDC	CC
Dr. K. Matseke (Chairperson)	3/3	Non-Member	2/2	Non-Member	Non-Member
J. Ngcebetsha (Deputy Chairperson)	3/3	Non-Member	0/2	Non-Member	Non-Member
M. Mutlaneng	1/3	Non-Member	Non-Member	Non-Member	0/2
T. Mazwai	1/3	Non-Member	Non-Member	3/3	0/2
T. Sithole	3/3	4/4	Non-Member	Non-Member	Non-Member
D. Ndlovu	1/3	Non-Member	2/2	1/3	Non-Member
K. Mkonza	1/3	Non-Member	Non-Member	Non-Member	2/2
D. Maja	1/3	Non-Member	Non-Member	2/3	1/2
D. Maphatiane	2/3	3/4	Non-Member	Non-Member	Non-Member
M. Ramonyai	2/3	Non-Member	2/2	Non-Member	Non-Member
Z. Taho	1/3	Non-Member	Non-Member	Non-Member	Non-Member
M. Mampuru	3/3	Non-Member	2/2	1/3	Non-Member
Risk and Audit Committee (RAC)					
L. Madavha		3/4	Non-Member	Non-Member	Non-Member
N. Mcambi		4/4	Non-Member	Non-Member	Non-Member
N. Sandlana		4/4	Non-Member	Non-Member	Non-Member
Credit Committee (CC)					
N.Mcambi		Non-Member	Non-Member	Non-Member	2/2
Human Resource and Remuneration (REMCO)					
M. Olivier		Non-Member	2/2	Non-Member	Non-Member
Business Development Committee (BDC)					

Board and Board Commettee Attendance - Term Started 01 October 2014

Dr. KOP Matseke (Chairperson)	5/5	Non-member	1/2	Non-member	Non-member
L. Magagane (Deputy Chairperson)	5/5	Non-member	2/2	Non-member	2/3
T. Sithole	4/5	3/3	Non-member	Non-member	Non-member
M. Ramonyai	4/5	Non-Member	Non-Member	2/2	Non-Member
R. Kekana	4/5	Non-Member	2/2	Non-member	Non-Member
M. Africa	5/5	Non-Member	Non-Member	2/2	3/3
T. Ratshitanga	2/5	Non-Member	Non-Member	Non-Member	3/3
C. Busetti	4/5	Non-Member	Non-Member	2/2	3/3
M. Lehobye	3/5	3/3	Non-Member	2/2	Non-Member
M. Ramusi	5/5	3/3	Non-Member	Non-Member	2/3
M. Maroga	4/5	Non-Member	Non-Member	2/2	Non-Member
K. Duba	5/5	Non-Member	Non-Member	Non-Member	2/3

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

27. Financial Risk management

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

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

The financial risks are managed as follows:

Credit risk

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

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

The debt management committee monitors the performance of receivables on a regular basis. At 31 March 2015, the entity did not consider there to be any significant concentration of credit risk which had not been insured or adequately provided for.

	30 Days	60 Days	90 days	120 Plus	Total
Contract Finance	270 476	271 724	380 522	3 377 737	4 300 458
Expansion	347 310	309 335	414 636	7 100 179	8 171 460
Franchise	17 610	18 446	18 327	1 683 520	1 737 903
Mafisa	40 658	41 037	40 790	999 571	1 122 056
Micro	234 965	233 431	230 508	948 410	1 647 314
Startup	99 603	100 951	100 148	2 490 001	2 790 703
	1 010 622	**974 924**	**1 184 931**	**16 599 418**	**19 769 894**

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

The net interest income at 2015 R1 454 261 (2014: R1 463 493).
The interest rate re-pricing profile at 31 March 2015 is summarised as follows:

	0 – 12 Months	Beyond one year	Total floating rate borrowings/ investments
Financial support loans	15 768 313	16 042 247	31 810 560
Receivable from exchange transaction	29 882 365	-	29 882 365
Cash and cash equivalents	10 607 320	-	10 607 320
	56 257 998	**16 042 247**	**72 300 245**

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

The sensitivity analysis below has been determined based on the exposure to interest rates on financial instruments at the balance sheet date. For floating rate instruments, the analysis is prepared assuming the amount of instruments outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase is used and presents management's assessment of the reasonably possible change in interest rates.

Interest rates had been 50 basis points higher and all other variables were held constant the entity's deficit for the period ended 31 March 2015 would have increased by R310 823(2014: R424 549).

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

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.

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

27. Financial Risk management (continued) Liquidity risk

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

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

Financial liabilities	0 – 12 Months	1 – 5 Years	Beyond 5 Years	Total
Trade and other payables	10 514 921	-	-	10 514 921
Finance lease liability	388 012	58 506	-	446 518
	10 902 933	**58 506**	**-**	**10 961 439**

28. Fruitless and wasteful expenditure

	2015	2014
Condoned	(401 355)	(5 541)
Current year	401 355	5 541
	-	-

Amounts spent on fruitless and wasteful expenditure for current year, as defined by Section 81 of the Public Finance Management Act of 1999 as amended, amounted to R 401 355 (2014:R5 541). This is a result of fines and penalties due to late payment to South African Revenue Services.

29. Irregular expenditure

	2015	2014
Opening balance	(2113 159)	2 833 696
Condoned	(262 198)	(4 408 235)
Current year	2 113 159	1 574 539
	-	-

During the year under review expenditure amounting to R2 113 159 (2014: R1 574 539) was spent in an irregular manner as defined by the PFMA of 1999, as amended. The details are as follows:

Details of irregular expenditure
Contract for building lease expired while waiting for new office renovation to be completed and a Study Trip tour to Germany, United Kingdom and Austria.

30. Retirement benefit information

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

The total cost charged to surplus or deficit of R10 603 219 (2014: R6 299 345) represents contributions payable to those schemes by the entity at rates specified in the rules of the schemes. The entity has no post retirement obligations for retirement benefits.

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

31. Prior period errors

The following errors relating to the previous financial years were identified: Depreciation and amortisation
During the current financial year a comprehensive review of the asset register was done to agree the asset register to the General ledger. The process resulted depreciation and amortisation difference of R302 016. This amount is adjusted in the opening Accumulated Surplus as it relates to prior periods.

Interest Calculation

In the current financial year the entity introduced and implemented the new Loan Management System which calculated the interest on 365 days whereas the old Microsoft Excel System based the interest calculation on 360 days. This basis of calculation resulted in the difference of R144 625 which was accounted for accordingly.

In relation to prior year interest management concluded that it was impractical to ascertain the difference per individual debtor. Differences on interest since the inception of the entity were not calculated due to cost vs. benefit. In addition some of the clients have since been written off, and the others settled.

32. Going concern

We draw attention to the fact that for the 2014/15 financial year GEP incured a deficit of R19 657 700, however at 31 March 2015 GEP had accumulated surplus of R73 904 195 and that the entity's total assets exceed liabilities by R73 904 195.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of GEP to continue as a going concern is dependent on a number of factors. The most significant of these is the continued funding by the Gauteng Department of Economic Development as indicated in the Estimate of Provincial Revenue and Expenditure (EPRE) for 2015/16. This publication provides a firm indication of the amount to be allocated to GEP over the Medium Term Expenditure Framework (MTEF). Therefore management is comfortable that GEP will continue as a going concern.

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

33. Notes for Statement of Comparison of Budget and Actual Amounts Material differences between the budget and actual amounts

A) An increase in revenue mainly relates to R23.9 additional grant received from the Department of Economic Development. The R10,1 million is as a result of defaulting SMME's and interest not received from SMME's.

B) The saving of R9.3 million in employee cost mainly relates to additional staff not appointed during the year. This is because there was budget constraints in Projects and Programme

C) General expenditure contains and adverse variance of R19.9 million as a result of Youth placement programme which exceeded the budget.

D) Capital expenditure is within the budget and contains a variance of R231k.

E) The R20.4 million variance is a result of serious challenges around collections which could not complement addition capital expenditure on loans.

Difference between budget and actual amounts basis of preparation and presentation

The budget and the accounting basis differ. 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.

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014
Revenue			
Grants from province		153 191 000	128 447 000
Mafisa funds		7 517 909	-
Other income		5 758 630	5 739 684
Interest income		1 454 261	1 463 493
Transnet Itireleng Fund		10 641 352	13 510 482
Gauteng Gambling Board (GGB)		8 319 140	-
Total revenue		**186 882 292**	**149 160 659**
Expenditure			
Personnel		(83 687 717)	(63 892 955)
Depreciation and amortisation		(1 594 944)	(1 723 212)
Finance costs		(52 503)	(43 020)
Debt impairment		(18 247 909)	(8 805 342)
Repairs and maintenance		(969 561)	(431 237)
General expenses	34	(101 983 551)	(72 696 267)
Total expenditure		**(206 536 185)**	**(147 592 033)**
Operating (deficit) surplus		**(19 653 893)**	**1 568 626**
Loss on disposal of assets		(18 207)	(13 800)
(Deficit) surplus for the year		**(19 672 100)**	**1 554 826**

NOTES TO THE FINANCIAL STATEMENT

Figures in Rand	Note(s)	2015	2014

34. General expenses

Advertising promotion and marketing	2 698 013	1 952 038
Auditors remuneration	2 395 501	1 844 133
Bank charges	124 205	70 678
Board meetings	73 729	82 748
Bursaries	473 535	755 404
Conferences and seminars	296 157	-
Consulting and professional fees	3 185 502	4 295 384
Courier services	2 052	9 725
Entertainment	86 849	69 772
Fines and penalties	401 356	-
IT expenses	1 948 098	1 098 822
Insurance	57 034	487 726
Library maintenance	88 117	152 305
Maintenance of software	946 227	771 553
Motor vehicle expenses	61 154	68 497
Office equipment rental	875 914	647 797
Office rent and utilities	13 599 835	12 235 489
Printing and stationery	1 169 188	568 684
Recruitment	312 092	405 448
SMME business development support	41 650 230	20 977 044
SMME product development	15 498 515	12 320 426
SMME research and development costs	5 195 295	5 622 630
SMME seminars and training	1 233 491	849 094
SMME sponsorships	2 585 174	10 500
Severance package	45 732	614 716
Community fund	2 373 972	2 075 190
Telephone and fax	2 279 206	1 741 344
Training	714 491	1 600 251
Travel - local	175 611	85 690
Travel - overseas	92 073	-
Travel reimbursement	1 345 203	1 283 179
	101 983 551	**72 696 267**

Notes

Notes

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"SEVEN YEARS OF ECONOMIC IMPACT THROUGH SMME DEVELOPMENT"

economic development

Department: Economic Development

GAUTENG PROVINCE