

PROUDLY SOUTH AFRICAN



PROUDLY
SOUTH AFRICAN



**When you see this
logo on a product...**



**you're getting quality
and protecting jobs
in SA.**

**MADE BY SOUTH AFRICANS
FOR SOUTH AFRICANS**



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PROUDLY SOUTH AFRICAN MISSION AND VALUES

Proudly South African will inspire everyone it touches with national pride.

We will provide a way to make a personal and organisational contribution to economic growth and prosperity in South Africa, thereby increasing employment opportunities and improving the quality of life for all.

We aim to achieve this through:

- Building an effective country of origin brand based on compliance with fair labour and environmental practices, quality standards as well as strong local content.
- Proactively involving all stakeholders in the Proudly South African Campaign.
- Creatively enhancing the reputation of deserving South African companies and products.
- Empowering consumers to make informed and responsible choices.
- Delivering impeccable service.
- Attracting, retaining and empowering valued employees who are passionate about Proudly South African.

**Our core values are integrity, commitment, teamwork,
pride, quality and service excellence.**



PROUDLY SOUTH AFRICAN CAMPAIGN OBJECTIVES

Objectives

For the current fiscal period the overall objective (relating directly to the Campaign criteria) has been defined as follows:

To promote a country-of-origin brand that effectively differentiates and promotes local companies, products and services which meet the Campaign criteria in respect of local content, quality, fair labour and environmental responsibility – in order to protect South African jobs and to assist in stimulating the creation of new job opportunities.

This has been pursued through:

- Pro-actively and positively influencing consumer and both public and private sector demand for and sentiment towards local goods and services, locally and internationally;
- Enhancing the reputation of participating companies, products and services, locally and internationally.

The Campaign strategy developed to give effect to the overall objective has been captured as follows:

“To build a credible and sustainable country-of-origin brand and license this brand to qualified member organization, supported by strategic business and social partner relationships, an educational media campaign to encourage consumer and procurement support, as well as the delivery of value-added services to members which enable them to leverage their association with the Campaign to improve their competitiveness”.



MESSAGE BY THE CHAIRPERSON



In retrospect, I have many fond memories of my term in office as Chairman of the Proudly South African campaign. Having grown with the Campaign, so to speak, I vividly remember numerous highlights, such as when we registered our hundredth member. Enjoying the privilege of personally experiencing the class, quality and innovation of our members, has, however, left an indelible impression.

I can perhaps single out the inaugural Homegrown Awards, since what I experienced that evening represents a snapshot of the unique creativity and talent that we possess as South Africans. As President Mbeki had said at the event, "...there are thousands of businesses and companies of all types and sizes in our country. While all share the natural desire for profit, some distinguish themselves by consciously generating other innovative paths to prosperity: creating and improving opportunities for women, mentoring and empowering informal and early-stage businesses, encouraging job creation and harnessing the striking potential of the involvement and participation of employees".

What was showcased during the Awards is proof that South Africa boasts incredible talent and skills. What was most rewarding was the fact that Proudly South African had played an integral part in promoting these companies. Our membership continued to grow despite some teething problems in certain sectors. The majority of our members in the period under review were SMMEs who at times join the campaign with varying needs and expectations. As the President aptly described them, "...these entrepreneurs range from the roadside hawker selling her wares, to the engineer with a technological breakthrough, all of whom, assisted by a conducive and stable environment, create wealth and value for themselves and for others."

I need to reiterate that the Campaign is not just for big business, but for all South Africans. Job creation is not the responsibility of government alone – it is a shared responsibility. To ensure that we succeed in our endeavours, the campaign successfully maintained relationships with key stakeholders. As chairman I have been committed to ensuring that all stakeholders play a key role in pursuit of our Campaign objectives. In our approach we had to adapt and ensure that our strategy is in line with the current agenda, politically and economically. Sector transformation was also key to ensuring that the campaign's objectives are relevant to our members.



MESSAGE BY THE CHAIRPERSON

Black Economic Empowerment (BEE) features high on the government's agenda and the Proudly South African campaign has, therefore adopted an inclusive approach to ensure market access for the previously marginalized section of the economic active population. In a previous report I had pointed out that three industry-specific empowerment charters were developed – for the financial services sector, the information and communications technology sector and the mining sector. An empowerment framework for our agricultural industry has now also been launched. Charters on BEE in the transport, construction and wine industries, as well as a tourism BEE scorecard (of were completed last year). These are important tools to promote our members' products and services and to ensure that these industries represent the true demographics of our country.

When I reflect on the broader campaign objectives adopted in 2001, I am proud to say that much has been achieved. To date the campaign has over 2 400 member cutting across all sectors of our business community. Most heartening is the increasing number of SMMEs who have not only joined, but actively made use of their memberships to improve themselves. What is now required is to ensure that the existing relationships with government, big business and communities are sustained.

Awareness of Proudly South African and South African businesses is at a high. The challenge is now to turn this awareness into tangible consumer action, where South Africans consciously search for the logo on the products and services that they buy. It is only fair to say that it is only once we have achieved large-scale consumer behaviour which favours local over foreign products that we can claim to have fully fulfilled our mandate.

Proudly South African still faces a number of challenges, which I know the new management team will address with confidence and efficiency. One such challenge, embodied by the campaign called, "Mark of Quality", is to assist consumers to differentiate accurately between the Proudly South African logo and the many other generic "Made in South Africa" logo's found on products. This campaign, therefore, aims to emphasise the unique attributes we would prefer to be associated with the Proudly South African campaign logo, such as an assurance of quality, local content, et cetera.

Secondly, many members are still facing procurement challenges and see their

membership of Proudly South African as a possible solution. Currently few companies actually have formal procurement policies in place that favour locally produced goods in preference to imported products. This points to a particularly pressing problem that Proudly South African will have to address on behalf of members with key stakeholders in the various sectors. I am pleased to report that a number big companies, who have recently joined Proudly South African, have undertaken to review their procurement policies to accommodate members, where possible.

A recent report by Grant Thornton indicates that medium-sized businesses are now employing 50% more staff than in the past. This could be taken to indicate that South Africans are more aware of their social responsibility in terms of job creation. The report mentions that while 7% of South African business owners expected to cut staff in the following year, 43% expected to increase their number of employees.

Lastly, my term in office has been very rewarding and enriching and I truly wish to thank the Proudly South African staff for their dedicated support and trust. It is your commitment, hard work and loyalty that has enabled Proudly South African to take flight and to become one of the most recognized and admired brands in the country. You have diligently served Proudly South African, its members and the people of South Africa. Because of your roles in the Campaign, I have grown as a person and was empowered to make contributions that were publicly recognized. I deeply appreciate that, and you have made me truly proud.

As we part ways, I wish you everything of the best in your challenging task to take Proudly South African to newer and greater heights. Remain the best you have always been. "Nkosi Sikeleli Afrika!

TIM MODISE
Chairperson, Proudly South African



Introduction

Proudly South African continues to grow – not just in terms of the number of companies that join the campaign, but also in terms of the impact it has on job creation and poverty alleviation. When the campaign was launched three years ago, it set broad objectives, such as promoting and creating awareness of the products and services of members, but most importantly, to add value to members' businesses.

Achieving growth and success for the campaign has been quite a challenge. The campaign managed to achieve high levels of awareness, which was crucial to ensuring that all stakeholders buy into its objectives. What has become critically important now is to turn this awareness into tangible consumer action where South Africans will actively be on the lookout for the Proudly South African logo whether they are buying CDs or food, are shopping for clothes or are looking for quality service.

We acknowledge the important role of our stakeholders in the momentous task of building a stronger brand while sensitising our consumers to support the campaign. We are further encouraged by recent statistics around job creation. An employment report released by Statistics South Africa in August 2005 revealed that the unemployment rate declined from 27,9% in March 2004 to 26,2% in September 2004. The subsequent slight increase in the unemployment rate from the level of 26,2% in September 2004 to 26,5% by March 2005 is not regarded as being statistically significant.

According to the same report, the number of employed persons rose steadily from 11,4 million in March 2004 to 11,6 million in September 2004 and 11,9 million in March 2005. The industries that registered the largest increases in employment growth between September 2004 and March 2005 were agriculture (up by 107 000 jobs) and trade (similar figure). Notably, the mining sector also posted a modest gain of 21 000 jobs – from 405 000 in September 2004 to 426 000 in March 2005.

Marketing our members

In the past financial year, Proudly South African continued with major marketing drives aimed at promoting members. A small but fast growing body of evidence suggests that consumers are increasingly becoming curious. Apart from their interest in quality, consumers want to know where the product was made and the conditions under which the product was made.

Proudly South African fostered relations with media groups in South Africa to ensure long-term



MESSAGE BY THE ACTING CHIEF EXECUTIVE OFFICER

television, print, radio and promotion campaigns aimed at enhancing high level of consumer awareness and loyalty in all market segments. These campaigns generated a total media value of at least R60-million in its first year. We expect to exceed this target year on year. Combined with the brand exposure created by sponsors, members and strategic partners it is anticipated that these campaigns will create and maintain a high level of consumer support.

Campaign leverage and impact

Although many members, especially SMMEs, are still facing massive challenges, they continue to leverage their association with the campaign. Africars represents a classic success story. The company was founded in 1990 by Free State farmers who began a wire car making business with a turnover of about R50 000. Last year the company, which managed to grow and increase its turnover to R750 000, joined Proudly South African.

When the cars were initially manufactured, it was in an unskilled fashion, with about five employees. Today the employees are skilled, producing 2 000 to 3 000 handmade wire Africars per month - replicas of popular car models. The company now employs 15 permanent staff, including a full-time traveling representative but the number of employees increase when there is a large export order to meet. Local unemployed people benefit then as the container has to be filled with 1 000 cars.

Africars have been exported to the USA since 1993, then Australia followed suit and currently most exports are destined for Australia and Britain. However, the local market still represents the strongest demand. Dreyer Wireworks is South Africa's largest wire car manufacturer and distributor, with its once opposition (Africars) now buying from the company to distribute. The beautifully handmade cars are distributed countrywide, to agents, co-operatives and also to two depots, where many sidewalk salesmen buy them to sell on the streets of the Western Cape and Gauteng!

The crafts industry in South Africa contributes about R3,5-billion a year towards the economy and generates an income for 1,2 million people. Africars is one of South Africa's most successful craft businesses - an excellent example of how members create sustainable businesses through innovation and by using their Proudly South African membership and logo to their advantage.

Partnerships

While the encouraging employment statistics are welcomed, it is also important to highlight the fact that there are sectors, such as the clothing, textile and footwear industry which require urgent attention. The recent job losses in this sector is a matter of grave concern to government, the private sector, labour unions - and Proudly South African. Statistics indicate that last year alone, over 12 000 jobs have been lost in this sector. Workers in this industry struggle to maintain jobs and decent work standards in the face of significant pressures created by globalisation and competition from sweatshop economies.

The Technical Task Team on the clothing, textiles and footwear industry set up by the Minister of Trade and Industry recently is a step forward in addressing this challenge. The parties expressed support for the Proudly South African campaign, welcomed the introduction of a label of origin on clothing, textiles and footwear articles and endorsed a code of conduct by which retailers would support the local industry, amongst others through working towards increasing the levels of local procurement, combating illegal imports and assisting industry with improvements in quality, design and speed-to-market.

During the period under review, PSA supported and partnered with the SAA Durban Fashion Week and NOKIA Cape Town Fashion Week to support a call against job losses. Both initiatives represent a strong desire and commitment to showcase the strengths, variety, high quality and affordability of local fashion products while saving jobs, and complement PSA's zstrategic aims.

Homegrown Awards

At the inaugural Proudly South African Homegrown Awards in February this year, President Thabo Mbeki honoured fifteen member companies for their achievement in proactively embracing the challenges presented by the rainbow nation.

In his address, the President emphasised the importance of the Proudly South African campaign in building a sense of national pride amongst businesses. The President stressed that while there are many companies of all types and sizes in our country who all understandably share the desire for profit, some distinguish themselves by consciously also caring about creating other types of wealth: creating and improving opportunities for women; mentoring and empowering informal and early stage businesses; improving and encouraging job creation as well as the involvement of employees.

PSA established the Homegrown Awards to showcase the achievements of Proudly South African members and the diverse spectrum of South African companies, large and small, which, through their dynamism and innovation, make a positive contribution to local, sustainable growth. Adjudicated by a representative panel of Proudly South African leaders from business, government and the community, the competition attracted an impressive 368 submissions from 198 SMME companies and 25 corporates, and included a multitude of resourceful innovations with a rousing sense of entrepreneurship.

BBBEE and job creation

Broad-based black economic empowerment and job creation is central to the campaign's success and sustainability. We therefore view the partnerships and accreditation of our members who promote broad-based black economic empowerment as important. The campaign's mission is in line with the government's strategy of empowering those who previously did not have business opportunities, while ensuring that those who have the business opportunities share the equities.

It has been revealed that aggregate employment rate

MESSAGE BY THE CHIEF ACTING EXECUTIVE OFFICER



declined dismally in 2002 and this trend continued unabated in 2003, with the youth and rural populace taking the brunt of this decline. According to the Labour Research Services (LRS) the decline in employment has been continuing unabated. In February 2001, it registered 37.0% amounting to 6.9 million unemployed people in the country. According to official statistics the current rate of unemployment in the country is at 40%, if we use the expanded unemployment figures.

Ensuring compliance with the brand

The campaign is not solely based on the fact that products are locally-made and have good quality. The campaign has also made a pledge to consumers that all products that carry the logo are made by responsible companies who care about the environment and honour fair employment principles.

Consumers who look for and purchase Proudly South African products and services are the key stakeholders in the campaign and it is vital that they have confidence that the logo is being utilized according to the rules and conditions aimed at ensuring its integrity. Therefore, members need to be aware that the misuse of the PSA logo by a member, or the use of the logo by non-members, will undermine the scheme for all members and consumer stakeholders. Research findings showed that 71% of the South African population is familiar with and has passion for the logo. This is a resounding success for a three year old brand.

Non-compliance with the criteria of the campaign will dilute the Proudly South African brand value, thereby undermining all our marketing and advertisement efforts. Therefore, members have an obligation to ensure that PSA delivers on its pledge by complying with the criteria of the campaign. Furthermore, members must establish and maintain systems and policies to ensure that their employees and agents know and comply with their responsibilities in relation to the use of the logo.

Thank you to staff and management

Thank you to all staff and management of the Proudly South African campaign for their continued dedication and hard work in ensuring the sustainability and success of the campaign. I would also like to extend our sincere gratitude to our highly valued stakeholders – our members, without whom the campaign would not exist at all. Your enthusiasm towards the campaign and continued efforts to associate yourselves with us is highly appreciated. We will continue to work with you to ensure that you leverage and use your membership to increase your sales, improve your businesses and to fly the South African image.

Lastly, extra special thanks to my colleagues at Nedlac and all our other stakeholders - the media, the suppliers and service providers. Thank you for your efforts in promoting the campaign and South Africa as a whole. We are all united in a common purpose – to make meaningful contributions to ensure that we curb job losses and help the economy grow, and in so-doing assist in creating a better life for all.

HERBERT MKHIZE
Acting CEO, Proudly South African



Tim Modise
(Chairperson)

Herbert Mkhize
(Acting CEO)

Bheki Ntshalintshali

Joseph Maqhekeni

Ebrahim Patel

Sizwe Shezi

Laura Kganyago

Dumisani Mthalande

Les Kettleidas

Mxolisi Matshamba

Dr. Vanguard Mkosana

Michael McDonald

Prof. Raymond Parsons

Khehla Mthembu

Manana Moroka



MESSAGE BY THE NEDLAC OVERALL CONVENOR OF BUSINESS

Proudly South African has enjoyed another favourable year and has firmly established itself as a significant brand in the South African marketplace, after nearly five years in existence. Proudly South African expanding membership base attests to its continued success and underscores the fact that companies and organisations want to be associated with Proudly South African as there are many benefits to be gained by displaying the easily recognisable Proudly South African Logo.

Proudly South African plays an important role in building confidence in South African products and services, and it is essential that it remains at the forefront of our efforts to promote local enterprises. Having established its credentials, so to speak, the time is now right for Proudly South African to embark on a process of self-examination and reflection in order to position itself to face up to the challenges that lie ahead. The good work undertaken to date provides an excellent foundation on which to build an even stronger organisation.

A key matter for Proudly South African as it moves into the future, is to develop standards for accreditation that will ensure that the companies it endorse offer quality products, at competitive prices, within reasonable delivery times. The Proudly South African brand needs to be expanded so that it gives not only a guarantee of local production, but also signifies to consumers that a company's products are of a high standard and are fairly priced.

A new CEO for Proudly South African should soon be appointed. Doubtless, the new incumbent will waste no time in addressing the quality aspect of the Proudly South African brand to build on the achievements thus far. Business Unity South Africa (BUSA) wishes the new CEO every success and remains, as it has been from the outset, supportive of Proudly South African and the good work that it does to promote South African goods and services. It is an organisation of which all South Africans can be rightly proud.

PROF RAYMOND PARSONS
Overall Business Convenor



MESSAGE BY THE NEDLAC OVERALL CONVENOR OF GOVERNMENT

The Proudly South African Campaign is regarded as a valuable partner in Government's vision of improving the quality of life of all South Africans. Sustainable, quality job creation and the protection of existing jobs – through the Proudly South African mandate of promoting consumer pride in and purchasing of locally produced products and services can go a long way towards enhancing the ideal of economic freedom.

The Campaign has certainly proven its potential in its establishing phase – and now the challenge remains to ensure that it escalates to the next level, characterized by increased buy local behaviour. The Government constituency acknowledges that much remains to be done to ensure increased procurement, especially from government, of products and services that bear the Proudly South African logo. The GDS commitments of 2003 relating to Proudly South African certainly have to be operationalised in the near future, while the issue of government funding of the Campaign also needs to be resolved.

We look forward to working with the Campaign to enhance business' entrepreneurial capacity and skills, as was demonstrated with joint ventures such as the free programme of nation-wide workshops - Sharpening the Edge – Doing More with Less! I would also like to express our appreciation towards the members of the Proudly South African administration who have remained innovative and committed towards this worthwhile Campaign, despite restrictions in terms of capacity and other resources. We have no doubt that this organization in itself will fulfill the Proudly South African promise in terms of quality and entrepreneurship.

Dr VANGUARD MKOSANA
Overall Convener Of Government



MESSAGE BY THE NEDLAC OVERALL CONVENOR OF LABOUR

It has again been a pleasure serving a Campaign which goes straight to the core of what the labour movement aims to achieve – the protection of jobs and the creation of job opportunities as well as the promotion of fair labour practice – attributes that contribute significantly to the shared aspirations of a better life for all. The increased number of smaller companies that had joined Proudly South African in this fiscal is taken as a good sign that the Campaign is, indeed, making a contribution towards local business stimulation, small business being generally regarded as the dynamos of our economy.

Job losses in especially the Clothing, Textile and Footwear industry, as well as the Tea and Television industry remain a cause for grave concern. Here, again, we would like to express Labour's appreciation for Proudly South African's support of these "industries in distress", including partnering with the SAA Durban Fashion Week and the Nokia Cape Town Fashion Week in an attempt to profile local designers and promote local fashion, showcasing their excellent variety, high quality and affordability, and simultaneously contributing to saving and creating jobs in this sector.

We look forward to working with Proudly South African and the integrated platform it constitutes to pursue other pressing issues such as increased local procurement in the new fiscal year. Proudly South African is regarded as an invaluable tool in pursuing economic freedom for all South Africans.

EBRAHIM PATEL
Overall Convenor Of Labour





MESSAGE BY THE NEDLAC OVERALL CONVENOR OF COMMUNITY

The Community Constituency has noted, with appreciation, the increase in the Campaign's community reach, the marketing efforts having specifically included targeting a very influential market segment for the furthering of the Campaign's aims, namely the youth. Notably, the Campaign was included in popular television programmes such as YoTv and Take 5 which are targeted at the youth and which elicit mass appeal.

The fact that the general awareness of the Campaign has peaked at 82% (November 2004 Markinor consumer research results) in the course of this fiscal year is also a good sign that the Campaign is making its impact felt. However, the challenge remains to firmly establish the link between what the Campaign aims to achieve, and the actual purchasing of the products of member companies. An enhanced alliance between the Campaign and the various community organisations to achieve a large-scale behavioural change amongst consumers in favour of locally-produced products and services could be greatly beneficial to the achievement of the Campaign's aims.

The Community Constituency believes that Proudly South African has ample scope to make its presence felt across a variety of sectors, industries and consumers throughout all nine provinces. Community looks forward to the opportunity to work with the soon-to-be appointed permanent CEO and enhanced administration, as well as the other three constituencies represented on the Proudly South African Board to ensure that the Campaign reaches its full potential in the years to come.

SIZWE SHEZI Overall Convener Of Community





MARKETING THE PROUDLY SOUTH AFRICAN CAMPAIGN

The Proudly South African campaign has grown significantly in terms of consumer awareness of the brand. Now the focus is on influencing consumers' actual purchasing behaviour. The Campaign aims to encourage consumers to actively seek out the Proudly South African logo when making purchasing decisions. Proudly South African was created with the ultimate aim of contributing to local job creation and economic growth in South Africa. The success of the campaign is also reliant on government and business supporting local initiatives by choosing Proudly South African branded products and services when making procurement decisions.

An extensive marketing and advertising campaign was run during the previous financial year. This played a major role in the exceptional performance of Proudly South African as a brand to date, attaining high awareness levels (77%) among consumers.

Following the success of 2003/2004 further marketing and advertising campaigns were developed. More interactive campaigns were run with member companies and large-scale print and radio exposure was achieved through national media.

Proudly South African is constantly seeking new ways to promote the products and services of members and to find cost effective opportunities for members to showcase their offerings under the Proudly South African banner. Wherever possible and relevant, members' products and services are used in advertising campaigns.

Advertising

Retail

The campaign which ran from February to May 2004 exposed consumers to the retail environment. The focus was to continue to assure consumers that by buying Proudly South African products and services they are creating jobs in our country. Point of sale material was developed to allow member companies to brand their products as Proudly South African at distribution outlets. The campaign utilised SABC TV, M-Net and DStv channels, various radio stations and print media.

Transformation Campaign

The central message to consumers was that they have the power to help transform the country and grow the economy by choosing Proudly South African products and services. The campaign utilised a brand TV commercial at tactical times across all SABC TV, M-Net and DStv channels, radio advertisements across all SABC stations and various independent radio stations, numerous newspapers and magazines. This was supported by tactical exposure through electronic billboards. The campaign ran from February to April 2004.

Outdoor Campaign

Over 200 billboards were utilized nationally in rural areas of South Africa, educating and building awareness of the Proudly South African campaign amongst the lower LSM groups. The billboards were partly sponsored by Proudly South African member, Clear Channel. The duration was a full year - from November 2003 to November 2004.

Airport Advertising

Extensive use was made of plasma screens and poster stands in high traffic areas throughout the Johannesburg International airport. The messages, aimed at both consumers and business were awareness-driven. The campaign ran for six months, from April to September 2004 through Three Blind Mice (TBM) Advertising, a member company. In addition, SAA had also continued to run Proudly South African brand advertising in-flight on all domestic flights.





MARKETING THE PROUDLY SOUTH AFRICAN CAMPAIGN

We want to help make the next 10 years even better.

The four "social partners" who make up the National Economic Development and Labour Council (Nedlac) – government, labour, business and community – would like to thank the many thousands of businesses, organisations and individuals who continue to support the Proudly South African campaign.

The Proudly South African campaign is a Nedlac initiative, and involves organisations and individuals from all four social partners.

Our founder sponsors have amplified the reach of the campaign. Member companies are using the distinctive logo to identify and promote their products and services. Millions of consumers and workers are actively supporting local products. Companies, local authorities, universities, hospitals and other institutions are also

"buying local" more than before. Major retailers are proudly promoting local goods. The country's media groups and community organisations have helped take the message to all corners of the country.

When you see the Proudly South African logo, it means the product or service meets high quality standards, contains at least 50% local content, is made under "fair labour" conditions and is also environmentally responsible.

This campaign is a living example of the value in partnership and collaboration. Together, we are enhancing the reputation of South African products locally and internationally, and supporting local manufacturers and SMMEs.

We are all stakeholders in Proudly South African. Increased demand for quality, high local-content products, produced under fair labour conditions, means more jobs protected and more jobs created. And that means a better quality of life for more South Africans over the next 10 years.

PROUDLY SOUTH AFRICAN

Tim Modise
Chairman, Proudly South African

Proudly South African Founder Sponsors: OLD MUTUAL, SOUTH AFRICAN AIRWAYS, Eskom, Barlowsorld, PetrolSA, the dti, SABC, SASSA, SABS, SABC

Proudly South African Strategic Partners: SABC, SASSA, SABS, SABC

Founder Broadcast Partner: SABC

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10 Years of Democracy

In celebration of this event, a campaign was created to communicate a message on behalf of Proudly South African's strategic stakeholders. It outlined the four criteria of the campaign – fair labour practices, quality products and services, local content and environmental responsibility. Proudly South African was positioned as one of the many milestones achieved in South Africa in the last decade. The campaign publicly acknowledged Proudly South African's stakeholders and how they identify with the four criteria. In addition, Proudly South African's founder sponsors were acknowledged for their invaluable contribution towards the campaign. This campaign enjoyed extensive print exposure in major regional and national newspapers during April and May 2004.

Information Campaign

A full page advertorial with an educational slant was published in major national newspapers and magazines during March and April 2004. It outlined the benefits of the campaign to both business and consumers and explained the primary

objectives of the campaign and the positive impact that purchasing local products and services can have on the South African economy.

Mark of Quality

An ad hoc advertising campaign was developed to address issues relating to compliance. A number of companies have created logos - usually incorporating the South African flag - to promote themselves in a fashion similar to Proudly South African. However, these logos generally have no real credibility as they are usually not backed by any standards or guarantees. For example, a "made

in South Africa" clothes label does not indicate a minimum level of local content. A product carrying such a label could have been made in a sweatshop, while the Proudly South African logo is backed by meaningful criteria. This campaign was run in major business and

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you're getting quality and protecting jobs in SA.

MADE BY SOUTH AFRICANS FOR SOUTH AFRICANS

MARKETING THE PROUDLY SOUTH AFRICAN CAMPAIGN



consumer magazines during May and September 2004.

Proudly South African Week 2004

The purpose of this week-long focus on Proudly South African was to motivate more consumers to consciously invest in Proudly South African products and services to substantially increase the current support rate of 23%. The advertising strategy was based purely on what South Africans need to know in terms of the Proudly South African Campaign and how supporting it, either as a business or individual consumer, contributes towards job creation and a better future for all South Africans. Proudly South African companies and brands were utilised to communicate the message, since endorsement by actual members increases the credibility thereof.

The campaign was supported by extensive publicity during Proudly South African Week, from 19 to 26 September 2004. Thanks to the overwhelming support of the media and the Proudly South African companies, the PR and publicity drive achieved over R10-million in media exposure across all mediums. Proudly South African Week also provided numerous platforms and media opportunities for PSA members.

PSA was included in popular programmes such as YoTv and Take 5 which are targeted at the youth, an important focus of the campaign.

SABC 1, 2 and 3 provided Proudly SA Week coverage on various shows including Isidingo, Pasella, 3Talk, PlayTV, All you need is love, Top Billing, Eastern Mosaic and DeafTV. Mnet ran a

A Mall of Events
Support Proudly South African Week at the following Shopping Centres

1. NORTHMEAD SQUARE - JHB
21st - 26th September
• Night Market (5 - 8:30pm)
• Live music
• Free testers and Proudly SA product displays
• Bungee Trampoline
• Singer Melanie Lowe (Pop Idol finalist)
• Face painting
• Still walkers and free balloons
• Free testers and Proudly SA product displays

2. GATEWAY SHOPPING CENTRE - MANMEDI - PTW
19th - 26th September
• Community Art Exhibition
• Live Music
• Raffles
• Free hampers
• Fashion Shows
• Traditional Fashion Show
• Cultural Dance Group
• South African Dance competition
• Art Exhibition - Judging and Prize Ceremony
• Raffle competition draw
• Donations awarded to charity organization
• Quiz playing local music
• Digital Appearances - Jacob Zuma, Mhaxima Shikwe, Pella Jordan
• Soccer Team Appearances - Sunbites, Supersport United

3. RANDRIDGE MALL - JHB
19th - 26th September
• Promotions, Fundraising and Product displays
• Restaurant Specials
• Aurora Private School Art Exhibition
• School Poster Competition
• Hela Sultan Ranch Exhibition with beaded crafts and Zulu dancers
• Face painting
• Hela Sultan Zulu dancers
• Aurora Private School Junior Choir
• Marimba Band

4. MALL OF ROSEBANK - JHB
19th - 26th September
• Side-walk sales
• Mardi Gras, Raffle, balloon sculptures, still walkers and live music
• Egoli cart to sign autographs
• Face painting

5. SHELLY CENTRE - KZN
19th - 26th September
• Guest Flower Displays (Proudly South African eggs)
• Free Temporary Proudly South African Tattoos

6. HALFOUR PARK SHOPPING CENTRE - JHB
19th - 26th September
• Pancake and Biting stalls
• Flower show
• Face painting
• Centre court displays

7. ORIENTAL PLAZA - JHB
19th - 26th September
• Grand Bazaar exhibition & displays

8. CANAL WALK - WC
19th - 26th September
• Activities at the MTN Science Centre

9. HATFIELD PLAZA - PTW
22nd September
• Student V.P. Competition with cash prizes
• Face painting
• Drum Majorettes

10. LAKESIDE MALL - JHB
24th September
• Drum Circle performances
• Face painting
• Court displays

11. SANDTON CITY - JHB
22nd - 26th September
• Gardens Eggs
• Random Harvest Logo
• Face painting

12. SARAJEV PLAZA - FS
19th - 26th September
• Traditional Food and Fashion exhibitions
• Fashion shows
• Gumball dancing
• Live performances for charity

13. HEATHY PARK - PTW
17th - 19th September
• Product exhibitions

14. GOLDEN WALK - JHB
19th - 26th September
• Bookish exhibitions
• Face painting
• Drum Majorettes

15. THE BRIDGE - EC
24th - 26th September
• The Quinlan September 2004 Charity promotion

16. CITY MALL - Klerksdorp - NC
24th - 26th September
• Excluding fun-filled activities

17. USHAKA MARINE WORLD - KZN
24th - 26th September
• Excluding fun-filled activities

18. LOCH LODGE - FS
24th - 26th September
• Excluding fun-filled activities

19. CARLTON CENTRE - JHB
24th - 26th September
• Excluding fun-filled activities

Celebrities **Shops** **Dancing**
Stalls 'n Malls **Live music** **Prizes**
Fashion **Cool kids stuff**
Night Markets **Giveaways**
Exhibitions **Mardi Gras**
and lots more...

PROUDLY SOUTH AFRICAN WEEK
19 - 26 SEPTEMBER 2004

Proudly South African week will be celebrated from 19th to 26th September this year.
This is the perfect time for all South Africans to show they are Proudly South African and participate in activities and events around the country - Celebrate with your colleagues, family and friends!

For more information go to www.proudlisa.co.za

FREE Tattoos will be given to all visitors during Proudly South African Week

The one phase of the advertising campaign followed an informative approach to generate a better understanding of Proudly South African. The other phase was more consumer-driven. A clear objective was for all South Africans to identify with some element of the advertisements. This was achieved by using ordinary citizens from the streets and shopping centres of South Africa.

competition on M-Connection sponsored by Checkers, while PSA featured extensively as a Campaign on Kyknet. The campaign was also mentioned throughout the week through Presenter Links on SABC 3.

In addition to the Television coverage received, Proudly SA Week generated numerous interviews and competitions on most regional and national radio stations and featured in some national



MARKETING THE PROUDLY SOUTH AFRICAN CAMPAIGN

as prizes for the competitions.

PSA members participated with internal and external activities for their customers and suppliers. National Retailers such as Pick 'n Pay and Shoprite produced special PSA broadsheets showcasing PSA products.

Further support for PSA Week came from nearly 30 shopping centres nationally that provided entertainment for their shoppers, using local talent. Proudly South African posters and banners were displayed throughout these participating centres.

702 and Cape Talk Proudly South African promotion for members -

“In the Spotlight” Campaign

The “In the Spotlight” Campaign ran on Cape Talk and 702 radio stations for sixteen days in September 2004. The campaign, sponsored by Proudly South African, highlighted the achievements of Proudly South African members and educated consumers on the reasons why they should support the Proudly South African campaign and products.

Ninety members actively participated in the campaign which utilised credible talk show hosts such as John Robbie, Mike Wills and Tim Modise to deliver the information.



Youth Education

Proudly South African/Simba/Total SA - Did you know? Competition

Proudly South African identified opportunities to work with member companies to educate the youth about the Proudly South African Campaign and the impact it has on their future. In September 2004 Proudly South African joined forces with Simba and Total SA to develop a childrens' competition that would focus the attention on Proudly South African products and create brand

awareness for both Simba and Total SA as Proudly South African companies.

The competition named “Did you know” involved the purchase of Simba chips at Total SA La Boutiques. This purchase entitled the customer to a map of SA and each additional purchase lead to more stickers which were linked to “did you know” clues on the map. The clues were all relevant to South Africa, its history, environment and tourism. The competition proved to be extremely successful and was also publicized in the popular national magazines - You, Drum and Huisgenoot.

KTV Market Day

During October 2004 Proudly South African participated in KTV Market Day - an opportunity for young people to create and sell their own products in the spirit of entrepreneurship. The event is national and has over 6000 participants.

In 2004 a new category for winners was introduced: Proudly South African. Stall owners were entered for this category only if they met the four basic criteria of the Proudly South African Campaign. With a direct focus on job creation, the exposure to this young market was extremely important for the Proudly South African Campaign.

Cape Town Small Business Week

Small Business Week ran in Cape Town from 20 to 22 September 2004. Proudly South African encouraged all members seeking tender opportunities not to miss the chance of doing



business and to ensure that their names are entered on the approved supplier lists of some of the country's biggest companies.

A team of independent advisers were made available to assist Proudly South African members to identify potential customers, to set up meetings with companies at the expo and to accompany



MARKETING THE PROUDLY SOUTH AFRICAN CAMPAIGN

them when they visited Small Business Week. There was no charge for this service and entry to the Expo was also free.

Workshops: Sharpening the Edge – Doing More with Less

A new and completely free programme of nation-wide workshops, specifically designed to benefit both business and their employees was launched. 'Sharpening the Edge - Doing More with Less' was a series of six informative workshops and networking opportunities held in Durban, Cape Town and Johannesburg during October 2004. Packed with relevant case studies, advice, new products and information on a range of topics, these workshops aimed to make Proudly South African member businesses more efficient by ensuring that they were kept up-to-date with the latest offerings from government and the private sector.

Proudly South African and Sunday Times Christmas Promotion

A print competition was run in the Sunday Times Special Tabloid Edition of 26 December to celebrate Christmas with Proudly South African member companies. Readers were encouraged over a three-week period to look out for the logos of Proudly South African member companies and to use a special hotline to enter them into the competition. This created awareness for the campaign and focused consumer attention on actual Proudly South African brands. Prizes were sponsored by Proudly South African members.

Christmas Trolleys of Pride Competition

Another Christmas competition was run throughout shopping centres around the country. The purpose was to increase awareness of Proudly South African brands and to encourage consumers to look out for these products and services when shopping. Ten million competition leaflets were distributed at various shopping centres.

Prizes to the value of R200 000 were sponsored by Proudly South African members. The sponsors included: Defy, Lawnstar, Environ, Club Travel, Bic SA, Clicks, Discom, Ackermans, Nola, Protea Hotels, Dennys Mushrooms, I&J, McCains, Mantellis Biscuits, Netstar, Galaxy Jewellers, Cape Umbrella, Garden Shop, Black Like Me, Planet Fitness, Plascon, Mecer, Telkom and Dawn Wing. The competition was covered twice in the You, Drum and Huisgenoot, magazines, securing extensive coverage for member sponsors.





MARKETING THE PROUDLY SOUTH AFRICAN CAMPAIGN

Sawubona Magazine Special Feature on Proudly South African Members

Sawubona Magazine, distributed on both domestic and international flights of SAA and via book stores around South Africa committed to producing a Proudly South African issue in January 2005.

This special themed issue included editorial on South African music, art, fashion and products as well as an eight-page feature on the Proudly South African campaign. It also incorporated a six-page photo essay highlighting the theme - great visuals of South Africans celebrating themselves, and the cover of the magazine had a Proudly South African theme.

In addition to the eight pages of free editorial worth R276,320, Proudly South African also negotiated six extra pages of advertising that were offered to Proudly South African members. Thirty-six member companies opted to take part in the feature and advertised their products and/or services at a greatly reduced cost.

Homegrown Awards 2005

In February 2005 Proudly South African presented the first annual Proudly South African Homegrown Awards. The Awards were created to showcase the achievements of Proudly South African members and the diverse spectrum of South African companies, large and small, whose dynamism and



innovation display a positive contribution to local sustainable growth. Adjudicated by a representative panel of Proudly South African leaders from business, government and the community, the competition attracted an impressive 368 submissions from 198 SMME companies and 25 corporate ones, and included a multitude of resourceful innovations with a rousing sense of entrepreneurship.

The Homegrown awards were introduced to showcase Proudly South African member companies who are making a real contribution to the promotion of South African innovation, employment, exports and consumer choice. Guests included President Thabo Mbeki and Minister Mandisi Mphahlele, the Minister of Trade and Industry.

Research

Research into awareness levels and support for the campaign has been conducted by a member company, Markinor, as part of its national M-Bus Survey. The survey covers 3 500 participants with 2 000 adults in various metropolitan areas in the country. It covers LSM 1-10 and represents all South African race groups.

Research results 2004

Consumer awareness levels of the Proudly South African logo and their purchase behaviour towards local products and services has been positively reflected in recent research results (Markinor M-Bus Results November 2004). 82% of the participants in the sample of 3 500 said they had seen the logo before. This reflected a substantial increase since the June 2004 M-Bus study which had registered an awareness level of 75%. 94% of consumers confirmed that they would again support the Proudly South African Campaign in the future.

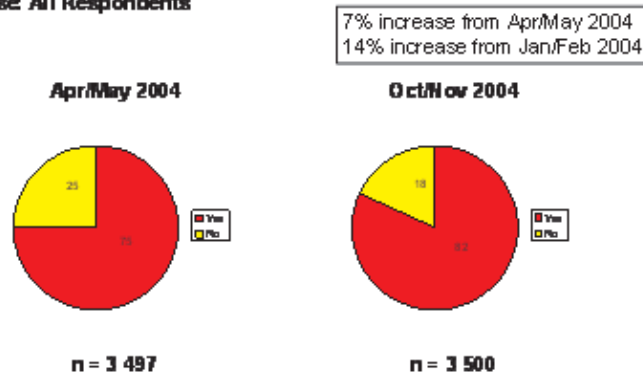
Besides raising awareness, a principal objectives of the campaign is to influence purchasing behaviour towards local products and services. Of the subjects surveyed, 24% claimed that they are actively seeking out the Proudly South African logo on products when shopping. Unfortunately this figure showed a slight decrease from 26% in the June 2004 study. This can be attributed to the Proudly South African Campaign's low visibility in terms of television and radio advertising and the need for a higher presence in-store with more Point of Sale visibility of Proudly South African products and interactive promotions with consumers.

* Markinor did not conduct any February 2005 Research, therefore no report has been included.

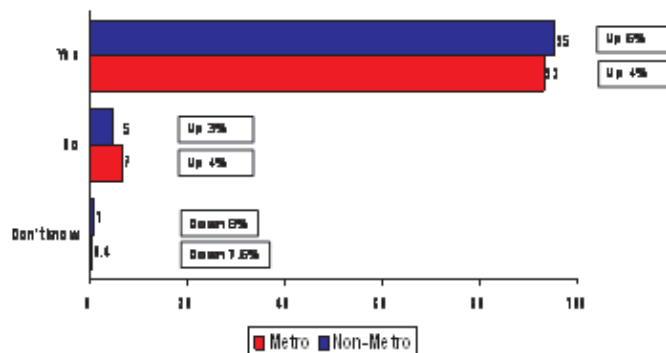


Have you seen this logo before?

Base: All Respondents

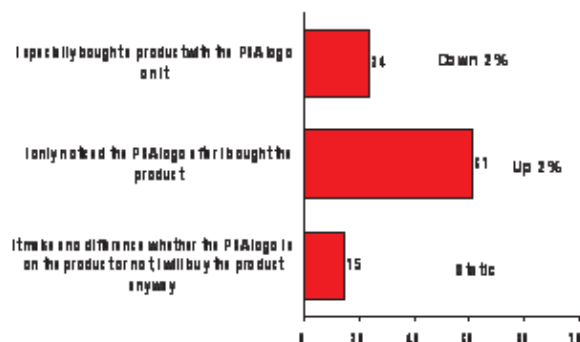


Do you believe that people like you will support this campaign and related activities in the future?



Base: All Respondents

Which of the following statements applies to your purchase of a product with the Proudly South African logo on it?



Base: Respondents who had bought a Proudly South African Product



MEMBERSHIP AND COMPLIANCE

Membership Status

The membership department's key objectives were application processing and assessment. The intention is to expand this mandate in the 2005/2006 financial year to include data verification, recruitment, sales, client relations management, member retention and member benefits.

Two thousand organizations have to date been registered on Proudly South African's member database. The majority (+70%) of the new applications come from SMMEs. The renewal rate is expected to increase to over 60% in the 2005/2006 financial year when the new renewal processes have been implemented.

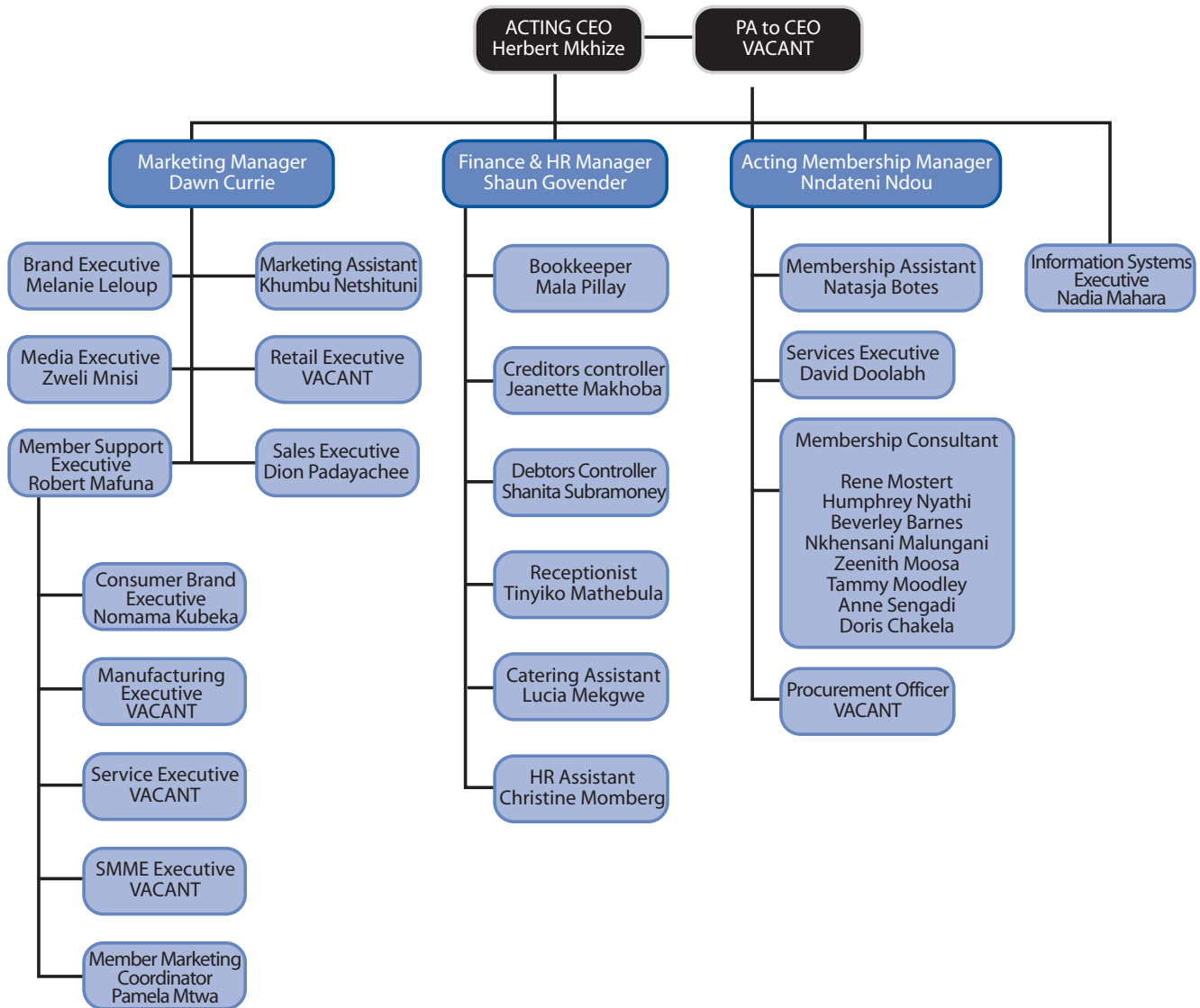
Compliance Status

Proudly South African has made a pledge to consumers that all products and services that carry the Proudly South African logo are made by companies that meet the compliance criteria. Moreover, only Proudly South African members are entitled to use the brand.

Compliance is fraught with many risks and if these risks are not minimized the credibility and reputation of the campaign will be at stake. To ensure that the Proudly South African brand is better protected, management has increased its focus on compliance, especially with regards to new applications.



PROUDLY SOUTH AFRICAN ORGANISATIONAL STRUCTURE



EMPLOYMENT EQUITY

Groupings	AFRICAN		ASIAN		COLOURED		WHITE		DISABLED		TOTAL
	M	F	M	F	M	F	M	F	M	F	
Management Team	1	0	1	0	0	0	0	1	0	0	3
Staff	3	9	1	5	0	2	0	3	0	0	23
TOTAL	4	9	2	5	0	2	0	4	0	0	26
% Representation	15%	35%	8%	19%	0	8%	0	15%	0	0	100%



HUMAN RESOURCES

EMPLOYMENT EQUITY

Groupings	AFRICAN		ASIAN		COLOURED		WHITE		DISABLED		TOTAL
	M	F	M	F	M	F	M	F	M	F	
Number of employees recruited in 2004/2005		3	1	2				2			8
Number of employees promoted in 2004/2005											
Number of employees service terminated in 2004/2005				1				1			2

EMPLOYMENT EQUITY

Groupings	AFRICAN		ASIAN		COLOURED		WHITE		DISABLED		TOTAL
	M	F	M	F	M	F	M	F	M	F	
>100 000		2									2
100-150 000		5	1	3		1		3			13
150-200 000	2	2		2		1					7
200-250 000											0
250-300 000											0
350-400 000	2	1									3
>400 000								1			1
TOTAL	4	9	2	5	0	2	0	4	0	0	26

INJURY, ILLNESS AND DEATH / SICK LEAVE / ILL HEALTH

INCIDENT	No of Days
Number of incidents of injuries or death of employees resulting from their official duties or the work environment	0
Average number of days sick leave per employee	9
Total number of days sick leave taken by employees	227
Number of employees who took sick leave for more than fifteen continuous days	0

DISCIPLINARY STEPS

DISCIPLINARY STEPS	No of Staff
Disciplinary steps taken against employees for, amongst others, unauthorised, irregular, fruitless or wasteful expenditure	0

FINANCIAL STATEMENTS



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PROUDLY SOUTH AFRICAN

We have audited the annual financial statements of Proudly South African set out on pages 26 to 28 for the year ended 31 March 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 31 March 2005 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Emphasis of matter

Without qualifying our opinion above, we draw your attention to note 10 on taxation in the financial statements which details the application for exemption from Income Tax which has not yet been received.

Supplementary information

The supplementary schedules set out on page 16 to 18 do not form part of the annual financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

Gobodo Incorporated
Chartered Accountants (S.A.)
Registered Accountants and Auditors

Johannesburg
5 August 2005



FINANCIAL STATEMENTS

PROUDLY SOUTH AFRICAN
(Registration number 2001/021636/08)

REPORT OF THE DIRECTORS for the year ended 31 March 2005

The directors present their report for the year ended 31 March 2005. This report forms part of the audited financial statements.

1. Business and operations

Proudly South African is a campaign to recognise and reward South African products and services of high quality. It allows consumers to choose a product or service that conforms to these criteria, all of which help to maintain quality of products and quality of life for all South Africans.

It also rewards businesses that maintain these criteria by allowing them to become members, and awarding them the right to use the Proudly South African Logo on their products, or to be an endorsed service.

2. Statements of responsibility

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible for independently auditing and reporting on the fair presentation of financial statements in conformity with South African Auditing Standards. The financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act, 1973.

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

3. Financial results

The results of the company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

4. Fixed assets

There have been no major changes in the fixed assets during the period or any changes in the policy relating to their use.



5. Directors

The directors of the company during the accounting period and up to the date of this report were as follows:

F Lagadien	Resigned 2005/02/25
M J Feinstein	Resigned 2004/07/31
T M Modise	Resigned 2005/02/25
P D Dexter	Resigned 2005/02/25
W M Madisha	Resigned 2005/02/25
K S Mbongo	Resigned 2005/02/25
M Mc Donald	
M Moroka	
CT Ngcukana	Resigned 2004/12/09
R Parsons	
E Patel	
R Ramashia	Resigned 2005/02/25
A Ruiters	
NP Van Heerden	Resigned 2005/02/25
J Maqhekeni	Appointed 2004/12/09
B Ntshalintshali	Appointed 2005/02/25
K Mthembu	Appointed 2005/02/25
S Shezi	
L Kganyago	Appointed 2005/02/25
V Mkosana	Appointed 2005/02/25
H Mkhize (Acting CEO)	

6. Secretary

The secretary of the company is Masincazelane Business Solutions, whose business and postal addresses are:

No 1 Leyds Street
3rd Floor
Cosatu House
Braamfontein
2001

P.O. Box 1027
Johannesburg
2000

7. Auditors

Gobodo Incorporated will continue in office in accordance with section 270(2) of the Companies Act.

8. Events subsequent to balance sheet date

The directors are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the annual financial statements, which significantly affect the financial position of the company or the results of its operations.

PROUDLY SOUTH AFRICAN
(Registration number 2001/021636/08)

REPORT OF THE DIRECTORS
for the year ended 31 March 2005

Johannesburg

5 August 2005



FINANCIAL STATEMENTS

PROUDLY SOUTH AFRICAN
(Registration number 2001/021636/08)

BALANCE SHEET
at 31 March 2005

	Note	2005 R	2004 R
Assets			
Non-current assets			
Fixed assets	2	981,012	1,026,894
Current assets			
Inventories	3	608,377	446,285
Trade and other receivables	4	1,617,488	6,133,146
Cash and cash equivalents		11,448,831	19,031,954
Total assets		<u>14,655,708</u>	<u>26,638,279</u>
Equity and liabilities			
Capital and reserves			
Distributable reserve		13,072,773	20,965,928
Current liabilities			
Trade and other payables	5	1,466,375	5,403,047
Provisions	6	116,560	269,304
Total equity and liabilities		<u>14,655,708</u>	<u>26,638,279</u>

PROUDLY SOUTH AFRICAN
(Registration number 2001/021636/08)

INCOME STATEMENT
for the year ended 31 March 2005

FINANCIAL STATEMENTS



PROUDLY SOUTH AFRICAN
(Registration number 2001/021636/08)

INCOME STATEMENT for the year ended 31 March 2005

	Note	2005 R	2004 R
Revenue		19,059,626	40,325,314
Cost of sales		<u>342,661</u>	<u>314,632</u>
Gross surplus		18,716,965	40,010,682
Other income		450	-
Operating costs		<u>27,178,080</u>	<u>27,546,593</u>
Operating (deficit)/surplus	7	(8,460,665)	12,464,089
Investment income	9	<u>567,510</u>	<u>463,003</u>
(Deficit)/Surplus for the year		<u>(7,893,155)</u>	<u>12,927,092</u>



FINANCIAL STATEMENTS

PROUDLY SOUTH AFRICAN
(Registration number 2001/021636/08)

CASH FLOW STATEMENT for the year ended 31 March 2005

	Notes	2005 R	2004 R
Cash flows from operating activities		(7,059,771)	11,904,995
Cash receipts from customers		14,590,167	35,123,537
Cash paid to suppliers and employees		(22,217,448)	(23,681,545)
Cash (utilised in)/generated by operating activities	14.1	(7,627,281)	11,441,992
Interest received		567,510	463,003
Cash flows from investing activities		(523,352)	(848,147)
<i>Expenditure to maintain operating capacity</i>			
Fixed assets acquired		(526,233)	(848,147)
Proceeds of disposals of fixed assets		2,881	-
(Decrease)/increase in cash and cash equivalents		(7,583,123)	11,056,848
Cash and cash equivalents at beginning of the year	14.2	19,031,954	7,975,106
Cash and cash equivalents at end of the year	14.2	11,448,831	19,031,954