

ANNUAL REPORT 2010-2011





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Vision

To be the centre of excellence for small enterprise development in South Africa.

Mission

To develop, support and promote small enterprises to ensure their growth and sustainability in coordination and partnership with other role players.

Values

Seda's core values are NICER

N = Nurture

I = Innovation

C = Customer Service Excellence

E = Ethical Behaviour

R = Resilience



PART 1



1. FOREWORD BY THE MINISTER OF TRADE AND INDUSTRY



The Honourable Dr Rob Davies, MP

“Through focusing on what works, we believe Seda can make a significant contribution to the targeted five million jobs...”

The 2010/2011 financial year marks a year where the Small Enterprise Development Agency (Seda) has attained satisfactory levels of stability in terms of management, strategic direction and systems. This stability comes at a time when the New Growth Path has set a target of creating five million jobs by the end of the current decade. Small enterprises contribute significantly to the creation of jobs in many developing economies. Seda, as government’s strategic instrument to provide non-financial support for small enterprise development and the implementation of the New Growth Path, has begun to re-align itself to support small enterprises in sectors that show potential for high growth.

Through focusing on what works, we believe Seda can make a significant contribution to the targeted five million jobs by prioritising work in three main areas, namely; increasing its incubation footprint throughout the country, identifying market gaps and thus unearthing opportunities for collectively owned enterprises; and providing more services to the more established and sophisticated small and medium enterprises.

The advent of democracy in South Africa 17 years ago opened the door to all South Africans to seek opportunities and participate in the economy as entrepreneurs. Unfortunately, the legacy of poor education for most South Africans has stymied the successful participation of many of our people in business. The lack of business know-how and skills has seen many aspiring entrepreneurs searching for quick fixes to business success; many opting for “tenderpreneurship” instead of pursuing positive,

1. FOREWORD BY THE MINISTER OF TRADE AND INDUSTRY

sustainable business ideas. I am proud of Seda's efforts in trying to close this skills gap in the market through various business training programmes offered to potential and new entrepreneurs.

The introduction of business incubation in the small business development sector is also assisting in closing the education and skills gaps by providing mentoring services in a structured environment for new business owners, therefore, contributing to their increased success. The network of thirty one Seda supported business incubators has progressed over the past financial year and we look forward to up-scaling this service in the coming years.

One of the identified areas of improvement in growing the economy of the continent is encouraging more African countries trading with one another. South Africa, as the biggest economy in Africa, needs to play a leading role in this regard over the next decade and beyond. Seda has begun helping local, small and medium businesses identify trading opportunities in the rest of the continent through the Trade Point Programme. We are extremely proud of the fact that Seda was able to extend the number of its Trade Point Satellite offices during the year by launching a new office in Mbombela, Mpumalanga. We also plan to assist other African countries to open Trade Points to enable a structured approach to trading with local businesses.

To provide impetus at a strategic level, I have appointed eight new Board members with much needed expertise to complement the six that were retained from the old Board. I believe that this Board, with the support of management and staff, will steer the organisation in the next financial year and beyond, and make a significant contribution to the implementation of the dti's strategic objectives.

As the shareholder, the dti will strive to ensure that Seda has the requisite resources to make a meaningful contribution to the progression of our country.



The Honourable Dr Rob Davies, MP

Minister: Department of Trade and Industry

2. OVERVIEW BY THE CHAIRPERSON OF THE SEDA BOARD



Mr Linda Joseph Mngomezulu

“Millions of Rands were committed to Seda by our partners for the delivery of small enterprise development...”

Simply put, the 2010/2011 financial year at Seda has been defined by a strong belief in the capabilities of the organisation and its cause, shown by both external and internal stakeholders. Following a concerted effort to stabilise the organisation in previous years, we are pleased to have reached a point where all our stakeholders recognise Seda as a capable and performing organisation worthy of their support and commitment.

Our delivery partners have not only pledged their support to Seda and its programmes by the positive utterances they have made about the organisation, but have backed this up by putting their money where their mouth is, as it were. Millions of Rands were committed to Seda by our partners for the delivery of small enterprise development services during the financial year, and our humble appreciation goes to them. We view this as an expression of confidence in the leadership and management of the organisation.

The success of any organisation is not possible if its workforce does not believe in its vision and what it stands for. No policy, no matter how cleverly written, can achieve its objectives without the commitment of its implementers. This is one of the key issues we have addressed with vigour as an organisation. This belief in the organisation and its cause is of course, a result of doing a number of things right, consistently. This is reflected in yet another unqualified opinion from the Auditor-General for Seda. I'd like to thank all the Board members for serving diligently on the Board and its various sub-committees. Your vision and ability to inspire keeps raising Seda to higher levels, year-in and year-out.

2. OVERVIEW BY THE CHAIRPERSON OF THE SEDA BOARD

Towards the end of the financial year the Board gave Seda a new strategic focus through which we aim to help small enterprises in high growth sectors develop and make a greater impact. These efforts are in line with our country's ambitious, but achievable, objectives to create desperately needed employment for the people of South Africa. We are confident that as we continue to put our shoulders to the wheel, we would have made considerable progress in the next review period to achieve the long term impact of improving the economic participation of small enterprises in our country. Key to achieving this long term impact is identifying opportunities for small enterprises in the identified growth sectors, approaching small business development as a journey where we set milestones and targets and continuously assess progress as well as developing our business practitioners to a level where they can comfortably work with small enterprises across the Small Medium and Micro Enterprises (SMME) spectrum, regardless of their level of sophistication. Rural enterprise development, especially up scaling cooperatives remains part of the new strategic focus.

Partnerships will be important in this regard. We will look to strengthen existing partnerships and create more with organisations and influential individuals alike for the benefit of small enterprises. We must continue to evolve and innovate in order to achieve our new objectives and show extraordinary results. I, therefore, call on all role players to engage with us to chart new paths to improve sustainable job creation and articulate clearer targets for the small business sector.

We thank our shareholder, the dti, for their continued support expressed in both words and deeds. Your confidence in us is a great source of inspiration.



Mr Linda Joseph Mngomezulu

Chairperson

3. CHIEF EXECUTIVE OFFICER REVIEW – 2010/2011



“...our most notable achievement with regards to service delivery ... clients satisfied with the quality of our services (93%).”

We are proud to have achieved another year of success on the objectives set for our organisation in the review period of 2010/2011. The implementation of our Strategic Framework, adopted in 2009, has been steady and it shows in the improvement and consistency of our results year on year.

We have tried to achieve our Strategic Objectives within the overall Goal of ensuring that the small enterprise sector grows and increases its contribution to sustainable and equitable social and economic development, employment and wealth creation.

The achievement of these strategic objectives has been attained through a concerted effort that is bound by the following: a focus on performance at all levels, continuously building Seda into a credible organisation, management role in ensuring efficient service delivery and a zero tolerance of fraud and corruption.

Probably our most notable achievement with regards to service delivery is depicted in the number of clients satisfied with the quality of our services (93%). This is corroborated by the positive rating by our clients whom were assisted by our practitioners which was recorded at 96%. This is evidence that initiatives like the Client Journey Model – which advocates for working longer with clients through the business life cycle – and the accreditation of our Learning Academy (which provides capacity building for our practitioners) by the Services Seta are having a real and positive impact in the way we deliver our

3. CHIEF EXECUTIVE OFFICER REVIEW – 2010/2011

services. We are also proud that more than a quarter of the clients we have assisted have increased the number of employees in their businesses, while close to 40% have seen an increase in turnover. We have also had to handle a more-than-expected number of people requesting assistance with registering businesses. This is most likely a consequence of the economic downturn that saw many people being retrenched and therefore seeking to open businesses to create a source of income. A key lesson learnt from the improvement assessments is that long-term focused support results in improved business sustainability.

Our client successes come from a wide range of sectors such as construction and mineral beneficiation. Max-Wezie Civils and Building from the Eastern Cape, and Mvelo Mining and Projects from the North West authenticate the impact of Seda's interventions. More examples of these successes are detailed in the performance highlights.

Our message remains; that business opportunities not unemployment, should spur entrepreneurs because such 'necessity' entrepreneurs are more likely to fail within their initial years. We aim to improve on the 57% of potential entrepreneurs who entered progressed into trading businesses this year, and develop them into sustainable businesses.

We had an objective of attracting 60,000 new clients into our service delivery points and we surpassed this target by almost 4,000 clients. The conversion rate from enquiry to client registration remains below the 50% mark, standing at 42% for this year. This is still in line with our counterparts in Brazil and India whose conversion rate is at about 40%. Poor education and lack of basic business skills among the majority of South Africans contribute to a poor rate of entrepreneurship in the country. Seda will continue trying to close this gap through our wide range of training programmes that help potential and early-stage entrepreneurs grasp the most basic and important elements of running a sustainable business.

Many of the events and other programmes would not have been possible without the assistance of our delivery partners who contributed a total of R9.63 million to our funds this year. We thank them for their contribution and look forward to a continuing collaboration through various platforms in the future.

Our endeavour towards an optimal and efficient organisation is evident in us achieving yet another unqualified audit opinion from the Auditor General. This is verification that the systems we have put in place and fine-tuned in recent years are achieving their objectives. During the year, we were able to spend 98.7% of our funds according to an approved budget. This performance depicts efficient financial and budget management by the organisation and is well within the generally accepted 5% deviation.

3. CHIEF EXECUTIVE OFFICER REVIEW – 2010/2011 (CONTINUED)

We have also continued improving our public image. For the first time in its history, our organisation has obtained, increased and sustained positive media coverage. We thank the media for the acknowledgement of our good work, the constructive criticism and for partnering with us in spreading the message of entrepreneurship in our country.

We believe our image to our own people internally has improved as well. We have put in a lot of work in trying to build a culture of high performance and professionalism within the organisation. We have actively sought to find people who are performance driven and recognise the significance of committing to an organisation's values and playing a role in its success.

Conclusion

I wish to thank the dti for their unwavering support and belief in our organisation; the Seda Board for their untiring efforts in moulding the performance-driven organisation we have become; and last, but not least, the Seda staff with whom I run the race on a daily basis. We have ensured that today is better than yesterday. Working together we will ensure that tomorrow will be better than today.



Ms Hlonela Lupuwana

Chief Executive Officer

4. SEDA BOARD



Mr Linda Mngomezulu (Chairperson)
Committees:
Chairperson – Executive Board
Member – Strategy and Organisational Performance



Adv Faith Mayimele-Hashatse
(Deputy Chairperson)
Committees:
Member – Executive Board
Member – Audit and Risk



Dr Ivor Zwane
Committees:
Member – Strategy and Organisational Performance
Member – Audit and Risk



Mr Vusumuzi Skosana
Committees:
Member – Strategy and Organisational Performance
Member – Audit and Risk



Ms Tholakele Nkambule
Committees:
Chairperson – Remuneration and
Human Resources
Member – Executive Board



Ms Fatima Habib
Committees:
Member – Strategy and Organisational Performance
Member – Remuneration and Human Resources



Ms Nafeesa Dinie
Committees:
Member – Finance
Member – Audit and Risk



Mr Mojalefa Mohoto
Committees:
Member – Strategy and Organisational
Performance

4. SEDA BOARD (CONTINUED)



Ms Precious Lugayeni

Committees:
Chairperson – Strategy and Organisational Performance
Member – Finance



Mr Dennis Thabaneng

Committees:
Member – Finance
Member – Remuneration and Human Resources



Ms Rene Kenosi

Committees:
Chairperson – Finance
Member – Executive Board



Dr Teboho Mokgoro

Committees:
Member – Strategy and Organisational Performance
Member – Remuneration and Human Resources

Dr Marius Venter

Committees:
Member – Strategy and Organisational Performance



Mr Sipho Mzolo

Committees:
Member – Remuneration and Human Resources

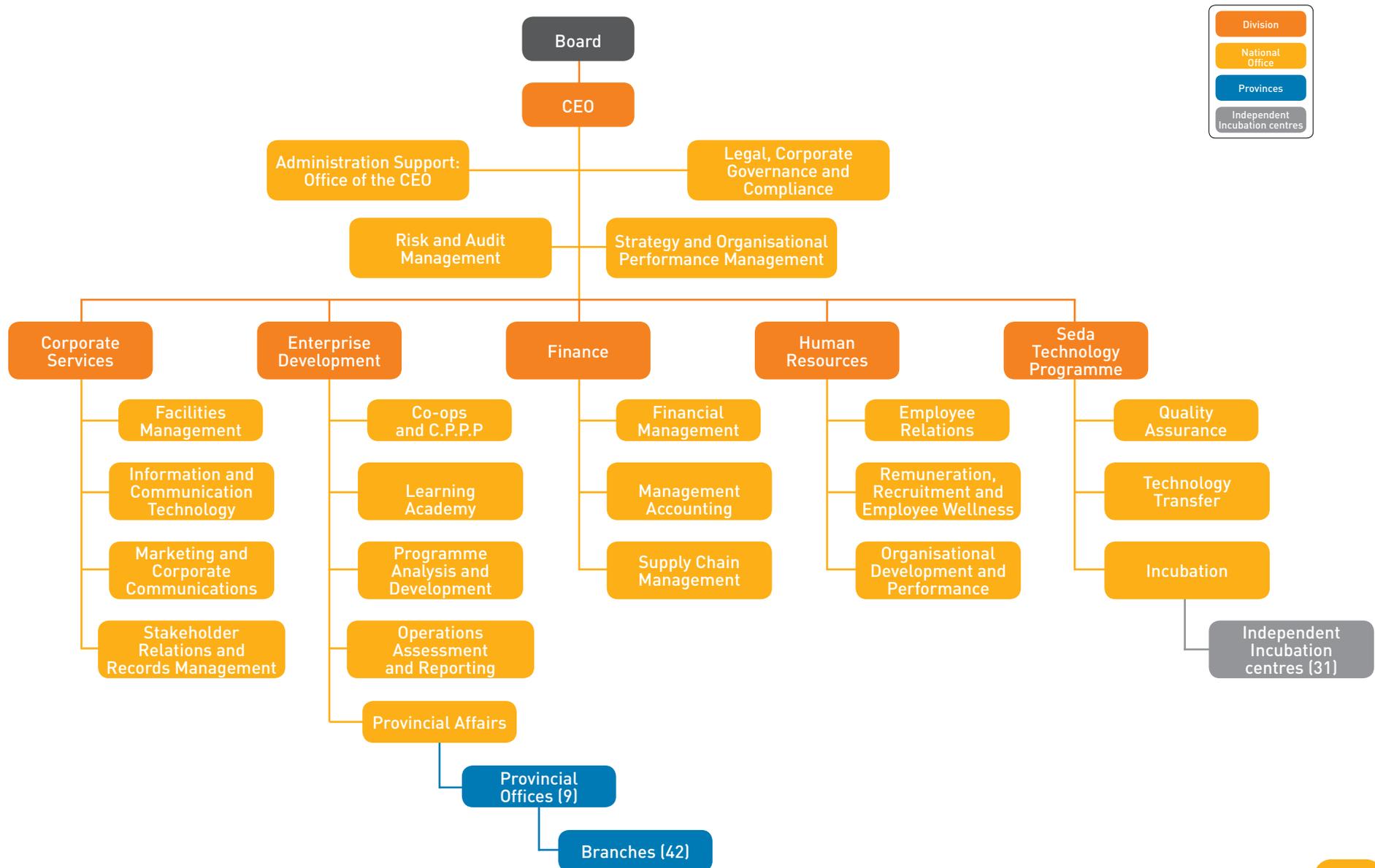


Mr Johannes Lesejane

Chairperson – Audit and Risk



5. SEDA ORGANOGRAM



6. SEDA EXECUTIVE MANAGEMENT COMMITTEE



Mr Kaybee Motlhoioa

Executive Manager: Corporate Services
B Sc, MBA



Ms Marilize Hogendoorn

Chief Financial Officer
B Com (Acc), B Compt Hons, CTA



Ms Barata Pitso

Executive Manager: Human Resources
B. Admin, Leadership Certificate

Mr Koenie Slabbert

Chief Operations Officer (Acting)
M Sc, Higher National Diploma in Production
Management



Mr Ranjit Alummoottil

Executive Manager: Seda Technology Programme
B Eng (Mechanical)



7. PERFORMANCE HIGHLIGHTS

EXECUTIVE SUMMARY

The reported performance information is based on the Seda Business Plan for 2010/2011. Overall the organisation has achieved and exceeded targets on 77% of its 52 total planned indicators. The target was achieved on 40 of the 52 indicators, with 28 exceeded by more than 5%.

The remaining 6 key performance areas were not implemented. These are the activities of the Provincial Support Teams where a decision was taken during the course of the year to focus on implementing a new system for managing client information and services rendered to them, as opposed to doing branch operations assessments. The performance areas not implemented are: peer assessment of Business Advisors, compliance of branch operations to Standard Operating Procedures (SOPs), assessment of services/projects completed as per brief, verification of client database information and compliance levels of service provider Service Level Agreements (SLAs). The organisation deferred the tracking of repeat clients assisted due to system migrations to the following financial year.

STRATEGIC OBJECTIVE 1: ENHANCE THE COMPETITIVENESS AND CAPABILITIES OF SMALL ENTERPRISES THROUGH COORDINATED SERVICES, PROGRAMMES AND PRODUCTS

Client satisfaction ensured

Of the total clients assisted, 2,916 were surveyed to assess their levels of satisfaction with the quality of Seda services. 2,707 of these clients rated the quality of services as satisfactory. This 93% satisfaction level is measured against a target of 80%.

The Seda Call Centre continues to be a much needed point of contact for potential Seda clients. The Call Centre handled 1,447 queries during the financial year.

Client business performance improved

Seda practitioners assess the effect of Seda interventions on client businesses six months after an intervention has been completed. This Improvement Assessment measures how the business is faring in terms of formalisation, graduation and growth. Of the clients assisted, 2,657 were evaluated for improvement assessment. 677 potential entrepreneurs were converted into trading businesses as

7. PERFORMANCE HIGHLIGHTS (CONTINUED)

a result of assistance from Seda. This is much lower than the target of 1,186. Although a significant number of clients expressed an interest in starting a business which can be seen in the fact that more than 60% of clients formalised (i.e. registered their businesses), the economic climate makes it difficult to get a start-up business operational and trading.

In terms of business performance improvement, 37% of the surveyed SMME clients reported an increase in turnover against a target of 35%. The cost of sales for small businesses still remains high, and as a result only 13% of the surveyed clients had an increase in gross profits against a target of 20%. Despite the South African economy shedding jobs during the 2010/2011 period, 27% of the client businesses increased the number of people employed, against a target of 25%. This is also despite Seda assisting mainly survivalist and micro businesses, which conventionally do not create jobs.

Cost ratio per client optimised

Seda's delivery model advocates for a longer term relationship and multiple interventions with a client, which enhances impact. The organisation spent on average R13, 315 per client business. The initial target of R3, 600 was set before the new delivery model was approved and implemented. In future, the organisation will continue with sustained and longer term support for SMMEs.

Capacity of Seda staff to provide quality services enhanced

Seda's Learning Academy, which is accredited by the Services Sector Education and Training Authority (Seta), hosted 1,116 training interventions during the year. The training is to enhance the skills and capabilities of Seda's Business Advisors. This training equates to a business advisor attending an average of six courses during the year. The courses are determined through on-going assessments of Business Advisors. As a result of this training, 96% of surveyed clients evaluated Seda's Business Advisors as good or excellent, against a target of 80%. Further proof is that 29% of the total projects/ interventions for the year were delivered by Business Advisors, which exceeds the target of 10%.

7. PERFORMANCE HIGHLIGHTS (CONTINUED)

STRATEGIC OBJECTIVE 2: ENSURE EQUITABLE ACCESS FOR SMALL ENTERPRISES TO BUSINESS SUPPORT SERVICES

Client reach improved

Through concerted marketing and communication efforts by the organisation, Seda interacted with 36,269 potential clients via its outreach programme conducted country wide. As a result, 63,916 potential and existing businesses were attracted to the Seda network for the first time, exceeding the target of 60,000 by over 5%. Subsequently, 26,747 clients were assessed and registered on the Seda client database. Out of these, 12,577 ended up receiving a Seda intervention during the year.

Equity ensured

The organisation is conscious of the need to bring economically disadvantaged people into economic activity and to ensure that the client base fairly represents the country's demographics. To ensure this, each province planned four events focused on: black owned, youth owned, women owned and disabled owned businesses. Sixteen black-entrepreneurship focused, nine women-focused, ten youth-focused and four disabled focused events were organised during the year. During the 2011/2012 period, the organisation will redevelop its disabled focused promotion programme and work with partners that have a national footprint. The table below details the demographic profile of Seda's assisted clients.

Table 1: Seda Client Demographics

Indicator	Target	Actual
Percentage of clients who are black-owned businesses	80%	92%
Percentage of clients who are women-owned businesses	40%	50%
Percentage of clients who are youth-owned businesses	15%	48%

7. PERFORMANCE HIGHLIGHTS (CONTINUED)

Cost sharing with delivery partners maintained

Even though most of our partners experienced funding constraints during the financial year, they continued to value Seda as a partner and hence prioritised Seda SMME business support interventions. This is confirmed by the R9,63 million that partner organisations have pledged during the year to augment Seda's funds for support services.

Effective management of Business Development Service Providers (BDSPs) ensured

The organisation makes use of external service providers to provide some of its advanced and specialised services. To ensure quality service delivery, the organisation assesses how satisfied clients are with the quality of work delivered by the service providers. The acceptable level is 85%. Shortcomings that were identified in previous years around proper management of service level agreements were attended to during the year, resulting in a satisfaction level of 89%.

Cooperation with delivery partners increased

Seda's mandate requires the organisation to facilitate, develop, co-ordinate and foster partnerships across all spheres of government, the private sector and relevant stakeholders that may assist it to achieve its objectives. Seda is a member and participates in SMME forums in every province as well as the National Council for Trade and Industry Institutions (COTII). These forums are invaluable to Seda in its effort to coordinate SMME support programme and address inherent support challenges.

There is increased demand to work with Seda as the organisation's image improves. The organisation has also proactively sourced partners to increase its outreach. At the end of the financial year, Seda had 93 operational partnerships against a target of 30. The following table shows these partnerships.

7. PERFORMANCE HIGHLIGHTS (CONTINUED)

Table 2: Seda's Operational Partnerships

	Number of Partnerships
International Partnerships :	8
National Partnerships:	6
Provincial Partnerships:	
• Eastern Cape	16
• Free State	4
• Gauteng	3
• KwaZulu Natal	15
• Limpopo	8
• Mpumalanga	17
• North West	3
• Northern Cape	11
• Western Cape	2
TOTAL	93

These partnerships cover a range of mutually beneficial areas such as:

- Co-location where Seda does not have a branch,
- Capacity building of Seda practitioners through international best practice programmes,
- Business linkages for SMMEs,
- SMME support, and
- Information and knowledge sharing.

7. PERFORMANCE HIGHLIGHTS (CONTINUED)

STRATEGIC OBJECTIVE 3: STRENGTHEN THE ORGANISATION TO DELIVER ON ITS MISSION

Seda's image improved

Seda's publicity efforts and improved performance have not gone unnoticed. The target of five positive mentions to one negative mention in the media was exceeded as the organisation received 194 positive mentions against 4 (four) negative.

Cost efficiency improved

Seda has implemented nearly all of its planned major projects, and thus has an infrastructure that is capable of delivering quality services to small enterprises. The current budget allocation is such that we prioritise service delivery. 63.78% of Seda's total funds for 2010/2011 were utilised by the provincial network.

As a result of efficient management, 98.7% of the approved funds were utilised during the year. This is within the generally accepted deviation from budget of 5%.

Systems for accountability improved

The organisation has adhered to all the statutory requirements in terms of planning and reporting and has submitted all strategic and business plans, quarterly and annual reports to the Executive Authority on time.

Support systems improved

Numerous measures have been developed to measure the effectiveness of our support systems. Twice a year, a survey is done where randomly selected staff members rate the quality of services from the support divisions. Comments from the first survey were looked into by the responsible divisions and this resulted in an overall satisfaction level of 77%.

Improvements on our Information, Communications and Technology (ICT) systems can be seen through the amount of time that our major systems were down. During the entire year, the uptime of our ICT systems was 98.58% of the time the systems are expected to be running, which is 24 hours a day. Our centralised help desk has also reduced the time taken to resolve user queries to average 24 minutes.

7. PERFORMANCE HIGHLIGHTS (CONTINUED)

The organisation has started to track the time it takes to fill a vacancy and has set a target of two and a half months. The average time taken to fill a vacancy was 6 months. Lessons learnt from assessing this performance have resulted in the recruitment procedures being amended to shorten the time. Recruitment of specialised skills has its challenges and this has had an effect on the time taken to fill some vacancies.

Employees more satisfied

Staff perceptions on working conditions, management and strategic direction have improved from the previous financial year. Based on historical trends, management had decided on 65% as a baseline figure for staff satisfaction levels. The actual staff satisfaction level was 73% at the end of the financial year.

Staff turnover also gives an indication of staff satisfaction or lack thereof. The average staff turnover rate for the four quarters was 3,68% which is significantly lower than the target of 10%.

Competence of management and staff enhanced

Seda, as a service organisation realises the need for competent and skilled staff. As a result of skills assessment, 92% of Seda staff members have personal development plans (PDPs) as part of the annual performance agreements. However, only 46% of staff was able to attend training interventions as per their PDPs. Scheduling and the cost of attending courses meant that some of these initiatives had to be reconsidered.

Results oriented culture instilled

Staff contracts are derived from divisional work plans which are aligned to the organisation's business plan. As a result, every staff member is able to align themselves with an outcome and strategic objective. Staff performance is reviewed twice a year and 90% of staff had their performance reviewed. The 10% that could not be reviewed is due to resignations before the assessments were due and employees whose contracts are less than six months.

7. PERFORMANCE HIGHLIGHTS (CONTINUED)

Staff equity ensured

Seda's staff equity targets are based on national employment statistics. The key targets are achieving 50% women employees and 0.5% employees with disability. At the end of the financial year, 61% of the organisation's employees were female and 0.7% was employees with disabilities. Although the staff profile is predominantly female, there is a need to appoint more females in management positions and this will be a focus area in 2011/2012.

SEDA TECHNOLOGY PROGRAMME

Seda Technology Programme (Stp) has successfully implemented its plan for 2010/2011 and achieved most of its targets. With full integration into Seda completed in the preceding year, Stp was able to focus on service delivery.

Objective 1: To promote the establishment and development of sustainable innovative technology-based platforms that will contribute to the country's economic growth

Stp's 31 incubators supported a total of 1,479 clients during the year, against an initial target of 500. As a result of this higher-than-anticipated clients support, the target of 250 SMMEs supported was exceeded by 506. Stp was also able to establish 202 new SMMEs against the target of 100 as a result of the virtual incubation model.

Despite economic sectors other than agriculture and construction not showing any increase in direct job creation, the programme created 893 jobs which was 10.7% below the target of 1,000 jobs. A further 2,920 indirect and 1,492 casual jobs were created through the programme interventions. In terms of client demographics, Stp exceeded the targets set. The table below details the targets and actual performance.

Table 2: Seda's Client Demographics

Indicator	Target	Actual
Percentage of clients who are black-owned businesses	73%	92%
Percentage of clients who are women-owned businesses	24%	35%

7. PERFORMANCE HIGHLIGHTS (CONTINUED)

An impact study to track the sustainability of SMMEs who have graduated from the incubation programme during the financial year was conducted during the fourth quarter. This study, to be released later in 2011/2012, will also give insight into the support that post incubation clients require. Two information sharing events and a sector-networking event for the incubators and Stp staff were hosted during the year. A further five “Open Days” were hosted to create greater awareness and understanding of incubation by critical stakeholders and role players. A visit was made to Brazil under the India Brazil South Africa (IBSA) agreement where discussions on social impact incubators were held.

Objective 2: To enhance technology transfer through structured support and funding for small enterprises

Technology transfer interventions were hampered by resource constraints during the first three quarters of the year. 26 SMMEs were assessed and supported with technology funding by the unit during the year, against a target of 10. Due to resource constraints, a further 56 small businesses were assessed and referred to government and other programmes that provide financial support and other specialised services. All four planned partnerships with technology orientated institutions could not be established, and have been prioritised for 2011/2012. As part of the integration into Seda, the policies and funding procedures were reviewed and aligned to Seda's processes during the year.

Objective 3: To promote the importance of quality and standards and provide technical support to SMMEs to improve their competitiveness and industrial upgrade

Resource constraints also had an impact on the focus of quality and standards support. Resultantly, 12 out of a scheduled 40 quality awareness workshops were held and 1,618 booklets distributed to micro and start-up businesses. 129 SMMEs were supported through conformity assessment and product testing assessments. A total of 350 attendants participated in the training on the following standards: ISO9000, ISO14000, OHSAS 18001, Food Safety, GMP and J2EX. Quality Management Systems were implemented in 26 clients.

Objective 4: To promote a unique team culture based on passion, integrity and reliability to deliver on government's mandate to stimulate growth in the economy

Stp recognises the importance of well managed incubators. To this end, the programme has assisted the incubators to establish appropriate financial systems and policies. As a result, all quarterly reports from the incubators were verified and all tranches transferred on time as per approval letters.

Objective 5: To provide administrative and secretariat support to adjudicating panels, the TBC Board Committee and the Stp Technology Advisory Board provided support during meetings

Stp provided much needed support to the incubators and committees it works with. The programme had initially planned on supporting eight meetings but at the end provided support to 44 meetings.

8. SUCCESS STORIES

From potential to success...

Thousands of potential and existing small enterprises access Seda network points on an annual basis with the conviction that Seda will assist them in achieving their goals. The first step towards realising this dream is an introduction to Seda's operations and service offerings through briefing sessions.

The entrepreneur who wishes to continue on this journey with Seda is then assigned to a Business Advisor who conducts a basic assessment and registers the entrepreneur as a Seda client. Further assessments are done using one or more of Seda's unique diagnostic tools. The diagnostic tools analyse the broader environment and also conduct a situational analysis of the business or idea. The assessments point out strengths and opportunities that can be exploited as well as shortcomings that need to be addressed.

The outputs of the assessments are one or more interventions that address the challenges identified or seek to maximise on the existing strengths and opportunities. The interventions are delivered by Seda business advisors or external Business Development Service Providers in the case of specialist services.

After the intervention has been completed, a survey is conducted to assess the levels of satisfaction of the client with the Seda

intervention, the Business Advisor as well as the Business Development Service Provider.

An Improvement Assessment is conducted six months after an intervention has been completed. The Improvement Assessment Tool evaluates how the business has improved in terms of:

- Graduation from a business idea to an operational enterprise,
- Formalisation of the business, and
- Growth which is measured in increase in turnover and number of people employed.

The assessment further evaluates the success of enterprises in accessing financial assistance and market opportunities.

A key lesson learnt from improvement assessment is that long-term, focused support results in improved business sustainability and material improvement in turnover and number of employees.

Our client success stories are drawn from a wide range of sectors and authenticate the impact of Seda's interventions.

8. SUCCESS STORIES (CONTINUED)



KOMAGGAS VLEISMARK

Province: NORTHERN CAPE

District/Branch name: Namakwa Branch

Business Name: Komaggas Vleismark

Business Type: Butchery



BACKGROUND

Komaggas Vleismark is a 100 % black owned Close Corporation and was established in 2005. The butchery is managed by Mr K Barbery who has enormous business experience. The demand within the community for butchery influenced the establishment of the business, which provided convenience for community members who had to travel very far to purchase meat. The business lacked financial management capacity and there were no quality assurance and management standards.

INTERVENTION

Financial Management – A financial management and basic bookkeeping system was implemented

Training – Training on quality management and assurance on the International Organization for Standardization (ISO), Basic Financial Management and ISO quality management was conducted

OUTCOME

Increased turn-over – due to increased client base and improved financial management and bookkeeping, there was an increase in turnover, from R108 000 to R 1 152 000 per annum.

Employment creation – The business staff compliment also increased from 3 to 6 employees.

Fixed assets and equipment acquisition – Two freezers and a till were purchased, which increased the monetary value of the asset base.



8. SUCCESS STORIES (CONTINUED)

ANDREWSHA ENTERPRISE

Province: LIMPOPO PROVINCE

District/Branch name: Capricorn Branch

Business Name: Andrewsha Enterprise

Business Type: Food Manufacturing

BACKGROUND

Andrewsha Enterprise was registered in 1999 as a close corporation. It manufactures and packages atchaar and today it boasts its own brand, Mzansi Atchaar with four flavours i.e. garlic, hot, hot garlic and mild atchaar distributed all over the Limpopo Province.

The company and its products were unknown to its target market and could not be sold in formal trading stores due to lack of branding. The other challenge was the doubts by potential formal clients whether the product was safe and healthy for consumption as it was never tested by any accredited laboratory.

INTERVENTION

Product Testing – Andrewsha’s products were taken to South African Bureau of Standards (SABS) for microbiological count and nutritional content tests and were found to be compliant and within standards. Marketing Material – Company Logo, labels with bar codes and signage was developed to enable access to formal markets and to develop an identifiable brand.

Training – Hazard Analysis and Critical Control Points (HACCP) Training was provided to capacitate the client with food safety standards and compliance. Basic Business Skill training was also provided to assist the client with business management skills.

OUTCOME

Access to Market – Due to the results from SABS and the products’ professional packaging outlook, the client managed to secure shelf space at the following retailers in Limpopo: Goseame Fruit Market, Spar Super Market, Foodzone, Brazilian Bakery and other non-franchised retailers.

Job Creation – Employment increased by 73% as eight (8) new recruits were hired resulting in a total of nineteen (19) employees.

Turn-over – due to penetration of the formal market the annual sales increased from R180 000 to R2 544 000.

Assets – Two delivery trucks and industrial manufacturing equipment was purchased increasing the value of assets from R10 000 to R500 000.

SMME COMMENT

“I have travelled a wonderful and eye opening road with Seda, I was becoming hopeless but Seda has done wonders. I’m in real business now because of Seda. When I approach the market for distribution purpose I do it with unsurpassed confidence. Thanks to Seda for all these”.



8. SUCCESS STORIES (CONTINUED)



AFRICAN FLORALUSH

Province: GAUTENG

District/Branch name: Seda Technology Programme: Technology Transfer fund Department

Business Name: African Floralush Pty Ltd

Business Type: Agro processing



BACKGROUND

The business saw an opportunity in the fresh flower export market and made use of South African developed Intellectual Property (IP). African Floralush (Pty) Ltd identified the appropriate technology and in respect of the business model to make it commercially viable.

The IP was sourced from the Nelson Mandela Metropolitan University and the technology extends the vase life of fresh cut roses from about 7 days to at least 6 months and up to 2 years. The company's core business is the preservation, marketing and export of these long life roses.

INTERVENTION

Funding – Stp approved a funding of R500 000 in 2008 for the establishment of a pilot i.e. the purchase of equipment and for the transfer of know-how and IP to the business.

Post funding support – The pilot plant was established at the beginning of 2009 and the manufacturing and preservation production processes were tested and optimised in the pilot plant over an 8 eight month period.

Product testing – Small scale production testing and market testing began in the SA market in the last quarter of 2009.

OUTCOME

Access to markets – In February 2011, African Floralush attended the Ambiente exhibition in Frankfurt, Germany (one of the largest décor shows worldwide) and has secured orders to export to Japan, France, Holland, Italy, the Caribbean, Germany and Spain.

Job creation – During the process 50 new jobs were created.

Increase in turnover – The business generates an average turnover of R450 000 per month.

Access to finance – Floralush has secured an expansion loan from IDC and is currently in the process of developing technology to also preserve other flowers and different kinds of foliage.

An international patent in 14 countries, including the USA and the EU has been applied for.

SMME COMMENT

“It is clear to see that the Seda Stp funding has yielded wonderful results and returns – for which we are extremely grateful to Seda. Without this grant, we would certainly not have been able to build this manufacturing and export business and employ over 50 people.” - JJ Viljoen (Owner)



8. SUCCESS STORIES (CONTINUED)



SITHEMBENE WOMEN DEVELOPMENT ENTERPRISE

Province: EASTERN CAPE

District/Branch name: OR Tambo Branch

Business Name: Sithembene Women Development Enterprise

Business Type: Clothing and Artwork Manufacturing

BACKGROUND

The cooperative is owned by eight (8) women from Mthatha and surrounding areas. They produce and sell sophisticated, traditional African garments. Their primary target market comprises high profile, public figures and affluent business people. The cooperative also makes use of arts festivals and exhibitions as marketing platforms.

Production is processed through what is known as networked production. In this concept Sithembene secures orders through its contacts and reputation within the target market. The work is then shared with seven other cooperatives.

INTERVENTION

Registration – The business was registered by the branch with CIPRO as a cooperative.

Access to finance – The branch took part and played a significant role in the steering committee that was set up by local government stakeholders to secure finance for the cooperative. A business plan was developed and submitted to potential funders.

Access to markets – To provide the client with better access to market opportunities, the following intervention was implemented: promotional material, website development and the client was recommended for a number of exhibitions where they showcased their work.

OUTCOME

- Business is formalised as a primary cooperative.
- Client was awarded a grant by Thina Sinako to the value of R4.7 million to build a new factory in rural Misty Mount. The factory is scheduled to open in August 2011 and will create 115 new jobs.
- Client's corporate visibility has increased and they receive more orders and enquiries, especially from public sector organisations.

SMME COMMENT

"I so wish Seda can know what difference they make in SMME's / peoples' lives. On the trips abroad, we were exposed to co-ops operations and the passion of rural development"

Vuyokazi Bodlani (Chairperson)

8. SUCCESS STORIES (CONTINUED)



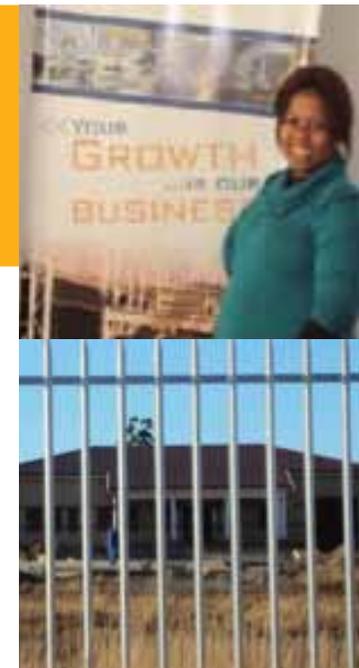
MAX-WEZIE CIVILS AND BUILDING

Province: EASTERN CAPE

District/Branch name: Seda Construction Incubator (SCI)

Business Name: Max-Wezie Civils and Building

Business Type: Civil works and General Building (CIDB grade: 6 GB PE, 4CE PE)



BACKGROUND

Max-Wezie Civils was formed in 2002. When the company joined SCI in 2009, the business employed 15 people and had an annual turnover of R9 million. The company struggled with contracts management and other necessary business administration. Together with SCI, the need to adopt proper systems and processes, as well as adequately staff the business in order to accommodate for the company growth was identified.

INTERVENTION

Incubation – The client is incubated at the Seda Construction Incubator
Capacity building – Workshops were facilitated through the Construction Industry and Development Board (CIDB).

Mentorship – SCI senior mentor provided support for a project worth R6 million, ensuring that quality and contract specifications were adhered to.

OUTCOME

Access to markets – Max-Wezie Civils and Buildings successfully completed the R6 million project and have secured two further projects for a total value of approximately R20 million.

Employment creation – As a result, 44 jobs were created and filled by 28 youth and 7 women.

8. SUCCESS STORIES (CONTINUED)



VUKA ACADEMY

Province: FREE STATE

District/Branch name: Seda Lejweleputswa

Business Name: Vuka Academy

Business Type: Driving School

BACKGROUND

Seda assisted Vuka Academy to secure a R3,5 million loan in 2010/2011. The business experienced challenges in obtaining clients, which resulted in, among other things, it battling to service the loan. Industrial Development Corporation (IDC) waived the payback of the loan for twelve months to give the company time to focus on marketing and growing the business.

INTERVENTION

Marketing material – To enable the business to attract new clients, marketing material was developed and a website was designed.

OUTCOME

Access to markets – The company was able to penetrate new markets and the local Further Education Training (FET) College and a national government department have signed agreements with the company.

Employment creation – Seven additional people were employed

Increased turnover – Despite only using 60% of its capacity, the business is able to generate revenue of R40 000 a month as well as service the IDC loan.

8. SUCCESS STORIES (CONTINUED)



STEVEN UPHOLSTERY

Province: GAUTENG

District/Branch name: Tshwane Branch

Business Name: Steven Upholstery

Business Type: Furniture manufacturing and upholstery



BACKGROUND

Stephen Mokaila started this venture three years ago with skill, passion and a determination to succeed. The business is involved in the manufacturing, restoration and repairing of household furniture. Steven Upholstery was not generating sufficient turnover to cover monthly expenses. The business was also not well known as it had minimal clientele. The absence of control systems in the inventory and production departments resulted in losses.

INTERVENTION

Training: After the business was assessed, quality management training was provided to curb the high losses suffered due to wastage. Business management training, export and import training were also provided.
Marketing – the provision of promotional material and the development of a website was also implemented.

Technology Transfer – An application to Seda Technology Programme for the replacement of machinery and equipment was made.

OUTCOME

Employment creation – Seven new jobs were created to deal with the new demand sourced through exhibitions and the marketing events.

Turnover increased – The acquisition of orders at marketing events and the accessibility of the business contributed to increased turnover, from R 8 250 a month to R 32 417 month.

Access to technology – The Stp application was successful and better equipment was installed at the premises. Better equipment resulted in increased production and higher quality products.

Quality improvement – The quality and production processes improved significantly after the training received and resulted in the business attracting high profiled clients.

8. SUCCESS STORIES (CONTINUED)



TENIKWA WILDLIFE CENTRE

Province: WESTERN CAPE

District/Branch name: Eden - George

Business Name: Tenikwa Wildlife Centre

Business Type: Wildlife Rehabilitation Centre; Conservation of Fauna

BACKGROUND

Tenikwa Wildlife Awareness Centre was established by husband and wife team; Len and Mandy Freeman, both avid animal lovers; in October 2007. They were previously involved in the breeding and selling of exotic parrots and birds, but in 2006 decided to move to the Southern Cape and concentrate on the rehabilitation and conservation of African wild cats.

The centre is privately funded, and public support goes a long way to ensuring these traumatised animals have the best care for the duration of their stay at Tenikwa. In strict accordance with Cape Nature Conservation policy, no wild animal under rehabilitation is shown to the public. They do however showcase wild cats to the public that cannot be rehabilitated, introducing cat and human to each other in a controlled and caring manner.

As with any new business, Tenikwa had to create awareness of its programmes, and needed feet through the gates to viably fund a very expensive venture. Road signage off the N2 between Plettenberg Bay and Port Elizabeth was non-existent, and they had no relevant promotional material to distribute to tourism offices and other attractions. When they officially opened to the public in August 2007, their turnover for the first month was a mere R 842.

INTERVENTION

Projects that Seda has been involved with and linkages that Seda has helped to develop since working with Tenikwa are:

Marketing Material: Road Signage on the national road at the Craggs coupled with marketing materials. Seda assisted with the process of speeding up approvals for signage on the N2 with Provincial Government, after a year of correspondence and motivations

Trade Exhibition Exposure: The most recent Seda intervention has been helping Tenikwa with an e-marketing project. A marketing project for a website and promotional material was implemented to assist with the awareness creation and sales promotions.

Access to Markets: Linkage with the Dutch based PUM Project for mentorship and coaching has also been established.

Training: Seda also conducted an initial Critical Planning Exercise with Tenikwa, assisting them with the projected budget and expenditure patterns to ascertain what was needed to be done to survive.

8. SUCCESS STORIES (CONTINUED)

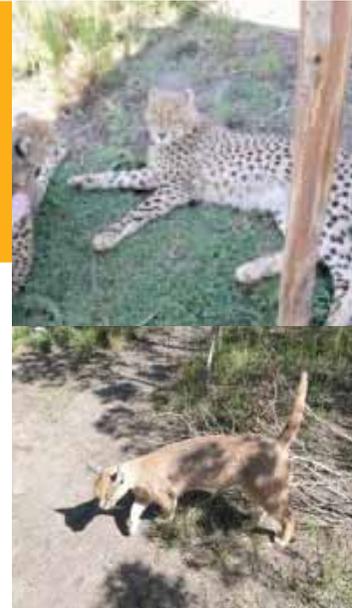
TENIKWA WILDLIFE CENTRE (CONTINUED)

Province: WESTERN CAPE

District/Branch name: Eden - George

Business Name: Tenikwa Wildlife Centre

Business Type: Wildlife Rehabilitation Centre; Conservation of Fauna



OUTCOME

Job Creation: Tenikwa currently employs 18 full-time staff members. This increased from the initial number of 9 permanent employees in September 2007;

Turn Over: And again foresees a profitable financial year-end. Based on the latest improvement assessment (first 6 months of the 2009/2010 financial year) the turnover exceeded R 3 million with the expected turnover to be in the vicinity of over R 4 million by the end of the financial year. Tenikwa managed to increase their turnover from R 36 000 in September 2007., (with 517 visitors) to an average of R 250 000 a month currently, an increase of almost 600%.

Assets: Since the inception of Tenikwa in 2007 they have self funded and added the following extensions:

- A Meerkat Enclosure
- A Leopard Enclosure

- A Penguin and sea-bird Enclosure
- A Restaurant and Deck area
- An Animal Care Facility

All these additions have been paid for out of the income generated from Tenikwa.

Access to Market: The application for signage was approved in August 2008 (Tenikwa is now sharing a sign board with Monkey land). Tenikwa recently featured on 50/50 on National TV, and were able to increase the number of wildcats from 12 in August 2007, to 26 in August 2008. They have also managed to rehabilitate more than 100 animals and birds over the year, and were successful in breeding the very rare Black Footed cats

They also managed to secure a good number of overseas visitors, especially from UK, Sweden, Holland and Belgium. Visitor numbers are now easily exceeding 2000 in high season and are still steadily growing.

8. SUCCESS STORIES (CONTINUED)



ENGINEERING SOLUTIONS CC

Province: KWAZULU-NATAL

District/Branch name: UThungulu Branch

Business Name: Engineering Solutions cc

Business Type: Metals Engineering

BACKGROUND

Engineering Solutions is a Close Corporation that was registered in 2008. The owner, Shaun Govender, bought an existing engineering business which was on the verge of collapsing. He took over all the major assets of the business including the employees who were working there. He registered the business under a new name in order to create a new image for the business. As a support company, the business holds expertise in various disciplines including, but not limited to, specialist turner machining, tool and die, jig making, boiler making and welding. The business also provides a maintenance service and turnkey refit of small to medium equipment for various plants.

When the owner visited Seda, he had just started operating under the new name and was making an average turnover of around R235 000 in the first 6 months. The business was experiencing challenges in convincing potential clients of its capabilities. The client also had to compete with around 250 other engineering businesses in the area.

INTERVENTION

Marketing Material: Seda assisted Engineering Solutions with a Marketing Plan which was aimed at strategically giving the business direction on marketing techniques. The company was to use the marketing plan to direct all its marketing and promotional activities to the identified target market. The marketing plan identified potential customers as well as the techniques to be used to turn the Company around and attract more business.

OUTCOME

Access to Market: The approach emanating from the intervention was applied and this changed the image of Engineering Solutions, as a result they have been awarded contracts from big companies such as Richards Bay Minerals (RBM), Transnet as well as other businesses in the area.

Turn Over: The business has increased its turnover to R2 000 000 per annum.

Product Testing/ Quality standard: The Company has decided to embark on an ISO 9000 programme with Seda's assistance.

8. SUCCESS STORIES (CONTINUED)



MVELO MINING AND PROJECTS

Province: NORTH WEST

District/Branch name: Bojanala West Branch

Business Name: Mvelo Mining and Projects.

Business Type: Mining: in rock mining, lubrication systems, painting and repairs.



BACKGROUND

Mvelo Mining and Projects is a 100% black owned, close corporation located in Rustenburg. Mvelo Mining and Projects provides services such as rock mining, lubrication systems, painting, repairs, supply and logistics. The company and its services were unknown to its target market and could not attract more customers to use their services, which ultimately affected their cash flow. The company had employed only 9 employees prior to working with Seda.

INTERVENTION

Business Proposal – A business proposal was compiled which was used as a tool to access Finance and Markets.

Marketing Material: Promotional materials, signage and a website were developed to increase the company's visibility and accessibility to its customers.

OUTCOME

Job Creation: Employment increased from nine (9) to a total of fifty (50) permanent employees, and the company also offers temporal assignments as and when required.

Access to Markets: Mvelo Mining has been awarded a contract of three (3) years by Anglo Platinum.

Turn Over: The Company generated an annual turnover of R11,539,463.00.

8. SUCCESS STORIES (CONTINUED)



INEMBE FOOD

Province: MPUMALANGA PROVINCE

District/Branch name: Ehlanzeni Branch

Business Name: Inembe Food

Business Type: Manufacturing of baby food

BACKGROUND

Inembe Food is a company that manufactures baby food called "Inembe Baby Food Porridge". The company was established by Mrs. Julia Kostakis six years ago, with an intention of positively enhancing the development of a healthy society which begins with healthy children. Inembe is a special, fine maize product which has excellent nutritional value, packed with multi- vitamins and minerals to grow kids into strong, healthy individuals.

The business had no formal proof that the product offered is safe for human consumption, especially by babies. The client also needed access to markets both nationally and internationally. The business started operating without a proper quality management system and lacked compliance thereof. Compliance with HACCP systems required Inembe to have access to capital for revamping the business infrastructure.

INTERVENTION

Product Testing – Inembe Baby Food Porridge was tested and analysed by SABS to determine the level of minerals, protein, fat content, dietary fibre content, carbohydrates, sodium, calcium, iron, zinc, vitamins,

selenium, riboflavin, niacin and pyridoxine.

Marketing material – Seda assisted the client with the design and development of promotional materials.

Capacity building – The business owner attended HACCP training provided by Seda Stp Quality Division.

Mentoring – Mentoring for financial management was also provided to the client for three months.

Access to finance – Seda assisted the client with the compilation of a company profile with financial projections and submitted it to ABSA for access to finance.

OUTCOME

Product testing – SABS issued a test report on all the minerals which showed that the client's measurements are in line with SABS requirements.

Access to markets – Supermarkets like Boxer Superstores in Mananga, Pigspeak and Simunye started placing orders with Inembe Food. As a result, the business attracted more clients from as far as Swaziland and other retail shops around the Nelspruit area like Crossing Spar.

Access to finance – ABSA approved a loan of R500 000 in April 2010 enabling the business to revamp its infrastructure and ensure compliance.

8. SUCCESS STORIES (CONTINUED)

TSWELLANG PELE BOMME PRIMARY COOP

Province: FREE STATE

District/Branch name: Seda Xhariep

Business Name: Tswellang Pele Bomme Primary Coop

Business Type: Agriculture Coop



BACKGROUND

Tswellang Pele Bomme is a Women's Cooperative operating from a farm called Lechabile, in the Jagersfontein and was registered in 2009.

It specialises in the produce of potherbs, spinach, collards, cabbage, potatoes, carrots, onions, beans, peas, tomatoes, and peppers.

The company experienced financial constraints as donor funding was no longer available to support their operations, and thus had no transport for deliveries and sales to the local market and could not employ more people during cultivation and harvesting.

INTERVENTION

Financial management – Preparation of Financial Statements for the Financial Years 2008/09 and 2009/10

Business planning – A business plan was developed for the Cooperative
Training – Computer Literacy Training Course was organised for the cooperative members to enhance capability of record keeping skills.

OUTCOME

Financial Management – The Cooperative acquired computerised accounting software.

Increased funding – The NDA assisted with funds to purchase a delivery vehicle to the value of R150 000.

Employment creation – 20 more seasonal workers from the local community are now employed.

Access to markets – the Cooperative has a contract to supply St. Lawrence Primary School with vegetables.

8. SUCCESS STORIES (CONTINUED)

QHUBEKA MAMA BAKERY CO-OPERATIVE

Province: MPUMALANGA

District/Branch name: Gert Sibande Branch

Business Name: Qhubeka Mama Bakery co-operative

Business Type: Bakery co-operative

BACKGROUND

Qhubeka Mama Bakery Co-operative is a business that was founded by Ms Nomsa Masilela after identifying a need for a bakery in the Silobela township, Carolina. Ms. Masilela engaged four other community members and they decided to register the business as a co-operative. Each member had to contribute R2, 000 as their starting capital in the business. The co-operative managed to secure premises next to the local taxi rank in the Silobela, Carolina.

The primary business activity is to produce bread, buns, biscuits, scones and "vetkoek" to the surrounding Carolina area. The business has a contract with the Department of Correctional Services in Carolina to supply them with bread. Lack of finance to purchase equipment as well as operational funding was a concern for the cooperative.

INTERVENTION

Business Plan: Ms. Masilela approached Seda Gert Sibande for assistance. After an assessment, a feasibility study and the business plan were conducted.

Promotional Material: Signage for marketing purposes and visibility of the business was done on behalf of the client

Training: Client was trained on business management and the development of an integrated Financial Management System

OUTCOME

Access to Finance: After the feasibility study was done and the business plan was developed, Seda recommended Qhubeka to the "Co-operative Incentive Scheme" for funding. The co-operative received funding of R 205,243.00 which was used to purchase bakery equipment including an electric baking oven, racks and mixers.

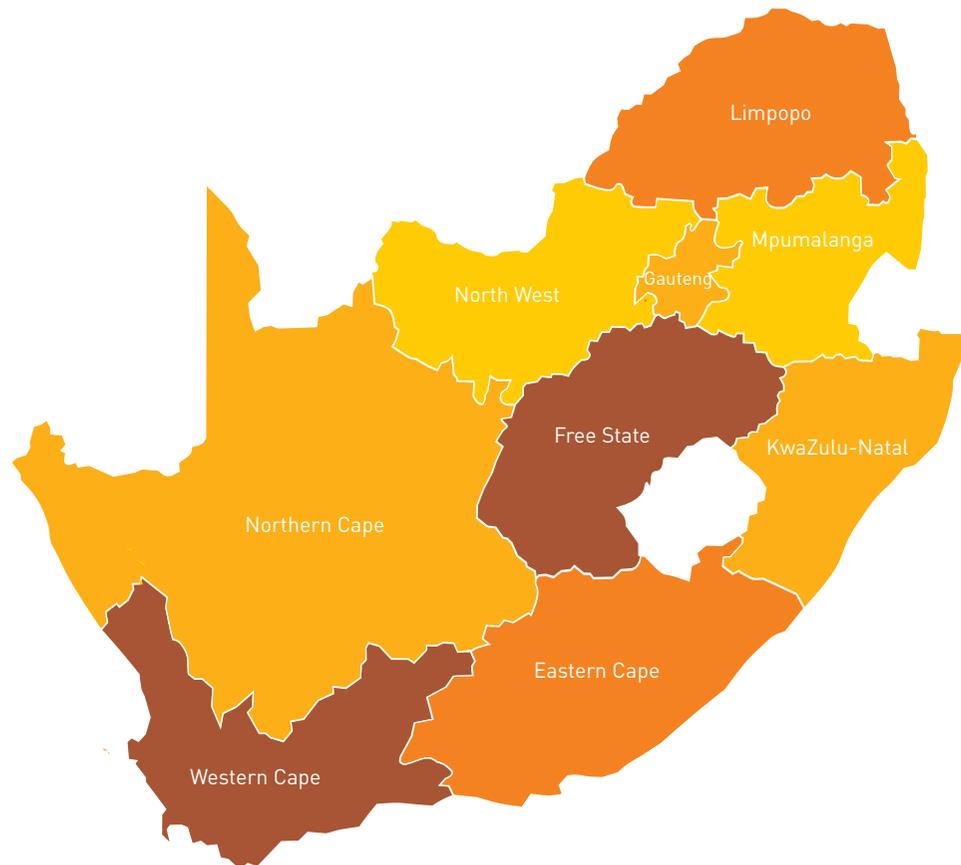
Job Creation: In addition 3 permanent jobs were created in order for the Co-operative to keep up with the demand for baked goods in their area.



PART 2



9. THE SEDA PROVINCIAL MANAGEMENT TEAM



GEOGRAPHICAL SPREAD OF SEDA PROVINCIAL OFFICES, BRANCHES, SUPPORTED INCUBATORS AND ENTERPRISE INFORMATION CENTRES

Name of Province	Seda Branches	Seda Supported Incubators	Contracted EICS
Eastern Cape	6	6	1
Free State	6	1	4
Gauteng	1	8	8
KwaZulu-Natal	6	6	1
Limpopo	5	2	6
Mpumalanga	5	5	2
Northern Cape	5	0	0
North West	5	1	7
Western Cape	3	2	3
Totals	42	31	32

9. THE SEDA PROVINCIAL MANAGEMENT TEAM (CONTINUED)



Mr Wayne Oosthuizen
Eastern Cape (Acting)



Ms Jackie Ntshingila
Free State



Mr Colin Francis
Gauteng (Acting)



Mr Lindani Dhlomo
KwaZulu-Natal



Mr Martin Rafferty
Limpopo (Acting)



Ms Ntokozo Majola
Mpumalanga



Ms Kedisaletse Williams
Northern Cape



Mr Neville Maimane
North West



Ms Sihaam Miller
Western Cape

10. SEDA SERVICE DELIVERY

ROLE OF SEDA'S OFFICES

Seda National Office

- Management, co-ordination and support to the provincial network.
- Funds disbursement and administration.
- Reporting and auditing.

Seda Provincial Offices

- Co-ordination, facilitation and support.
- Marketing and stakeholder relations.
- Service provider identification.
- Vetting and monitoring of district branches.
- Information Centre identification and support.
- Performance management.

Seda Branches

- Delivery of products and services.
- Implementation of programmes and projects.
- Identification of opportunities and business linkages for small enterprises.
- Accommodation of public and private sector partners in small enterprise development and support.
- Development, support and monitoring of enterprise information centres.

Enterprise Information Centres

- Information, referrals and advice.
- Assessments.

10. SEDA SERVICE DELIVERY (CONTINUED)

- Counselling.
- Data capturing on small enterprises, service providers and market opportunities.

Seda Supported Incubators

- Incubation of SMMEs
- SMME support

In addition to the above, the Seda network works closely with private sector partners in order to help Seda deliver its services. While Seda's own staff members in branch offices deliver generic services, a large number of specialised service providers are engaged by Seda to provide training programmes and advisory services for Seda customers.

SEDA'S SERVICES AND PROGRAMMES

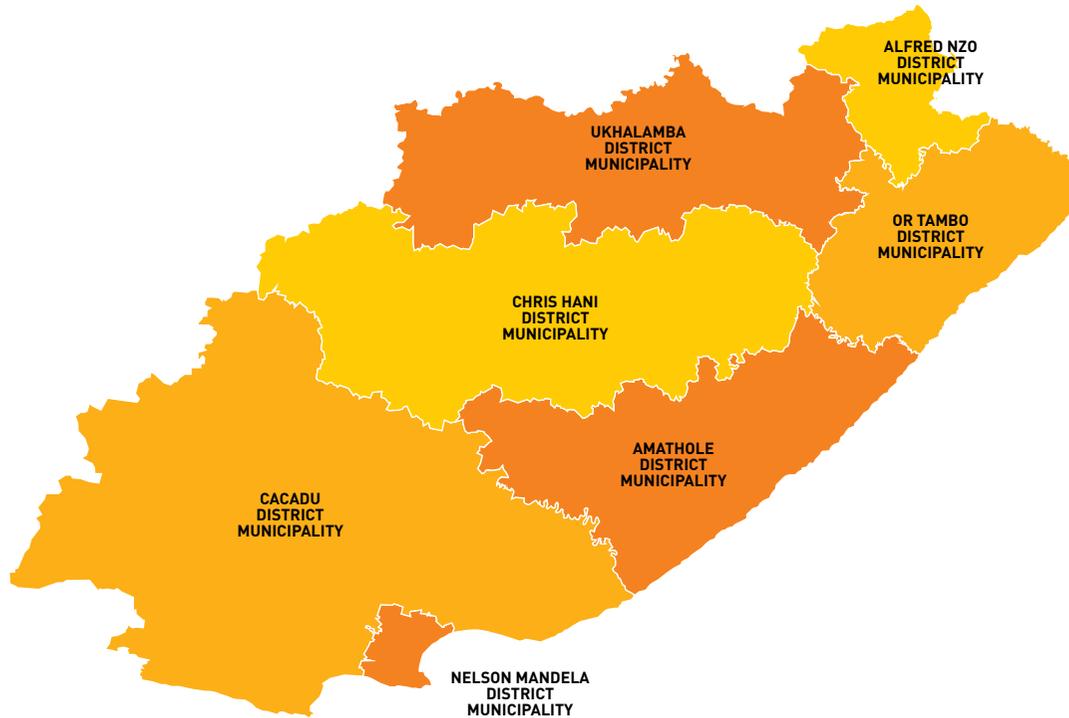
Seda provides business related information, advice, consultancy, training and mentoring services in all areas of business development. These services aim at providing solutions related to various business functions from production to human resources, finance and marketing and exporting. Through the Stp, Seda also provides business and technology incubation services, as well as incentives for management systems implementations (such as ISO9001 and OHSAS 18001), product testing and certification, as well as acquisition of machinery and equipment.

Seda aims at establishing a long-term relationship with clients. Before embarking on any intervention, Seda Business Advisor assesses the needs of the client first. Based on the assessment, the client, together with the Seda Business Advisor, draft a development plan for him/her with specific development interventions. These services are delivered to the client by Seda's own staff and through specialised service providers.

Seda is also developing a set of programmes for its customers from particular sectors prioritised in the Industrial Policy Action Plan (IPAP) and New Growth Path (NGP), such as manufacturing, agriculture and services.

11. SEDA PROVINCIAL OFFICES

EASTERN CAPE

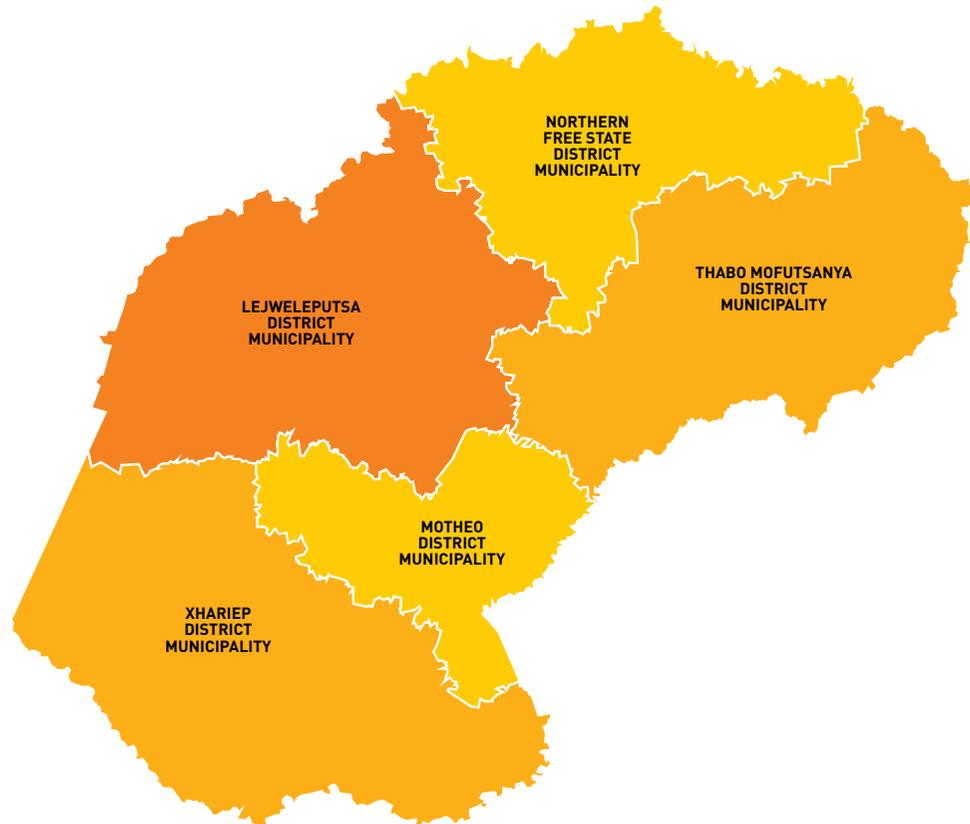


BRANCH NAME	LOCATION
Seda Amathole	East London
Seda Chris Hani	Queenstown
Seda Nelson Mandela Metro	Port Elizabeth
Seda Nelson Mandela Metro (Satellite)	Uitenhage
Seda OR Tambo	Mthatha
Seda Alfred Nzo	Mt Ayliff

INCUBATOR NAME	LOCATION
Chemin Port Elizabeth	Port Elizabeth
Seda Nelson Mandela Bay ICT Incubator (SNMBICTI)	Port Elizabeth
Seda Construction Incubator (SCI) Port Elizabeth	Port Elizabeth
Chemin East London	East London
Furntech Mthatha	Mthatha
Seda Construction Incubator (SCI) Mthatha	Mthatha

11. SEDA PROVINCIAL OFFICES (CONTINUED)

FREE STATE

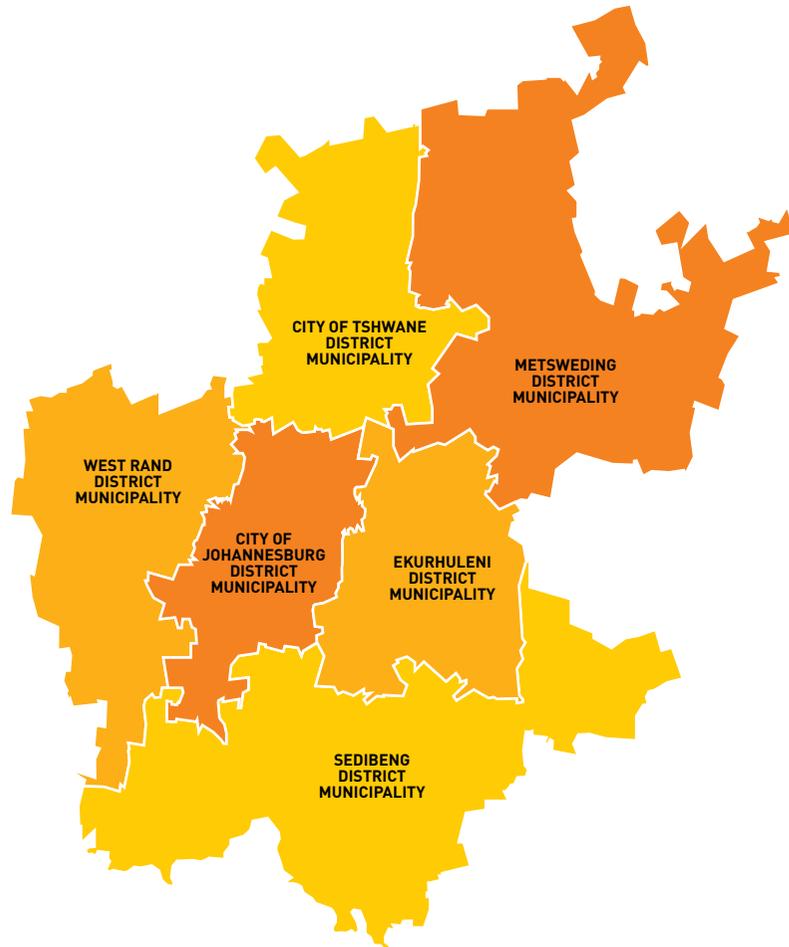


BRANCH NAME	LOCATION
Seda Lejweleputswa	Welkom
Seda Mangaung	Bloemfontein
Seda Fezile Dabi	Kroonstad
Seda Metsimaholo (Satellite)	Sasolburg
Seda Nelson Mofutsanyane	Phuthaditjhaba
Seda Xhariep	Trompsburg

INCUBATOR NAME	LOCATION
Seda Agricultural and Mining Tooling Incubator	Bloemfontein

11. SEDA PROVINCIAL OFFICES (CONTINUED)

GAUTENG

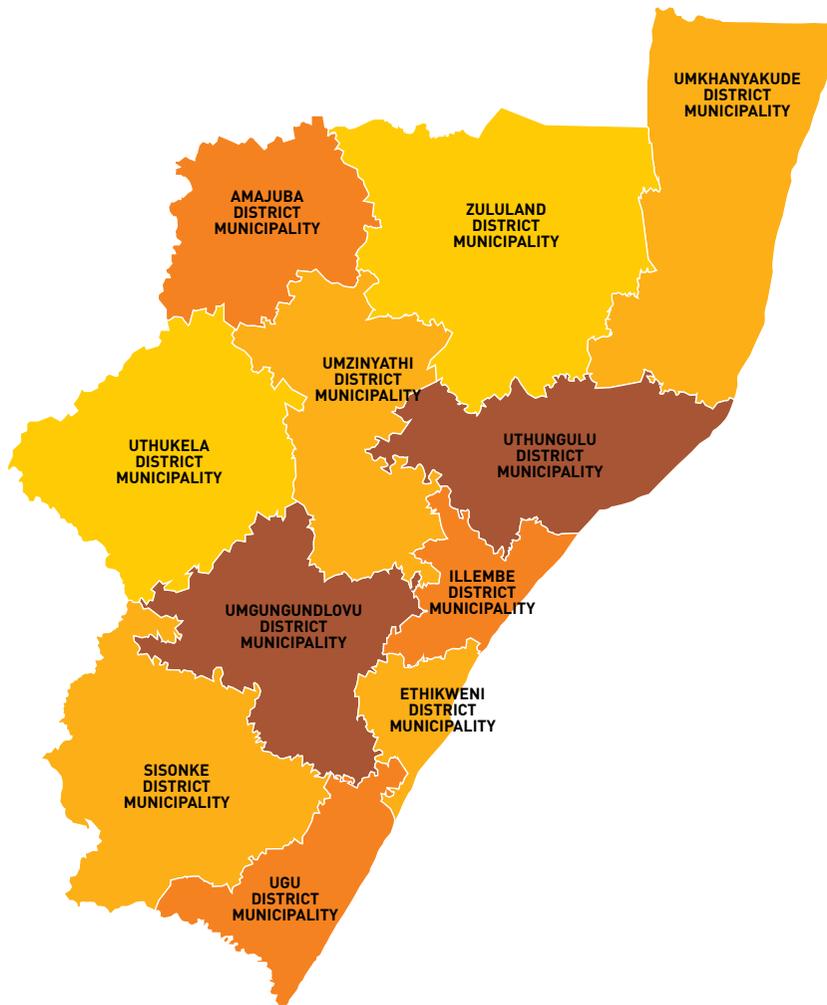


BRANCH NAME	LOCATION
Seda Tshwane	Pretoria

INCUBATOR NAME	LOCATION
EgoliBIO	Pretoria
Seda Essential Oils Business Incubator (SEOBI)	Pretoria
Furntech Johannesburg	Johannesburg
Lepharo	Springs
Softstart BTI	Midrand
Seda Automotive Technology Centre (SATEC)	Roslyn
Soshanguve Manufacturing Technology Demonstration Centre (SMTDC)	Soshanguve
Zenzele Technology Demonstration Centre	Randburg

11. SEDA PROVINCIAL OFFICES (CONTINUED)

KWAZULU-NATAL

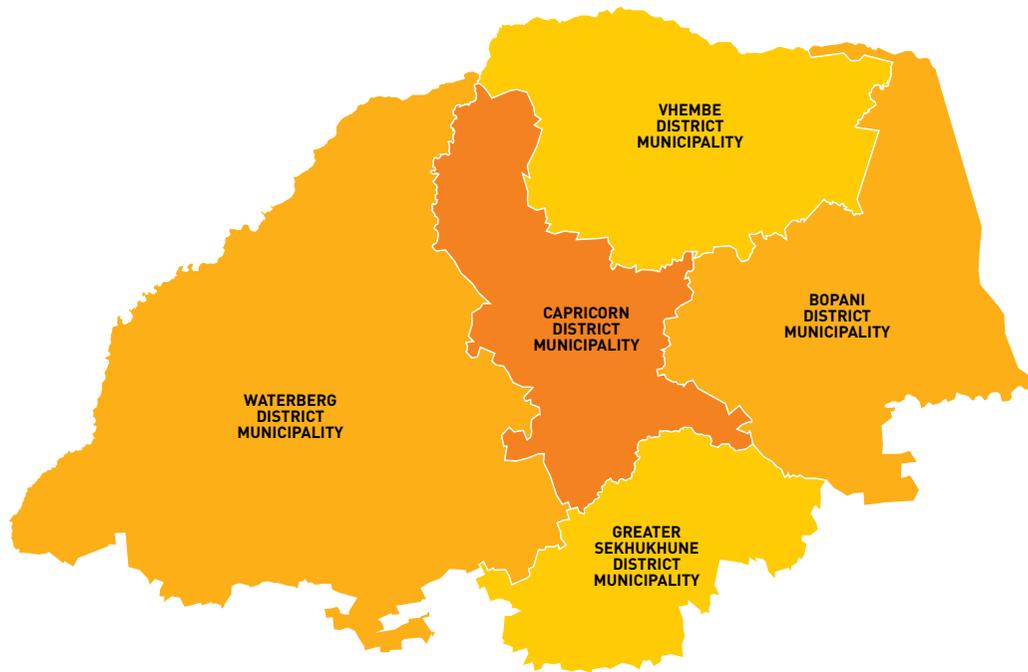


BRANCH NAME	LOCATION
Seda Amajuba	Newcastle
Seda uGu	Port Shepstone
Seda uMgungundlovu	Pietermaritzburg
Seda Sisonke	Ixopo
Seda uThukela	Ladysmith
Seda uThungulu	Richards Bay

INCUBATOR NAME	LOCATION
Downstream Aluminium Centre for Technology (DACT)	Richards Bay
Furntech Durban	Durban
Seda Construction Incubator (SCI) Durban	Durban
Seda DUT Technology Incubator	Durban
Furntech Umzimkhulu	Umzimkhulu
Seda Construction Incubator (SCI) Dundee	Dundee

11. SEDA PROVINCIAL OFFICES (CONTINUED)

LIMPOPO

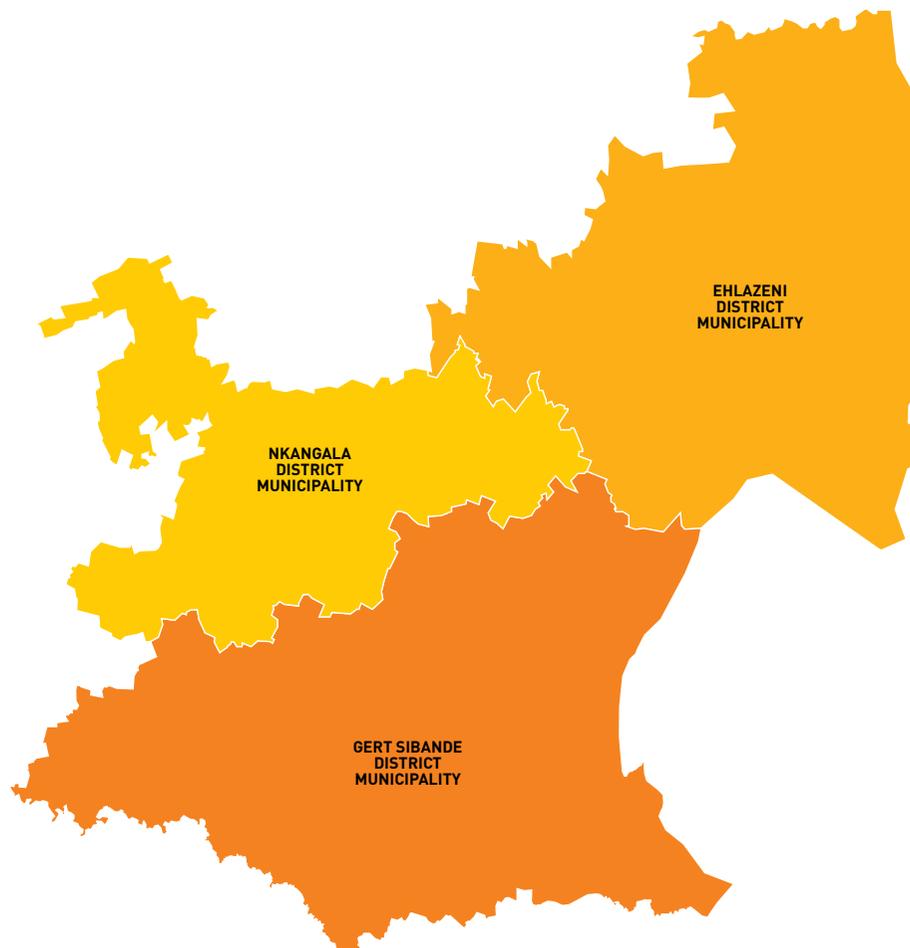


BRANCH NAME	LOCATION
Seda Capricorn	Polokwane
Seda Modimolle	Mokopane
Seda Sekhukhune	Jane Furse
Seda Mopani	Tzaneen
Seda Vhembe	Thohoyandou

INCUBATOR NAME	LOCATION
Makfura Makhura Incubator	Marble Hall
Seda Limpopo Jewellery Incubator (SLJI)	Polokwane

11. SEDA PROVINCIAL OFFICES (CONTINUED)

MPUMALANGA

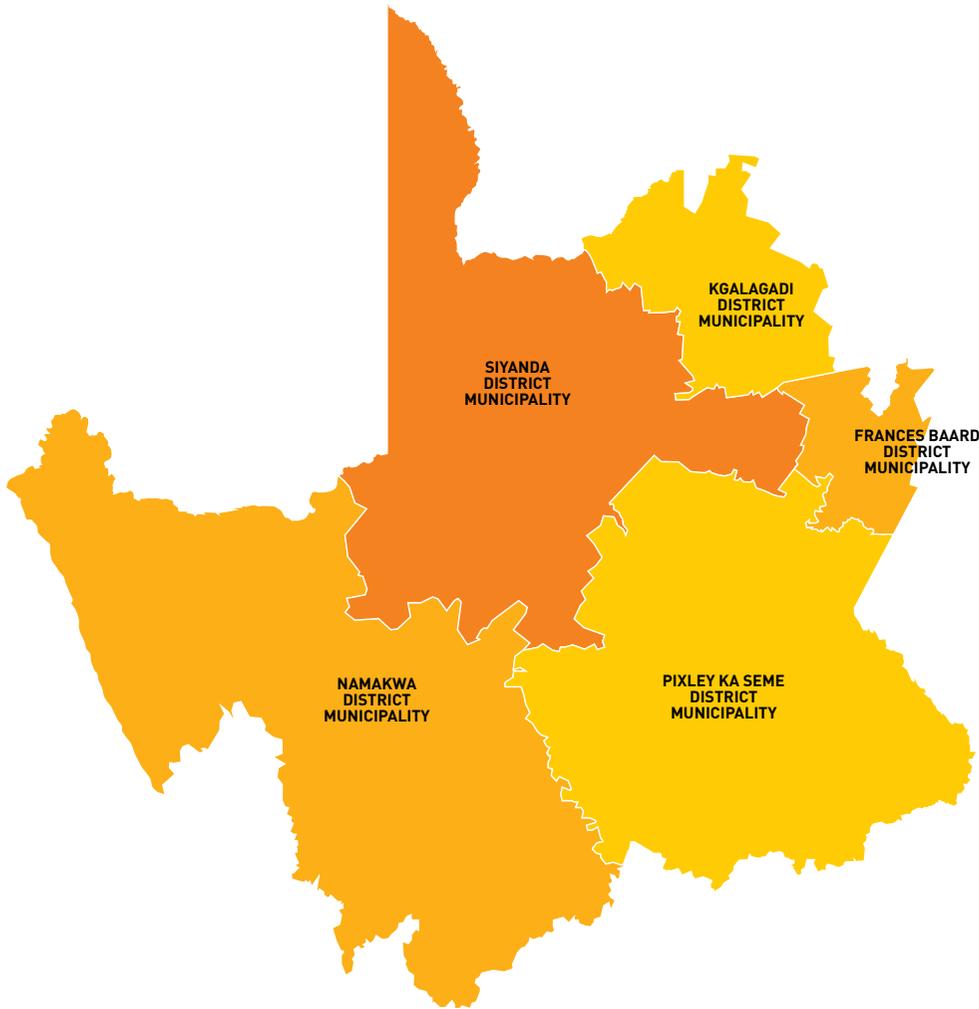


BRANCH NAME	LOCATION
Seda Bushbuckridge	Bushbuckridge
Seda Ehlanzeni	Nelspruit
Seda Gert Sibande	Secunda
Seda Nkangala	Witbank
Seda Nkomazi	Malelane

INCUBATOR NAME	LOCATION
Furntech White River	White River
Mpumalanga Stainless Steel Initiative (MSI)	Middelburg
Mpumalanga Agri-skills Development & Training (MASDT)	Nelspruit
Seda Sugar Cane Incubator (SESUCI)	Nelspruit
Timbali	Nelspruit

11. SEDA PROVINCIAL OFFICES (CONTINUED)

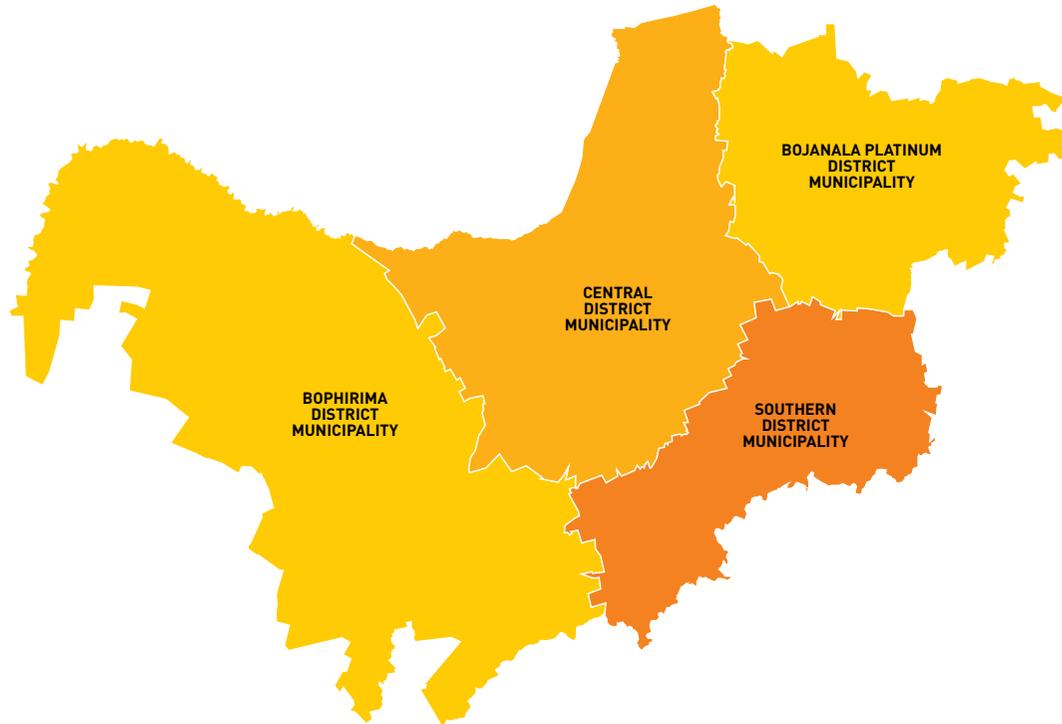
NORTHERN CAPE



BRANCH NAME	LOCATION
Seda Frances Baard	Kimberley
Seda Kgalagadi	Kuruman
Seda Namakwa	Springbok
Seda Pixley ka Seme	De Aar
Seda Siyanda	Upington

11. SEDA PROVINCIAL OFFICES (CONTINUED)

NORTH WEST

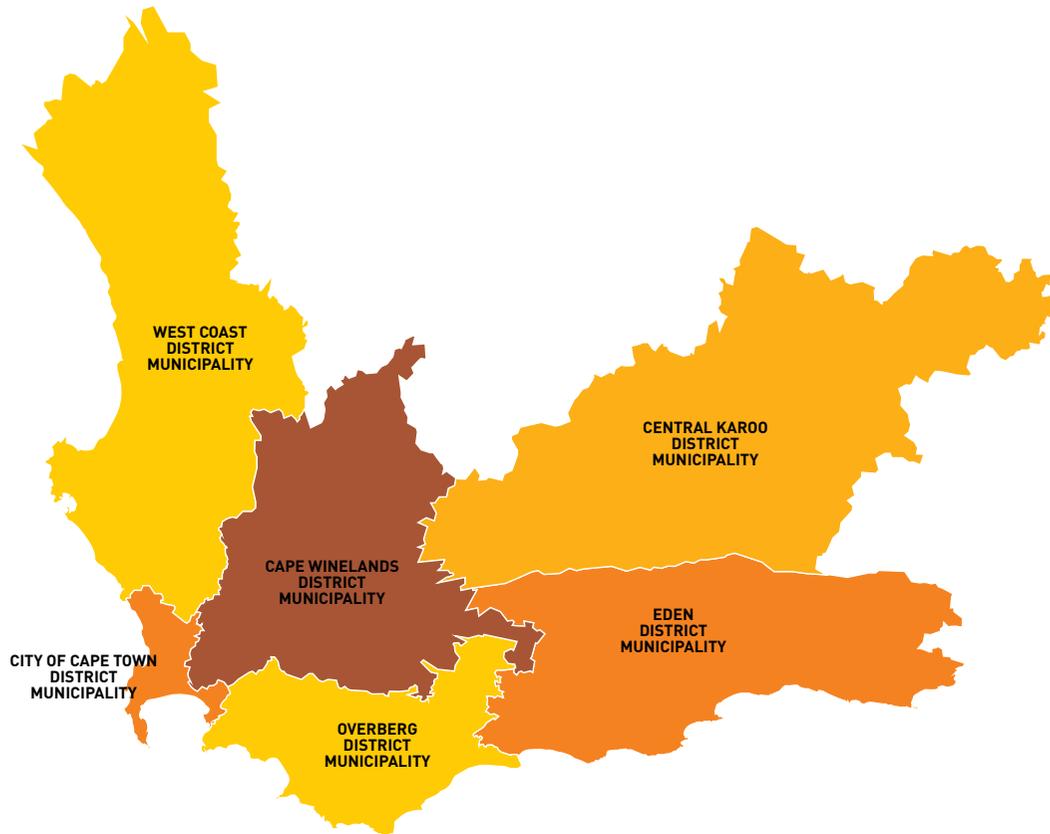


BRANCH NAME	LOCATION
Seda Bojanala West	Rustenburg
Seda Bophirima	Vryburg
Seda Dr Modiri Molema	Mafikeng
Seda Bojana East	Brits
Seda Dr Kenneth Kaunda	Klerksdorp

INCUBATOR NAME	LOCATION
Seda Platinum Incubator (SPI)	Rustenburg

11. SEDA PROVINCIAL OFFICES (CONTINUED)

WESTERN CAPE



BRANCH NAME	LOCATION
Seda Cape Town	Bellville
Seda Eden	George
Seda Cape Winelands	Stellenbosch

INCUBATOR NAME	LOCATION
Furntech Cape Town (Head Office)	Cape Town
Furntech George	George

12. SEDA'S PEOPLE

SEDA HUMAN RESOURCES REPORT 2010/11

Staff Composition and Employment Equity

Table1: Staff composition by business unit at 31 March 2011

Name of Unit/Province	Staff List as at 31 March 2011	Vacancies as at 31 March 2011	% Vacancy Rate as at 31 March 2011
Human Resources	14	2	13%
Chief Executive Officer	19	3	14%
Enterprise Development Division	40	6	13%
Corporate Services	46	7	13%
Chief Financial Officer	21	3	13%
Seda Technology Programme	20	7	26%
TOTAL NATIONAL OFFICE	160	28	15%
Eastern Cape	58	8	12%
Free State	55	8	13%
Gauteng	17	7	29%
KwaZulu-Natal	60	3	5%
Limpopo	43	6	12%
Mpumalanga	58	9	13%
North West	49	2	4%
Northern Cape	54	8	13%
Western Cape	42	3	7%
TOTAL PROVINCIAL	436	54	11%
GRAND TOTAL	596	82	12%

12. SEDA'S PEOPLE (CONTINUED)

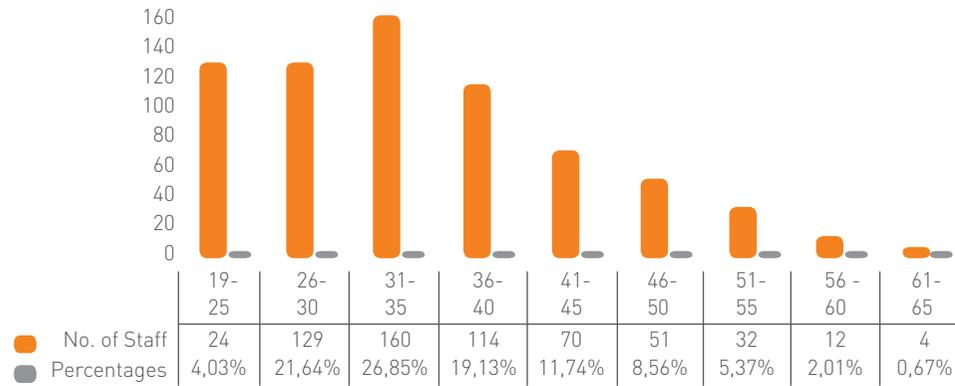
Table 2: Staff employment by occupational category and levels as at 31 March 2011

Occupational Category	Male					Female				Foreign Nationals		TOTAL
	Afr	Col	Ind	Whi	Total	Afr	Col	Ind	Total	Males	Females	
Top Management	1	0	1	0	2	2	0	0	3	0	0	5
Senior Management	8	1	2	0	11	10	2	0	13	0	0	24
Mid Management and qualified specialists	134	11	4	2	151	100	12	3	133	3	0	287
Junior Management	32	2	1	16	51	130	12	1	159	0	4	214
Semi skilled workers	6	0	0	0	6	49	4	1	56	0	0	62
Employees with disabilities	3	0	0	0	3	0	1	0	1	0	0	4
TOTAL	184	14	8	18	224	291	31	5	365	3	4	596
Percentages	30.78%	2.35%	1.34%	3.02%	37.58%	48.83%	5.20%	0.84%	61.24%	0.50%	0.67%	100%

The general Seda employment profile is that of female dominance at 61.24%, with Africans at 79.7%, whilst males make up only 37.58%, with African males at 30.87%. The organisation's employment equity plan was developed during the year under review after an employment equity audit was conducted. Although females dominate the organisation's employment figures, there is a need to have more female representation at management levels.

12. SEDA'S PEOPLE (CONTINUED)

Graph 1: Staff age profile as at 31 March 2011

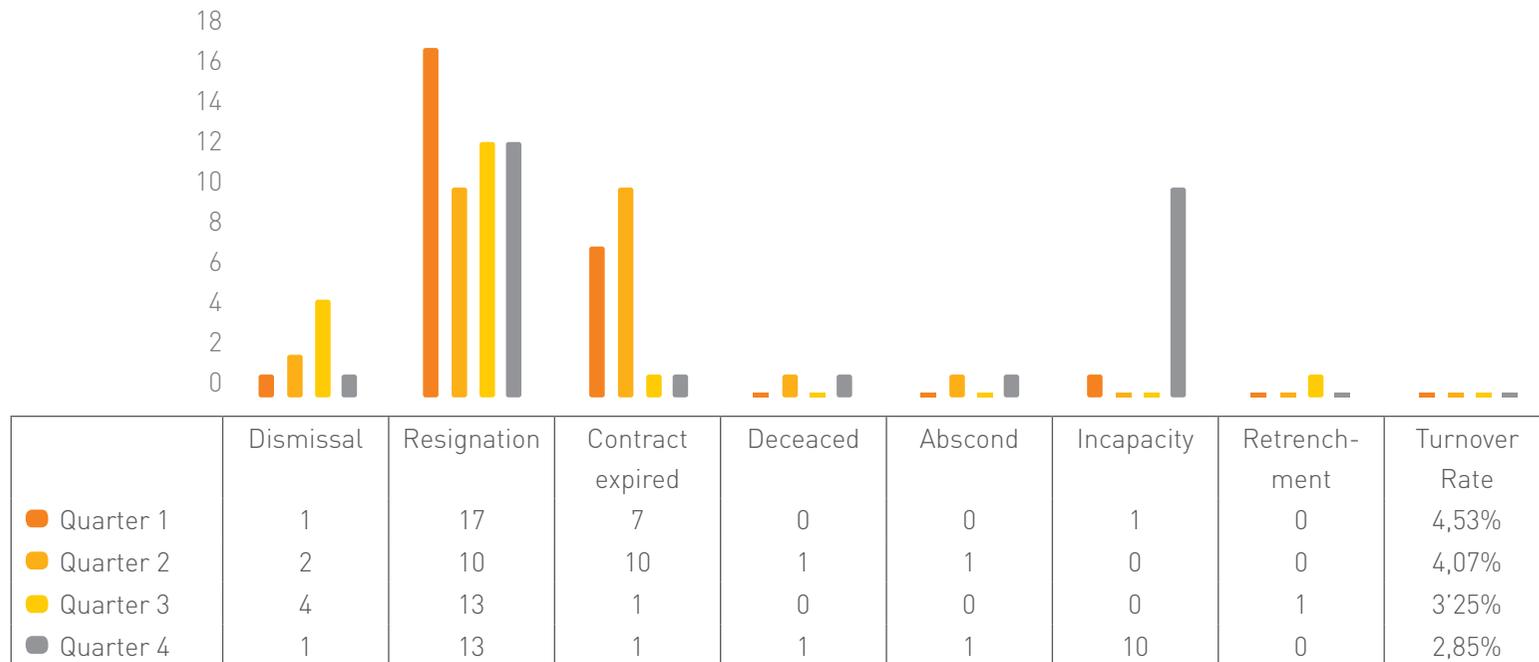


12. SEDA'S PEOPLE (CONTINUED)

Staff Turnover Rate

The graph below illustrated the number of staff that has left the organisation during the 2010/11 financial year. Quarterly statistics are reported on this, and the annual turnover rate is an average of the four quarterly statistics. The average turnover rate for the year is therefore 3.68%

Graph 2: Staff Turnover as at 31 March 2011



12. SEDA'S PEOPLE (CONTINUED)

Table 3: HIV/AIDS Health Promotion Programmes

Question	Yes	No	Details, if yes
Does the entity have a dedicated unit or has it designated specific staff members to promote health and wellbeing of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		The organisation had an employee wellness manager for the entire duration of the 2010/11 financial year.
Has the entity introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this programme.	X		Appointed an external service provider to provide a 24 hour psycho-social counselling to staff (telephonic and face to face). There is an onsite wellness clinic service utilised by staff.
Has the entity reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	X		All policies were reviewed to ensure non-discrimination against employees on the basis of their HIV status, i.e. recruitment policy. There is also an HIV/AIDS policy developed to protect staff who are infected with HIV.
Has the entity introduced measures to protect HIV positive employees or those perceived to be HIV positive from discrimination? If so, list the key elements of these measures.	X		The entity, through its wellness and HIV policies, put emphasis on confidentiality and protection of staff who disclose their HIV status.
Does the entity encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	X		The HIV policy encourages staff to undergo Voluntary Counselling and Testing.

Labour Relations

Table 4: Misconduct and Disciplinary Hearings

Measures	No. of cases
Disciplinary hearings	19
Warnings issued	6
Dismissals / terminations	8
Grievances	8
CCMA disputes pending	6
CCMA disputes concluded	2
Labour Court cases pending	4

12. SEDA'S PEOPLE (CONTINUED)

SEDA VALUES EVENT



13. SEDA CORPORATE GOVERNANCE AND RISK MANAGEMENT

COMPOSITION OF SEDA BOARD

Seda was established in terms of section 9 (1) of the National Small Enterprise Act No.102 of 1996 (as amended), (herein referred to as “the Act”). The organisation is driven by the Board which is the highest decision-making body within the organisation. The Board members are appointed by the Minister of Trade and Industry on a three year term. The Board comprises of a non-executive Chairperson, Deputy Chairperson and members with the Chief Executive Officer (ex officio) being the only executive member. The offices of the Board Chairperson and the Chief Executive Officer are separated.

The Board meets at least six times in a financial year. The Board charges the Executive Management with the day-to-day management and administration of the organisation with the Board focusing on strategic direction of, and proper control of Seda.

In keeping with the recommendations of the King III Report, the Board adopted a Board Charter which sets out the role of the Board as follows:

The Board’s primary responsibilities include determining Seda’s objectives and giving strategic direction to the organisation, taking effective and appropriate steps to ensure that key risk areas and key performance indicators of Seda’s business are identified, monitoring the performance of Seda against agreed objectives as well as, amongst others:

- Approving key policies,
- Approving Seda’s strategy, business plans and annual budgets,
- Approving annual financial statements,
- Ensuring that an adequate and effective process of corporate governance is established and maintained, and
- Ensuring that there is an effective management process.

BOARD SECRETARIAT

The Board Secretariat provides Board members with guidance and advice on matters of good governance, ethics, as well as on the nature and extent of their duties and responsibilities and how such duties should be properly discharged.

Each of the Board Members has unrestricted access to the advice and services of the Board Secretariat and organisational information.

13. SEDA CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

BOARD SUB-COMMITTEES

The Board established several committees in order to assist in the discharge of its duties. Each committee operates within the defined terms of reference and is chaired by a non-executive Board member. Appropriate Executive Managers attend committee meetings by invitation.

Audit And Risk Committee

The Audit and Risk Committee consists of non-executive Board members appointed by the Board. The Committee meets at least six times in a financial year, and is chaired by an independent non-executive Board member who is not the Chairperson of the Board. The external and internal auditors have unrestricted access to the Committee. The Committee has agreed terms of reference as approved by the Board.

The report of the Audit and Risk Committee is included in the annual financial statements. The Committee reviews the effectiveness of the organisation's internal control systems including information technology security and control. The organisation's top ten risks are identified and its responses thereto are reviewed on regular basis by the Committee.

Remuneration And Human Resources Committee

This Committee is chaired by a non-executive Board member and comprises of non-executive Board members appointed by the Board. This Committee sits at least six times in a financial year. The Committee is responsible for formulating the Human Resources Strategy and policies in general.

Executive Board Committee

The Board has established an Executive Board Committee in pursuit of enhancing good governance and to deal with any other matters between Board meetings. The Executive Board Committee consists of non-executive Board members being the Board Chairperson, Deputy Board Chairperson, two other Committees' Chairpersons and the Chief Executive Officer.

13. SEDA CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

The Committee is chaired by the Board Chairperson. The Committee meets as frequently as possible to discharge its duties.

Finance Committee

The Committee is chaired by a non-executive Board member and consists of non-executive Board members appointed by the Board. The Committee meets at least six times in a financial year. The Committee reviews the quarterly financial statements and other financial reports on the organisation's financial position.

Strategy and Organisational Performance Committee

The Committee plays an important role in monitoring and evaluating the performance against strategic objectives and targets that have been set. It also monitors key project implementation in order to evaluate the organisational achievement of targets set out in the strategy. The Committee is chaired by an independent non-executive Board member and comprises of non-executive Board members appointed by the Board.

CODE OF ETHICS

Seda's Board Members, management and employees recognise the need to observe the highest standards of behavior and business ethics when engaging in business activities. All Board Members and employees are expected to act in accordance with the law and with the highest standards of propriety and to comply with Seda's Code of Ethics. Seda is committed to high standards of compliance and promoting good corporate governance.

INTERNAL CONTROLS

The Board has an overall responsibility for establishing and maintaining Seda's internal controls and also for reviewing the effectiveness thereof. The close professional working relationship between the external and internal auditors ensure that adequate and efficient audit reviews of these controls take place for effective and efficient management of systems.

13. SEDA CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

Codes of reference for the attendance register

- √ - Denotes Attendance
- Ap - Denotes Apology
- A - Denotes Absent
- R - Denotes Resignation
- CMC - Denotes Committee Membership Changed
- N/A - Denotes Recused
- NYA - Not Yet Appointed
- TSF - Term of Service Finished

Below is the list of meeting attendance registers as per the Board annual approved schedule.

Seda Board

MEETING DATES	06/04/2010	07/05/2010	27/05/2010	23/06/2010	28/07/2010	19/08/2010	27/10/2010	03/12/2010	30/03/2011
Ms Hlonela Lupuwana CEO	√	√	√	√	√	√	√	√	√
Mr Linda Mngomezulu CHAIRPERSON	√	√	√	√	√	√	√	√	√
Ms Dawn Mokhobo [Deputy-Chairperson] *	√	Ap	√	r	-	-	-	-	-
Adv Faith Mayimele-Hashatse [Deputy-Chairperson]**	Ap	√	Ap	√	√	√	√	√	√
Ms Tholakele Nkambule	√	√	√	√	√	√	√	√	√
Ms Nafeesa Dinie	√	√	√	√	√	√	√	√	√
Ms Precious Lugayeni	√	√	√	√	√	√	√	√	√
Mr Dennis Thabaneng	Ap	√	√	Ap	√	√	√	√	√
Mr Tsietsi Matang	√	√	√	√	√	√	TSF	-	-
Mr Martin Feinstein	√	√	√	√	√	√	TSF	-	-

* till 31 August 2010

**from 17 September 2010

13. SEDA CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

MEETING DATES	06/04/2010	07/05/2010	27/05/2010	23/06/2010	28/07/2010	19/08/2010	27/10/2010	03/12/2010	30/03/2011
Prof Norman Faull	√	Ap	√	√	√	Ap	TSF	-	-
Ms Queenith Mogotsi	Ap	√	√	√	√	√	TSF	-	-
Mr Tshilidzi Nemahagala	√	√	√	√	A	√	R	-	-
Ms Rene Kenosi	nya	-	-	-	-	-	√	√	√
Dr Teboho Mokgoro	NYA	-	-	-	-	-	√	√	√
Dr Ivor Zwane	NYA	-	-	-	-	-	√	Ap	√
Mr Vusumuzi Skosana	NYA	-	-	-	-	-	Ap	√	√
Ms Fatima Habib	NYA	-	-	-	-	-	√	√	√
Mr Mojalefa Mohoto	NYA	-	-	-	-	-	Ap	Ap	√
Dr Marius Venter	NYA	-	-	-	-	-	-	-	√
Mr Sipho Mzolo	NYA	-	-	-	-	-	-	-	√
Mr Johannes Lesejane	√	Ap	√	√	√	Ap	Ap	√	Ap

Executive Board Committee

The chairperson of the Committee is Mr Linda Mngomezulu. The members of the committee are listed below.

MEETING DATES	30/04/2010	30/11/2010	24/02/2011
Ms Hlonela Lupuwana CEO	√	√	√
Mr Linda Mngomezulu [CHAIRPERSON]	√	√	√
Adv Faith Mayimele-Hashatse	√	√	√
Ms Tholakele Nkambule	√	√	√
Ms Dawn Mokhobo	Ap	TSF	
Ms Rene Kenosi	NYA	√	Ap

13. SEDA CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

Strategy and Organisational Performance Committee

The chairperson of the Committee is Ms Precious Lugayeni. The members of the committee are listed below.

MEETING DATES	07/05/2010	13/05/2010	27/07/2010	26/10/2010	23/11/2010	27/01/2011
Ms Hlonela Lupuwana CEO	√	√	√	√	√	√
Mr Tsietisi Matang [Chairperson] *	√	√	√	TSF	-	-
Ms Precious Lugayeni [Chairperson] **	√	√	√	√	√	√
Mr Linda Mngomezulu	√	Ap	√	Ap	√	√
Prof Norman Faull	√	√	Ap	TSF	-	-
Ms Nafeesa Dinie	√	√	√	CMC	-	-
Mr Martin Feinstein	√	√	√	TSF	-	-
Mr Tshilidzi Nemahagala	A	√	√	R	-	-
Dr Teboho Mokgoro	NYA	-	-	Ap	√	√
Dr Ivor Zwane	NYA	-	-	√	√	√
Mr Vusumuzi Skosana	NYA	-	-	√	√	√
Ms Fatima Habib	NYA	-	-	√	Ap	√
Mr Mojalefa Mohoto	NYA	-	-	-	-	-
Dr Marius Venter	NYA	-	-	-	-	-

* till 31 August 2010

**from 17 September 2010

13. SEDA CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

Finance Committee

The Chairperson of the Committee is Ms Rene Kenosi. The members of the committee are listed below.

MEETING DATES	25/05/2010	26/07/2010	08/11/2010	03/03/2011
Ms Hlonela Lupuwana CEO	√	√	√	√
Ms Tholakele Nkambule [Chairperson] *	√	√	CMC	-
Ms Rene Kenosi [Chairperson] **	NYA	-	√	√
Ms Precious Lugayeni	√	√	√	√
Mr Dennis Thabaneng	Ap	Ap	√	√
Mr Tshilidzi Nemahagala	√	√	R	-
Ms Nafeesa Dinie	NYA	-	√	√

* till 31 August 2010

**from 17 September 2010

Audit and Risk Committee

The Chairperson of the Committee is Mr Johannes Lesejane. The members of the committee are listed below.

MEETING DATES	25/05/2010	21/07/2010	28/01/2011	23/03/2011
Ms Hlonela Lupuwana CEO	√	√	√	√
Mr Johannes Lesejane [Chairperson]	√	√	√	√
Ms Dawn Mokhobo	Ap	r	-	-
Mr Tsietsi Matang	NYA	√	TSF	-
Mr Koos Roelofse [Co-opted member]	√	√	√	√
Adv Faith Mayimele-Hashatse	NYA	-	√	√
Dr Ivor Zwane	NYA	-	√	Ap
Mr Vusumuzi Skosana	NYA	-	√	Ap
Ms Nafeesa Dinie	NYA	-	√	√

13. SEDA CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

Remuneration and Human Resources Committee

The Chairperson of the Committee is Ms Tholakele Nkambule. The members of the committee are listed below.

MEETING DATES	19/05/2010	16/07/2010	22/07/2010	24/11/2010	09/02/2011	16/02/2011	30/03/2011
Ms Hlonela Lupuwana CEO	Ap	√	√	√	√	√	√
Mr Martin Feinstein [Chairperson] *	√	√	√	TSF	-	-	-
Ms Tholakele Nkambule [Chairperson] **	√	√	√	√	√	√	√
Ms Queenith Mogotsi	√	√	√	TSF	-	-	-
Adv Faith Mayimele-Hashatse	√	√	Ap	CMC	-	-	-
Dr Teboho Mokgoro	NYA	-	-	√	√	√	√
Mr Dennis Thabaneng	NYA	-	-	√	√	√	√
Ms Fatima Habib	NYA	-	-	√	√	√	√
Mr Sipho Mzolo	NYA	-	-	-	-	-	-

* till 31 August 2010

**from 17 September 2010

Seda Annual Financial Statements

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14. REPORT OF AUDIT AND RISK COMMITTEE (ARC) FOR THE YEAR ENDED 31 MARCH 2011

We are pleased to present our report for the year ended 31 March 2011.

The Audit & Risk Committee (ARC) of the Small Enterprise Development Agency (Seda) is composed of non-executive members including an externally contracted independent chairperson. The ARC hereby reports that it has complied with its responsibilities as prescribed in terms of section 51 (1) (a) and 77 of the Public Finance Management Act and Treasury Regulation 27.1.10.

The ARC has continued to adopt appropriate formal terms of reference in its Audit and Risk Committee Charter and has accordingly regulated its affairs in compliance with this Charter. It has held 4 (four) scheduled meetings during the 2010/11 financial year and discharged all of its responsibilities contained in the Charter. This Committee elevates and escalates any unresolved issues of concern to the Seda Board. Internal and external auditors also report relevant issues identified to the ARC and these are dealt with accordingly.

In the conduct of its duties, the ARC has, inter alia, performed the following activities:

- Received and reviewed reports from both the internal and the external auditors concerning the effectiveness of Seda's internal control systems, risk management and corporate governance processes.
- Assessed the policies and procedures introduced by management to ensure that accounting systems and related controls are adequate and functioning effectively.
- Identified possible major risks which Seda may be exposed to, and verified that the related internal control systems are adequate and effective to mitigate these risks.
- Reviewed the key risk areas of Seda's operations and confirmed that these are appropriately dealt with in the scope of work of both internal and external audits.
- Reviewed the annual financial statements prior to publication, for both fair presentation, and conformity with relevant accounting standards and practices; assessed the adequacy, reliability and accuracy of financial information provided by management to all users of such information; and considered all accounting and auditing concerns identified as a result of internal and external audits.
- Reviewed the activities of the internal audit function and its annual work programme, that it is coordinated with external auditors.
- Reviewed reports of significant investigations and the management's responses to specific recommendation.

In the opinion of the ARC, the internal controls of Seda are, with the exception of certain non significant weaknesses set out in the report of the Auditor-General, considered appropriate to:

- Meet the business objectives of Seda;
- Ensure that Seda's assets are safeguarded; and
- Ensure that transactions undertaken are recorded in Seda's records.

14. REPORT OF AUDIT AND RISK COMMITTEE (ARC) (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2011

INTERNAL AUDIT

Seda has a fully functional and effective internal audit. The internal audit plan activities for the year were all carried out. The ARC will continue to monitor management's planned actions on all significant findings for effective and speedy resolution. The great deal of focus on projects and performance information was put during the year to address the key risks in the revised risk register. Seda worked very hard in ensuring that baseline performance information, which is the foundation for target measurement, is collated. The Seda Board also ensured that performance information has also been aligned to the strategic plan.

INTERNAL CONTROLS

The Seda Board takes internal control issues very seriously and significant issues continue to be escalated and dealt with at that level. Control, in general has improved significantly in the organisation, especially due to the continued consistent focus on these by Senior Management's Executive Committee ("EXCO").

RISK MANAGEMENT

The Seda Board continues to take full control and accountability of risk governance. As in the previous year, risk management workshops were held by management to re-assess the risk as per the risk register. These risks were then considered and signed off by the Board. Risk Management is now firmly on EXCO's agenda; the risk register contains detailed plans of action and considered monthly and escalated to the ARC on a quarterly basis. We note that both internal and external audits confirmed that risk management at Seda is effective.

GOVERNANCE

The ARC continued to assist the Board through the review of the effectiveness of Corporate Governance during the year. The management of projects, being Seda's key delivery mechanism, turnaround, fraud prevention strategies and implementation plans by internal audits highlighted a few significant control weaknesses which have now been substantially addressed by management. King III on Corporate Governance came into effect very recently. Seda continue to enhance its governance processes by embedding these revised governance principles. Our overall conclusion is that governance processes are strong.

14. REPORT OF AUDIT AND RISK COMMITTEE (ARC) (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2011

CONCLUSIONS OF THE AUDITOR-GENERAL:

The ARC reviewed and discussed with the Auditor-General SA and recommended to the Accounting Authority:

- The audited annual financial statements and auditor's report to be included in the annual report;
- The Auditor-General's management letter and management responses thereto; and
- Significant adjustments resulting from the audit.

The ARC concurs with and accepts the conclusions of the Auditor-General SA on the financial statements and the audit of performance information. The Auditor-General SA's report was accepted by the Seda Board, the audited annual financial and recommended adjustments were also approved by the Board. The Audit & Risk is also very pleased with the positive results of the Auditor-General SA's audit.



Mr. Motshwanedi Joe Lesejane CA (SA.)

15. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE SMALL ENTERPRISE DEVELOPMENT AGENCY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Small Enterprise Development Agency, which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, the report of the audit and risk committee, and the accounting authority's report, as set out on pages 68 to 116.

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 Statements of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as management determines 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. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 40(2) of the PFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. 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.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

15. REPORT OF THE AUDITOR-GENERAL (CONTINUED) TO PARLIAMENT ON THE SMALL ENTERPRISE DEVELOPMENT AGENCY

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.

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

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Small Enterprise Development Agency as at 31 March 2011, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and in terms of General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on page 15 and material non-compliance with laws and regulations applicable to the public entity.

Predetermined objectives

9. There are no material findings on the annual performance report.

Compliance with laws and regulations

10. There are no findings concerning material non-compliance with laws and regulations applicable to the agency.

INTERNAL CONTROL

11. In accordance with the PAA and in terms of General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. There are no significant deficiencies in internal control that resulted in a qualification of the auditor's opinion on the financial statements, findings on predetermined objectives or material non-compliance with laws and regulations.

Auditor - General

Pretoria

31 July 2011



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

16. REPORT OF THE ACCOUNTING AUTHORITY

FOR THE YEAR ENDED 31 MARCH 2011

OVERVIEW

During the first half of the financial year, the focus was on putting into action the planned activities and allocating the relevant resources. At the half way point, a mid-year budget review was conducted where it became evident that most of the planned support systems and activities would be done at less than the anticipated amounts. As a result, more funds were availed for direct service delivery. As a result of the midyear review and reallocation of funds, 63.78% of Seda's total budget was utilized in the delivery network. Prudent financial management saw the organization once again spending within 5% of its approved budget, at 98.7%.

Emphasis was also put on addressing the issues raised in the Auditor-General's report on performance information for the 2009/2010 audit. On the Human Resources front we can note achievements in the area of performance management, setting of three-year staff equity targets and staff turnover rate which fell below the 10% annual target.

Our provincial partnerships continue to provide for improved support for SMMEs, especially in areas where Seda has not established branches due to budgetary considerations. At the end of March 2011, Seda co located at 58 local municipalities and also rolled out 40 information kiosks. This much needed outreach compliments Seda's current network of 42 branches, 31 incubation centres, 32 Enterprise Information Centres, 17 mobile units.

The SMME Payment assistance Hotline continues to be a much needed service to small enterprises. The Hotline handled 1,529 calls during the 2010/2011 financial year and facilitated payments totalling R193 million.

1. HIGHLIGHTS ON ORGANIZATIONAL PERFORMANCE FOR THE YEAR ENDING 31 MARCH 2011

Most targeted client interventions show acceptable levels of performance, during a year where small enterprises grappled with the after effects of the economic crisis. Although Seda assisted clients showed improvements in terms of increasing turnover and people employed from the previous financial year, their operating costs remain high. Approximately 11% of the clients referred to financial institutions were able to obtain the much needed funding.

The rigorous assessment and training of our business advisors that was initiated during the 2009/2010 financial year, started to bear results in the 2010/2011 financial year. One of the key outcomes of the initiative is to ensure that in the medium to long term, Seda has business advisors who are able to provide some of the interventions to small enterprises. 29% of the interventions delivered to small enterprises during the year under review were done by business advisors.

16. REPORT OF THE ACCOUNTING AUTHORITY (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2011

A comprehensive media and advertising campaign was implemented in the second half of the financial year. Major events like the launch of the Community Private Public Partnership (CPPP) programme were also used to market Seda to potential clients. A total of 36,269 people were reached through the promotional and marketing events. Consequently, Seda received one hundred and ninety four (194) positive mentions to four (4) negative mentions in the various media during the year under review.

ENTERPRISE RISK MANAGEMENT AND INTERNAL AUDIT

Organizational risk management has improved as a result of a rigorous risk management evaluation process that gets conducted on a monthly basis. The evaluation is done on the management of risks as per the Auditor-General findings for the 2009/2010 financial year as well as organizational risks identified by management.

2. LOOKING AHEAD

Seda will focus on developing and implementing interventions in the prioritised sectors, namely: services, manufacturing and agriculture. The organization has also identified three areas that it will pay attention to with the aim of contributing towards the government's target of 5 million jobs by 2020. These are upscaling incubation, bringing collectively owned enterprises into the economic mainstream and working more with medium and more established SMMEs. This does not mean that Seda will no longer continue working with the informal and micro sized SMMEs.

Key to successful implementation of this strategic direction is the availing of requisite resources by the shareholder and the development of practitioners who can service clients in the priority sectors and focus areas.

I believe that the organization has staff members that are committed to its values and implementation of government's mandate and that performance will continue to grow in leaps and bounds. Seda's measures of success will not only focus on the number of businesses assisted, but the quality and depth of our own interventions and the impact they have on small businesses in particular and economic development in general.

17. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
Revenue			
Transfers from other government entities		461,121,000	409,497,000
External earnings		23,026,256	61,340,009
Interest received		11,627,163	13,914,397
TOTAL REVENUE	2	495,774,419	484,751,406
Expenses			
Personnel cost		(189,847,834)	(169,603,557)
Programme, projects and other Administrative expenses		(303,799,342)	(339,081,193)
Depreciation	7	(13,702,240)	(10,511,753)
Finance costs	3	(2,191,480)	(2,206,698)
Gain / (Loss) on sale of plant and equipment	15	233,515	(24,978)
TOTAL EXPENSES	3	(509,307,381)	(521,428,179)
DEFICIT FOR THE YEAR		(13,532,962)	(36,676,773)

18. STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2011

	Notes	2011 R	2010 R
ASSETS			
Current Assets		160,362,641	168,896,936
Cash and cash equivalents	4	155,912,092	162,081,742
Accounts receivable	5	4,109,734	6,416,377
Inventories	6	340,815	398,817
Non current assets			
Plant and equipment	7	45,519,889	44,982,310
TOTAL ASSETS		205,882,530	213,879,246
LIABILITIES			
Current liabilities		109,957,508	107,634,642
Accounts payable	9	94,216,542	94,652,323
Current portion of finance lease obligations	10	(35,944)	(161,407)
Provisions	11	15,776,910	13,143,726
Non current liabilities		38,013,630	34,800,250
Long-term portion of finance lease obligation	10	12,208,484	12,333,390
Grants received		9,082,360	7,641,424
Operating lease liability	12	16,722,786	14,825,436
TOTAL LIABILITIES		147,971,138	142,434,892
NET ASSETS		57,911,392	71,444,354
ACCUMULATED SURPLUS		57,911,392	71,444,354
TOTAL NET ASSETS		57,911,392	71,444,354

19. STATEMENT OF CHANGES IN NET ASSETS

AS AT 31 MARCH 2011

	Accumulated Surplus
	R
Balance at 31 March 2008	30,924,171
Surplus for the year - 2008/09	77,196,956
Balance at 31 March 2009	108,121,127
Deficit for the year - 2009/10	(36,676,773)
Balance at 31 March 2010	71,444,354
Deficit for the year - 2010/11	(13,532,962)
BALANCE AT 31 MARCH 2011	57,911,392

20. CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
External earnings	15	25,332,899	59,920,039
Transfers from government entities		461,121,000	409,497,000
Interest received		11,627,163	13,914,397
Payments			
Personnel cost		(189,847,834)	(169,603,557)
Suppliers		(296,907,854)	(333,991,540)
Finance cost	3	(2,191,480)	(2,206,698)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	15	9,133,894	(22,470,359)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	7	(15,615,822)	(20,865,317)
Proceeds on disposal of plant and equipment		311,721	716,938
NET CASH USED IN INVESTING ACTIVITIES		(15,304,101)	(20,148,380)
CASH FLOWS FROM FINANCING ACTIVITIES			
Refund of unspent funds - Stp	15	-	(1,845,185)
Repayments on finance leases		557	95,869
NET CASH FROM / (USED IN) FINANCING ACTIVITIES		557	(1,749,316)
Net (decrease) in cash and cash equivalents		(6,169,650)	(44,368,055)
Cash and cash equivalents at the beginning of the year		162,081,742	206,449,797
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	155,912,092	162,081,742

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES

The financial statements were prepared on a historical cost basis in accordance with Standards of Generally Recognized Accounting Practice, South African Statements of Generally Accepted Accounting Practice and the Public Finance Management Act 1999 (Act 1 of 1999) as amended. The financial statements have been prepared on a going concern basis. The accounting policies have been applied consistently throughout the year and agrees to the accounting policies applied in the previous financial year except where explicitly stated.

1.1 Basis of Preparation

In terms of section 55(1)b of the Public Finance Management Act, Seda is required to comply with South African Statements of Generally Accepted Accounting Practice, unless the Accounting Standards Board approves the application of Generally Recognized Accounting Practice.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practices (GRAP) including any interpretation, guidelines and directives issued by the Accounting Standards Board (ASB).

During the year, Seda adopted a number of standards of GRAP which became effective for the current financial period. A brief description of these standards, as well as an estimate of the impact is contained in Note 1.1.1. A full list of the GRAP Framework is contained in Directive 5.

In the absence of a GRAP standard, the GRAP hierarchy in GRAP 3 - Accounting policies, changes in accounting estimates and errors are used to develop an appropriate accounting policy. In terms of GRAP 3, judgement must be used when developing an accounting policy. In applying judgement, GRAP 3 requires that management refers to and considers the applicability of the following sources in descending order:

- (a) the requirements and guidance in Standards of GRAP dealing with similar and related issues; and
- (b) the definitions, recognition criteria and measurement concepts for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

These accounting policies are consistent with the previous period, except for the changes set out in Note 1.1.1.

The annual financial statements have been prepared on a historical cost basis, except for the measurement of certain financial instruments at fair value less point of sale costs, and incorporate the principal accounting policies set out below.

Seda concluded that the annual financial statements present fairly its financial position, financial performance and cash flow.

1.1.1 Adoption of new and revised standards

During the previous year, Seda adopted a number of standards of GRAP which became effective from the previous financial period. A brief description of these standards, as well as an estimate of the impact is contained below. A full list of the GRAP Framework is contained in Directive 5.

The following standards, amendments and interpretations which are relevant to Seda have been adopted in these financial statements:

GRAP 9 - Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenues from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value to the other party in exchange.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

An entity recognizes revenue when it is probably that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this standard only applies to revenue from exchange transactions. This standard will not have a material impact on Seda.

GRAP 13 - Leases

GRAP 13 incorporates additional guidance of the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the above-mentioned requirements, there is no other impact on the initial adoption of GRAP 13.

GRAP 14 - Events after the reporting date

An event, which could be favorable or unfavorable, that occurs between the reporting date and the date when the annual financial statements are authorized for issue. The impact of the statement is not material.

GRAP 17 - Property Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognizes heritage assets the entity needs to comply with the disclosure of GRAP 17 disclosure requirements.

Additional commentary has been included to clarify the applicability of infrastructure assets to be recognized in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at date of acquisition.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The impact of the standard is not material but will result in additional disclosure.

GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purposes of GRAP 19, “social benefits” refers to goods, services and other benefits provided in the pursuit of the social policy objectives of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

Additional disclosure requirements for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow economic benefits or service potential, or from settlement of the provisions without cost to the entity. The impact of the standard is not material.

1.1.2 Standards and interpretations issued, but not yet effective

Standards issued but not yet effective up to date of issuance of Seda’s financial statements are listed below. As at date of this report, the Minister has not yet announced an effective date for these standards. A list of the interpretations that have been issued but are not yet effective has also been provided. These will be adopted when they become effective.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Standard or interpretation	Effective date
Applicable to Seda:	
GRAP 21: Impairment of non-cash generating assets	1 April 2012
GRAP 24: Presentation of budget information in financial statements	1 April 2012
GRAP 25: Employee Benefits	None announced
GRAP 26: Impairment of cash-generating assets	1 April 2012
GRAP 104: Financial Instruments	None announced
IGRAP 3: Determining whether an arrangement contains a lease	None announced
IGRAP 13: Operating leases - incentives	None announced
Not applicable to Seda:	
GRAP 18: Segment reporting	None announced
GRAP 23: Revenue from non-exchange transactions	1 April 2012
GRAP 103: Heritage assets	1 April 2012
IGRAP 1: Applying the probability test on initial recognition of exchange revenue	None announced
IGRAP 2: Changes in existing decommissioning, restoration and similar liabilities	None announced
IGRAP 4: Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	None announced
IGRAP 5: Applying the restatement approach under the standard of GRAP on financial reporting in hyperinflationary economies	None announced
IGRAP 6: Loyalty programmes	None announced
IGRAP 7: Limit on a defined benefit asset, minimum funding requirements and their interaction	None announced
IGRAP 8: Agreements for the construction of assets from exchange transactions.	None announced
IGRAP 9: Distribution of non-cash assets to owners	None announced
IGRAP 10: Assets received from customers	None announced

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

IGRAP 11: Consolidation - Special purpose entities	None announced
IGRAP 12: Jointly controlled entities - non-monetary contributions by ventures	None announced
IGRAP 14: Evaluating the substance of transactions involving the legal form of the lease	None announced

The implementation of the mentioned GRAP standards will not have a material effect on the financial position of Seda since the standards of GRAP are closely aligned with SA GAAP.

1.2 Government grants and deferred income

Government grants are recognized when it is probable that future economic benefits will flow to the public entity and these benefits can be measured reliably. The grant is recognized to the extent that there are no further obligations arising from the receipt of the grant.

Government grants received for the purpose of giving immediate financial support with no future related costs are recognized as income in the period in which they become receivable. Government grants relating to specific expenditure are deferred and recognized in the year during which the expenses are incurred.

1.3 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets to its residual value over their estimated useful lives, using the straight-line method.

Residual values and estimated useful lives are assessed on an annual basis.

Assets with a cost of R2,000 or less are written off in the year of purchase to the value of one rand (R1).

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

The carrying amount of plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in the statement of financial performance.

1.4 Impairment of assets

At each balance sheet date, Seda reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, Seda estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of Seda at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to surplus or deficit, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with Seda's general policy on borrowing costs (see below).

Rentals payable and direct costs under operating leases are charged to surplus or deficit on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

1.6 Inventories

Consumable stores are valued at the lower of cost or net realizable value.

Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.7 Revenue recognition

Revenue from exchange transactions

Transfers from government entities represents the parliamentary grant from the Department of Trade and Industry and provincial governments; external earnings comprise revenue from contracts while investment income represents interest received on cash balances with financial institutions.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Transfers from government entities are recognized as income on accrual basis as and when invoiced or received from the dti or provincial governments. See also government grants 1.2.

Revenue from contracts and services rendered is recognized when all the following have been satisfied:

- Seda has transferred to the buyer the significant risks and rewards of ownership of the goods;
- Seda retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to Seda; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to Seda;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

Revenue from the exchange transactions refers to revenue that accrued to the entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net trade discounts and volume rebates, and value added tax.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognized to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Interest is recognized, in surplus or deficit, using the effective interest rate method.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act No. 1 of 1999, as amended) and is recognized when the recovery thereof from the responsible board members or officials is virtually certain.

1.8 Provisions

Provisions are recognized when Seda has a present obligation as a result of a past event, and it is probable that Seda will be required to settle that obligation. Provisions are measured at the Board's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

1.9 Employee benefits

Short term employee benefits

The cost of all short-term employee benefits is recognized during the period in which the employee renders the related service. The provisions for employee entitlements to wage and salaries represent the amount which Seda has a present obligation to pay as a result of employees' service provided to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Provident Fund

Seda contributes to defined contribution plans. The contributions to the defined contributions plans are charged against income as incurred. This fund is governed by the Pension Fund Act, 1956.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1.10 Financial instruments

Financial assets and financial liabilities are recognized at fair value on Seda's statement of financial position when Seda has become a party to contractual provisions of the instrument.

Subsequent to initial recognition these instruments are measured as set out below:

Financial assets

Financial assets are cash and cash equivalents and trade and other receivables.

Accounts receivable

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Bank and cash balances

Cash and cash equivalents comprise on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities consist of finance lease long-term liabilities and trade and other payables and other short-term finance lease liabilities.

The financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

1.11 Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains and losses arising on translation are credited to or charged against the surplus.

1.12 Residual values

An entity is required to measure the residual value of an asset. Estimation is made of the amount it would receive currently for the asset if the asset were already of the age and condition expected at the end its useful life. GRAP 17 requires residual values (if material) to be estimated at the date of acquisition and thereafter to be reviewed at each balance sheet date. If these change from the prior year, the depreciation charge is adjusted prospectively.

1.13 Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Plant and equipment

Depreciation is calculated on historical cost using the methods and the rates stated below in note 7. The residual values of all assets are estimated to be one rand (R1).

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Trade and other receivables

The provision for bad debt was calculated on a specific identification basis after consideration of the factors as required by Treasury Regulation 11.

Bonus provision

The provision for bonuses was based on management's judgement.

1.14 Irregular expenditure

Irregular expenditure comprises expenditure, other than unauthorized expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999); or
- the State Tender Board Act, 1968 (Act No. 86 of 1968; or any regulation made in terms of the that Act)

Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Offset

Transactions are offset when such offsetting reflects the substance of the transaction or event. Where a legally enforceable right of offset exists for recognized financial liabilities, and there is an intention to settle the liability and realize the asset simultaneously, or to settle on a net basis all related financial effects are offset.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1.17 Related parties

The entity, as a Public Finance Management Act (PFMA), schedule 3A Public Entity, operates in an economic environment currently dominated by entities directly or indirectly owned by the South African Government. Seda discloses related party transaction and the nature of its relationship with the other party where the other party has significant influence through the participation in the financial and operating policy decisions and/ or where significant transactions occurred with such an entity.

1.18 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

1.19 Commitments

Commitments are agreements that were entered into by the agency with an external service provider before the reporting date where delivery is expected to take effect after the reporting date.

Such commitments do not meet the definition of a liability in terms of the conceptual framework, and are thus disclosed as contingent liabilities in the notes to the financial statements.

1.20 Budget information

Comparison of budget and actual amounts are presented in note 23. The entity only presents the final budget amounts. Differences (variances) between the actual amounts and budget amounts are presented and explained.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
2. REVENUE			
Parliamentary grants		461,121,000	399,497,000
Grant adjustment from the dti		-	10,000,000
External earnings		23,026,256	61,340,009
Interest received		11,627,163	13,914,397
		495,774,419	484,751,406

Included in external earnings is *inter alia* an amount of R15,30 million from various ring fenced projects; R5,60 million from provincial governments; and R1,61 million from local- and district governments.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
3. (DEFICIT) FOR THE YEAR			
(Deficit) for the year is arrived at after taking into account the following:			
Board members' emoluments			
- For services as members		3,042,000	2,747,224
Operating lease expense			
- Buildings		26,429,503	25,235,005
Depreciation			
- Equipment		1,174,438	502,093
- Office furniture		1,702,073	1,235,487
- Motor vehicles		2,756,133	1,662,220
- Computer equipment		6,195,145	4,440,113
- Leased computer equipment		168,074	716,215
- Leased improvements		849,976	969,243
- Leased office furniture		647,514	780,452
- Leased security equipment		208,887	205,929
Auditors' remuneration			
- External auditors		3,503,540	3,629,211
* Regularity audit		2,777,898	2,058,400
* Interim audit		2,119,854	2,058,400
- Internal auditors		658,044	-
		725,642	1,570,811
Finance cost			
- Interest on finance lease obligation (liability at amortized cost)		2,191,480	2,206,698
- Other		2,168,470	2,178,903
		23,010	27,795
Provision for bad debts	5	44,553	143,277

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R
4. CASH AND CASH EQUIVALENTS			
Call Account		155,977,354	163,727,356
Current Accounts		(323,687)	(1,900,356)
Petty Cash		258,425	254,742
		155,912,092	162,081,742
<p>Refer to note 16.4 for detail on interest rates. Of the cash balance R31,850,775 (2010: R29,175,229) relates to grants received in advance which are to be utilized for specific projects as reflected in note 9.</p>			
5. ACCOUNTS RECEIVABLE			
Payment in advance		1,939,810	1,564,055
Staff receivables		139,283	125,875
Deposits		691,541	756,212
Sundry receivables		717,972	3,608,443
Provision on sundry receivables		(115,056)	(138,763)
Relocation cost receivables		921,006	683,355
Provision on relocation cost receivables		(184,822)	(182,800)
		4,109,734	6,416,377
Provision for bad debts:			
Movement for the year:			
Opening Balance at 1 April		321,563	348,357
Less: Bad debt written off		(66,238)	(170,071)
		255,325	178,286
Net charge to the Statement of Financial Performance	3	44,553	143,277
CLOSING BALANCE AT 31 MARCH		299,878	321,563
6. INVENTORIES			
Consumable stores		340,815	398,817

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

7. PLANT & EQUIPMENT - 2010/11

	Equipment	Office Furniture	Motor Vehicles	Computer Equipment
	R	R	R	R
Major Assets (above R2 000 per item) At 1 April 2010				
Cost	7,638,913	11,068,735	14,028,028	32,468,554
Accumulated depreciation and impairment	(3,092,831)	(3,060,663)	(6,480,910)	(12,392,092)
Accumulated depreciation - normal	(3,092,831)	(3,060,663)	(6,480,910)	(12,392,092)
Accumulated depreciation - revaluation	0	0	0	0
Opening carrying amount	4,546,082	8,008,072	7,547,117	20,076,463
Year ended 31 March 2011				
Opening carrying amount	4,546,082	8,008,072	7,547,117	20,076,463
Additions at cost	1,864,301	1,080,953	4,653,279	4,032,387
Disposals at cost	(46,447)	0	(313,689)	(421,673)
Disposal depreciation	24,101	0	280,246	399,256
Reclassification of assets at carrying amount	0	0	0	0
Depreciation for the year	(1,049,896)	(1,562,135)	(2,756,133)	(6,143,933)
Cost Reallocated	675,891	87,415	(20,679)	(742,627)
Depreciation: Grant assets	(135,198)	(291,490)	(20,565)	(1,010,985)
Depreciation Reallocated	(281,456)	(242,708)	4,442	373,814
Impairment	0	0	0	0
Closing carrying amount	5,597,378	7,080,107	9,374,019	16,562,701
At 31 March 2011				
Cost	10,132,658	12,237,103	18,346,939	35,336,641
Accumulated depreciation and impairment	(4,535,280)	(5,156,996)	(8,972,920)	(18,773,940)
Accumulated depreciation - normal	(4,400,082)	(4,865,506)	(8,952,355)	(17,762,955)
Accumulated depreciation - Grant assets	(135,198)	(291,490)	(20,565)	(1,010,985)
Carrying amount	5,597,378	7,080,107	9,374,019	16,562,701
Useful lives	6 - 7 years	6 - 7 years	4 - 6 years	3 - 5 years
Minor Assets (excluded above and below R2 000 per item)				
At 31 March 2011				
Depreciation for the year	(124,542)	(139,938)	0	(51,212)
Cost	592,896	3,253,557	0	1,027,211
Accumulated depreciation and impairment	(582,423)	(3,244,707)	0	(1,024,611)
Carrying amount	10,473	8,850	0	2,600
TOTAL CARRYING VALUE	5,607,851	7,088,957	9,374,019	16,565,301

Note: Leased assets are encumbered by a finance lease, refer to note 10. Seda complied with the accounting policy as stated in 1.4.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Leased Computer Equipment R	Leasehold Improvements R	Leased Office Furniture R	Leased Security Equipment R	Total R
Major Assets (above R2 000 per item) At 1 April 2010					
Cost	5,015,930	4,784,443	4,325,356	1,393,535	80,723,494
Accumulated depreciation and impairment	(4,811,162)	(2,259,523)	(2,758,229)	(895,168)	(35,750,578)
Accumulated depreciation - normal	(4,811,162)	(2,259,523)	(2,758,229)	(895,168)	(35,750,578)
Accumulated depreciation - revaluation	0	0	0	0	0
Opening carrying amount	204,768	2,524,920	1,567,127	498,367	44,972,916
Year ended 31 March 2011					
Opening carrying amount	204,768	2,524,920	1,567,127	498,367	44,972,916
Additions at cost	0	3,984,902	0	0	15,615,822
Disposals at cost	0	0	0	0	(781,809)
Disposal depreciation	0	0	0	0	703,603
Reclassification of assets at carrying amount	0	0	0	0	0
Depreciation for the year	(168,074)	(849,976)	(647,514)	(208,887)	(13,386,548)
Cost Reallocated	0	0	0	0	0
Depreciation: Grant assets	0	(409)	0	0	(1,458,647)
Depreciation Reallocated	0	(21,989)	0	0	(167,897)
Impairment	0	0	0	0	0
Closing carrying amount	36,694	5,637,448	919,613	289,480	45,497,440
At 31 March 2011					
Cost	5,015,930	8,769,345	4,325,356	1,393,535	95,557,507
Accumulated depreciation and impairment	(4,979,236)	(3,131,897)	(3,405,743)	(1,104,055)	(50,060,067)
Accumulated depreciation - normal	(4,979,236)	(3,131,488)	(3,405,743)	(1,104,055)	(48,601,420)
Accumulated depreciation - Grant assets	0	(409)	0	0	(1,458,647)
Carrying amount	36,694	5,637,448	919,613	289,480	45,497,440
Useful lives	4 - 7 years	6 - 7 years	6 - 7 years	6 - 7 years	
Minor Assets (excluded above and below R2 000 per item) At 31 March 2011					
Depreciation for the year	0	0	0	0	(315,692)
Cost	0	1,200	781,844	0	5,656,708
Accumulated depreciation and impairment	0	(1,199)	(781,319)	0	(5,634,259)
Carrying amount	0	1	525	0	22,449
TOTAL CARRYING VALUE	36,694	5,637,449	920,138	289,480	45,519,889

Note: Leased assets are encumbered by a finance lease, refer to note 10. Seda complied with the accounting policy as stated in 1.4.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

7. PLANT & EQUIPMENT - 2009/10

	Equipment R	Office Furniture R	Motor Vehicles R	Computer Equipment R
Major Assets (above R2 000 per item) At 1 April 2009				
Cost	7,253,762	11,209,729	10,678,566	21,979,459
Accumulated depreciation and impairment	(3,066,216)	(3,590,934)	(5,724,434)	(9,139,686)
Opening carrying amount	4,187,547	7,618,795	4,954,132	12,839,773
Year ended 31 March 2010				
Opening carrying amount	4,187,547	7,618,795	4,954,132	12,839,773
Additions at cost	1,210,851	1,779,416	4,432,692	11,603,572
Disposals at cost	(277,850)	(255,530)	(1,083,231)	(789,010)
Disposal depreciation	194,540	125,562	857,564	529,968
Reclassification of assets at carrying amount	(330,356)	1,312	0	329,044
Depreciation for the year	(410,524)	(974,349)	(1,662,220)	(4,371,510)
Cost re-allocated to minor assets	(231,920)	(1,664,882)	0	(536,081)
Depreciation re-allocated to minor assets	203,793	1,377,748	48,181	470,708
Impairment	0	0	0	0
Closing carrying amount	4,546,082	8,008,072	7,547,117	20,076,463
At 31 March 2010				
Cost	7,638,913	11,068,735	14,028,028	32,468,554
Accumulated depreciation and impairment	(3,092,831)	(3,060,663)	(6,480,910)	(12,392,092)
Carrying amount	4,546,082	8,008,072	7,547,117	20,076,463
Useful lives	6 - 7 years	6 - 7 years	4 - 6 years	3 - 5 years
Minor Assets (excluded above and below R2 000 per item) at 31 March 2010 Depreciation for the year				
	(91,569)	(261,138)	0	(68,603)
Cost	492,155	3,069,626	0	1,004,207
Accumulated depreciation and impairment	(490,824)	(3,064,269)	0	(1,002,026)
Carrying amount	1,331	5,357	0	2,181
TOTAL CARRYING VALUE	4,547,413	8,013,429	7,547,117	20,078,644

Note: Leased assets are encumbered by a finance lease, refer to note 10.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

	Leased Computer Equipment R	Leasehold Improvements R	Leased Office Furniture R	Leased Security Equipment R	Total R
Major Assets (above R2 000 per item) At 1 April 2009					
Cost	5,015,930	3,819,038	5,107,200	1,344,856	66,408,541
Accumulated depreciation and impairment	(4,094,948)	(2,114,984)	(2,617,440)	(689,239)	(31,037,880)
Opening carrying amount	920,983	1,704,054	2,489,760	655,617	35,370,661
Year ended 31 March 2010					
Opening carrying amount	920,983	1,704,054	2,489,760	655,617	35,370,661
Additions at cost	0	1,790,108	0	48,679	20,865,317
Disposals at cost	0	(825,903)	5	0	(3,231,519)
Disposal depreciation	0	781,969	0	0	2,489,603
Reclassification of assets at carrying amount	0	0	0	0	0
Depreciation for the year	(716,215)	(969,243)	(780,452)	(205,929)	(10,090,443)
Cost re-allocated to minor assets	0	1,200	(781,844)	0	(3,213,527)
Depreciation re-allocated to minor assets	0	42,735	639,658	0	2,782,823
Impairment	0	0	0	0	0
Closing carrying amount	204,768	2,524,920	1,567,127	498,367	44,972,916
At 31 March 2010					
Cost	5,015,930	4,784,443	4,325,356	1,393,535	80,723,494
Accumulated depreciation and impairment	(4,811,162)	(2,259,523)	(2,758,229)	(895,168)	(35,750,578)
Carrying amount	204,768	2,524,920	1,567,127	498,367	44,972,916
Useful lives	4 - 7 years	6 - 7 years	6 - 7 years	6 - 7 years	,
Minor Assets (excluded above and below R2 000 per item) at 31 March 2010					
Depreciation for the year	0	0	0	0	(421,310)
Cost	0	0	781,844	0	5,347,832
Accumulated depreciation and impairment	0	0	(781,319)	0	(5,338,438)
Carrying amount	0	0	525	0	9,394
TOTAL CARRYING VALUE	204,768	2,524,920	1,567,652	498,367	44,982,310

Note: Leased assets are encumbered by a finance lease, refer to note 10.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Notes	2011 R	2010 R
8. ASSETS RECEIVED AS GRANTS		
Assets received from other institutions as grants were capitalized during the 2009/10 financial year but related to previous periods which resulted in the restatement of 2008/09 financial year figures in the Statement of Financial Position.		
Opening Balance	7,641,424	7,641,424
Additional assets	2,899,583	-
Less: Revaluation depreciation	(1,458,647)	-
Closing Balance	9,082,360	7,641,424
9. ACCOUNTS PAYABLE		
Trade payables	15,731,826	12,518,052
Sundry payables and accrued expenses	37,288,685	46,664,773
Leave pay accrual	9,345,256	6,294,269
Grants received in advance	31,850,775	29,175,229
	94,216,542	94,652,323

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

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 R	2010 R	
10. FINANCE LEASE OBLIGATION				
The finance lease obligation consists of 1 lease contract. The finance lease is capitalized at a fixed rate of 16% per annum payable in average monthly installments of R191,478 (escalating at 8% pa) over 173 months (115 months remaining : 2010-127 months remaining). The agreement is secured against the assets, described as leased assets in note 7.				
Total outstanding		12,172,540	12,171,983	
Plus: Current portion		35,944	161,407	
Long term liability		12,208,484	12,333,390	
2011	Minimum Lease Payments	Finance Cost	Present Value	Present Value
Due within one year	1,925,630	(1,961,574)	(35,944)	
Due between two and five years	9,371,271	(7,469,891)	1,901,380	
After five years	14,952,218	(4,645,114)	10,307,104	
	26,249,119	(14,076,579)	12,172,540	
2010				
Due within one year	1,782,990	(1,944,397)		(161,407)
Due between two and five years	8,677,103	(7,692,645)		984,458
After five years	17,732,865	(6,383,933)		11,348,932
	28,192,958	(16,020,975)		12,171,983

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

	2011 R	2010 R
11. PROVISIONS		
Provision for bonuses	15,257,997	12,628,371
Provision for 13th cheques	518,913	515,355
	<u>15,776,910</u>	<u>13,143,726</u>
Movement for the Year		
Provision for bonuses		
Opening Balance at 1 April	12,628,371	11,761,647
less: bonuses paid	<u>(11,907,655)</u>	<u>(10,150,709)</u>
	720,716	1,610,938
Net charge to the Statement of Financial Performance	<u>14,537,281</u>	<u>11,017,433</u>
CLOSING BALANCE AT 31 MARCH	<u>15,257,997</u>	<u>12,628,371</u>
<p>The provision for bonuses is based on management's judgement and represents the obligation to pay bonuses to salaried employees as a result of predetermined performance criteria having been met.</p>		
12. OPERATING LEASE COMMITMENTS		
<p>Seda leases its building in terms of an operating lease. Seda does not have the option to acquire the building at the termination of the lease.</p>		
Smoothing effect of the operating lease	<u>16,722,786</u>	<u>14,825,436</u>
<p>The future minimum lease payments under non-cancellable operating leases are as follows:</p>		
Up to one year	7,407,443	6,858,744
Between two and five years	36,049,070	33,378,768
Later than five years	57,403,441	67,481,186
	<u>100,859,954</u>	<u>107,718,698</u>

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	2011 R	2010 R
13. CONTINGENT LIABILITIES		
There are contingent liabilities in respect of:		
Legal claims - CCMA	5,979,836	4,249,403
Legal claims - Suppliers	1,280,847	1,260,858
	<u>7,260,683</u>	<u>5,510,261</u>
Refer to note 1.18		
a. COMMITMENTS		
Current expenditure		
Approved and contracted	33,129,003	57,936,406
Approved but not yet contracted	-	1,359,503
	<u>33,129,003</u>	<u>59,295,909</u>
Capital expenditure		
Approved and contracted	1,326,823	474,049
Approved but not yet contracted	-	-
	<u>1,326,823</u>	<u>474,049</u>
Total commitments	<u>34,455,826</u>	<u>59,769,958</u>

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

14. REMUNERATION OF BOARD OF DIRECTORS

14.1 Board members: 1 April 2010 to 31 March 2011

No	Name	Director Fees	Subsistence Allowance	Travelling	Cell Phone Allowance	Re-imbursments	Salary	Other	TOTAL
1	HN Lupuwana # ^	-	-	-	-	1,979	1,707,747	-	1,709,726
2	LJ Mngomezulu	172,079	610	12,234	-	2,586	-	-	187,509
3	DMN Mokhobo	10,049	-	-	-	-	-	-	10,049
4	N Dinie	93,840	1,300	3,932	-	693	-	-	99,765
5	NHB Faull	43,306	500	997	-	666	-	-	45,469
6	MJ Feinstein	93,222	660	7,487	-	5,234	-	-	106,603
7	PF Lugayeni	124,335	1,155	8,140	-	475	-	-	134,105
8	TMS Matang	108,763	1,010	25,719	-	439	-	-	135,931
9	F Mayimele-Hashaste	97,357	1,025	12,636	-	2,769	-	-	113,787
10	QN Mogotsi	38,644	305	1,635	-	186	-	-	40,770
11	TB Nkambule	130,513	1,475	4,774	-	-	-	-	136,762
12	DMN Thabaneng	63,512	400	9,689	-	-	-	-	73,601
13	T Mokgoro	33,242	80	2,920	-	-	-	-	36,242
14	I Zwane	29,598	320	4,636	-	-	-	-	34,554
15	F Habib	39,979	80	3,358	-	-	-	-	43,417
16	R Kenosi	25,261	80	1,204	-	-	-	-	26,545
17	V Skosana	31,254	80	1,533	-	-	-	-	32,867
18	S Mzolo	-	-	-	-	-	-	-	-
19	M Venter	-	-	-	-	-	-	-	-
20	M Mohoto *	-	-	-	-	-	-	-	-
		1,134,954	9,080	100,894	-	15,027	1,707,747	-	2,967,702

* These members did not receive remuneration due to being employed elsewhere in the Public Service.

Including performance bonus in respect of 2009/10.

^ HN Lupuwana is the only Executive Board member.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Board Sub-committees Members: 1 April 2010 to 31 March 2011

No	Name	Attendance Fees	Subsistence Allowance	Travelling	Cell Phone Allowance	Re-imbursments	Salary	Other	TOTAL
21	MJ Lesejane	70,711	80	3,507	-	-	-	-	74,298
22	T Nemahagala *	-	-	-	-	-	-	-	-
23	K Roelofse *	-	-	-	-	-	-	-	-
24	J Potgieter *	-	-	-	-	-	-	-	-
		70,711	80	3,507	-	-	-	-	74,298
TOTAL		1,205,665	9,160	104,401	-	15,027	1,707,747	-	3,042,000

The following Directors were not with the agency for the full financial period:

	Name of Director	Date of exit	Date of appointment
3	DMN Mokhobo	30-Jun-10	-
5	NHB Faull	31-Aug-10	-
6	MJ Feinstein	31-Aug-10	-
8	TMS Matang	31-Aug-10	-
10	QN Mogotsi	31-Aug-10	-
13	T Mokgoro	-	01-Sep-10
14	I Zwane	-	01-Sep-10
15	F Habib	-	01-Sep-10
16	R Kenosi	-	01-Sep-10
17	V Skosana	-	01-Sep-10
18	S Mzolo	-	01-Mar-11
19	M Venter	-	01-Mar-11
20	M Mohoto *	-	01-Sep-10
22	T Nemahagala *	31-Aug-10	-

* These members did not receive remuneration due to being employed elsewhere in the Public Service.

Including performance bonus in respect of 2009/10.

^ HN Lupuwana is the only Executive Board member.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

14.2 Board members: 1 April 2009 to 31 March 2010

No	Name	Director Fees	Subsistence Allowance	Travelling	Cell Phone Allowance	Re-imbursments	Salary	Other	TOTAL
1	HN Lupuwana ^	-	-	-	15,000	3,478	1,257,642	-	1,276,120
2	LJ Mngomezulu	164,340	390	7,740	-	-	-	-	172,470
3	DMN Mokhobo	96,604	-	2,190	-	-	-	-	98,794
4	BP Calvin	9,684	65	750	-	-	-	-	10,499
5	N Dinie	94,020	975	3,600	-	-	-	-	98,595
6	NHB Faull	101,300	910	2,370	-	522	-	-	105,102
7	MJ Feinstein	144,838	1,365	4,140	-	-	-	-	150,343
8	N Galeni	22,505	65	1,104	-	-	-	-	23,674
9	PF Lugayeni	125,461	1,040	3,750	-	260	-	-	130,511
10	TMS Matang	148,844	1,625	35,748	-	639	-	-	186,856
11	F Mayimele-Hashaste	114,545	1,235	13,440	-	-	-	-	129,220
12	QN Mogotsi	64,546	910	2,340	-	209	-	-	68,005
13	TB Nkambule	152,460	1,560	8,364	-	-	-	-	162,384
14	DMN Thabaneng	63,182	195	6,894	-	70	-	-	70,341
		1,302,329	10,335	92,430	15,000	5,178	1,257,642	-	2,682,914

Board Sub-committees Members: 1 April 2009 to 31 March 2010

No	Name	Attendance Fees	Subsistence Allowance	Travelling	Cell Phone Allowance	Re-imbursments	Salary	Other	TOTAL
15	JA Motha	7,106	-	468	-	-	-	-	7,574
16	MJ Lesejane	53,766	-	2,970	-	-	-	-	56,736
17	M Manjezi *	-	-	-	-	-	-	-	-
18	K Roelofse *	-	-	-	-	-	-	-	-
19	T Nemahagala *	-	-	-	-	-	-	-	-
		60,872	-	3,438	-	-	-	-	64,310
	TOTAL	1,363,201	10,335	95,868	15,000	5,178	1,257,642	-	2,747,224

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

The following Directors were not with the agency for the full financial period:

Name of Director	Date of exit
BP Calvin	31-Aug-09
N Galeni	31-Oct-09
M Manjezi	31-May-09

* These members did not receive remuneration due to being employed elsewhere in the Public Service.

^ HN Lupuwana is the only Executive Board member.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	2011 R	2010 R
15. NOTES TO THE CASH FLOW STATEMENT		
a) Plant & Equipment		
During the period under review Seda acquired assets by means of cash on hand. As per asset note 7.	<u>15,615,822</u>	<u>20,865,317</u>
b) Reconciliation of (deficit) / surplus for the year to net cash flows (used in) / from Operating Activities		
Net (deficit) / surplus for the Year	(13,532,962)	(36,676,773)
Non-cash Movements:	16,207,458	12,385,381
Escalation effect of finance lease	(160,850)	3,465
Depreciation	13,702,240	10,511,753
Profit / (Loss) on sale of plant and equipment	(233,515)	24,978
Assets received as grants	2,899,583	-
Interest earned refunded to the dti	-	1,845,185
Changes in Working Capital	6,459,398	1,821,033
Increase in provisions	2,633,184	1,007,182
Increase / (Decrease) in accounts payable	(435,781)	(580,744)
Decrease / (Increase) in inventories	58,002	(68,489)
Decrease / (Increase) in accounts receivable	2,306,643	(1,419,970)
Smoothing effect of operating lease	1,897,350	2,883,054
Net cash flows from / (used in) operating activities	<u>9,133,894</u>	<u>(22,470,359)</u>

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	2011 R	2010 R
15. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)		
c) Receipts from External Earnings		
Gross external earnings	23,026,256	61,340,009
Accounts receivable - current period	(4,109,734)	(6,416,377)
Accounts receivable - prior period	6,416,377	4,996,407
	<u>25,332,899</u>	<u>59,920,039</u>
d) Refund of Unspent Funds		
Interest earned by Stp refunded to the dti	<u>-</u>	<u>1,845,185</u>

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

16. FINANCIAL INSTRUMENTS

16.1 Capital risk management

As Seda is not exposed to debt, other than the finance lease commitment, there is no meaningful debt to equity ratios such as gearing ratios to be disclosed. The majority of the funding is received from the Department of Trade and Industry and therefore is dependent on their support.

16.2 Financial risk management objectives

The Board Members monitor and manage the financial risks relating to the operations of the entity through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest risk), credit risk, liquidity risk and cash flow interest rate risk.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

16.3 Market risk

The entities activities are of such a nature that it does not materially expose Seda to financial risks of changes in foreign currency exchange rates and interest rates as referred to below. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

16.4 Interest rate risk management

Seda is exposed to interest rate risk with the current interest rate movements. The risk is managed by investment of surplus funds at fixed and floating interest rates for periods of 90 days and shorter with reputable banks.

The following table identifies the period over which those financial instruments that are sensitive to interest rate risk reprice. Seda surplus funds are invested in terms of its investments policy as approved by its Board.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

2011

	Effective Interest Rate as at 31 March 2011	Less than 6 months R	More than 6 months	Total R
Assets				
Current cash balances	3,75%	(323,687)		(323,687)
Short-term call deposits	5,00%	155,977,354		155,977,354
		<u>155,653,667</u>		<u>155,653,667</u>
Liabilities				
Finance lease	16,00%		<u>12,208,484</u>	<u>12,208,484</u>

2010

	Effective Interest Rate as at 31 March 2010	Less than 6 months R	More than 6 months	Total R
Assets				
Current cash balances	4,75%	(1,900,356)		(1,900,356)
Short-term call deposits	6,00%	163,727,356		163,727,356
		<u>161,827,000</u>		<u>161,827,000</u>
Liabilities				
Finance leases	16,00%		<u>12,333,390</u>	<u>12,333,390</u>

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

16.5 Other price risks

Prices for future purchases and sales of goods and services are generally established on normal commercial terms directly with suppliers and customers. Management consider the price risk to be insignificant.

16.6 Credit risk management

Credit risk refers to the risk that a counter party would default on its contractual obligations resulting in financial loss to the entity.

Financial assets which potentially subject Seda to concentrations of credit risk consist principally of cash and short-term deposits placed with high credit quality financial institutions. Currently Seda's cash balances and call deposits are held at ABSA bank. Trade receivables are presented net of an allowance for doubtful receivables. Seda does not have any significant exposure to any other individual customer or counter party.

The carrying amounts of financial assets included in the statement of financial position represent the Seda's exposure to credit risk in relation to these assets.

16.7 Liquidity risk management

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board Members are satisfied that the entity will be able to settle their financial liabilities (payables and leave pay accrual) and lease liability in the normal course of business.

2011
R

2010
R

17. RELATED PARTIES

Seda, as a Public Finance Management Act (PFMA) schedule 3A Public Entity, receives its core funding from Parliament via Vote 35 - Department of Trade and Industry as disclosed in note 2.

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21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

18. REMUNERATION OF KEY MANAGEMENT

Payments made to Seda's Executive Managers:
for the year ended 31 March 2011

No	Name	Salary	Travel Allowance	Cell Phone Allowance	Re-imbursments	Other	TOTAL
		R	R	R	R	R	R
1	M Hogendoorn *	1,156,337	60,000	21,600	4,937	-	1,242,874
2	KD Motlhoioa *	1,011,461	102,000	21,600	9,371	-	1,144,432
3	B Pitso *	1,080,313	34,362	21,600	-	-	1,136,275
4	J Ravjee (Acting) ^	-	-	-	-	62,519	62,519
5	R Alummoottil #	161,528	-	3,600	-	55,827	220,955
6	C Wyeth *	509,697	35,000	9,000	-	137,348	691,045
		3,919,336	231,362	77,400	14,308	255,694	4,498,100

* Including performance bonus in respect of 2009/10

^ Acting allowance only

Salary 2 months and acting allowance

4 J Ravjee (Acting Exec Stp) till end January 2011

5 R Alummoottil - Acting COO Jun 2010 - Jan 2011, Exec Stp from Feb 2011

6 C Wyeth - Last payment Oct 2010

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

18. REMUNERATION OF KEY MANAGEMENT (CONTINUED)

Payments made to Seda's Executive Managers:
for the year ended 31 March 2010

No	Name	Salary	Travel Allowance	Cell Phone Allowance	Re-imbursments	Other	TOTAL
		R	R	R	R	R	R
1	M Hogendoorn	831,637	60,000	21,600	-	-	913,237
2	KD Motlhoioa *	937,407	102,000	21,600	2,321	18,692	1,082,020
3	B Pitso *	903,092	137,448	21,600	5,272	36,594	1,104,006
4	J Ravjee (Acting) ^	-	-	-	-	66,068	66,068
5	C Wyeth *	990,380	84,000	21,600	9,675	-	1,105,655
		3,662,516	383,448	86,400	17,268	121,354	4,270,986

* Including performance bonus in respect of 2008/09.

^ Restated to reflect only acting allowance, previously (2009/10) disclosed as total remuneration received including acting allowance.

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	2011 R	2010 R
19. RETIREMENT BENEFITS AND MEDICAL AID		
The total amounts paid toward retirement benefits for the period (542 employees for the current year) and medical aid for the period (382 employees for the current year) are as follows:		
Provident Fund	16,011,495	14,557,070
Medical Aid	8,898,951	8,424,904
	<u>24,910,446</u>	<u>22,981,974</u>
20. FRUITLESS AND WASTEFUL EXPENDITURE		
Opening balance	-	-
Fruitless and wasteful expenditure – current year	23,010	27,795
Fruitless and wasteful expenditure condoned	<u>(23,010)</u>	<u>(27,795)</u>
Closing balance	<u>-</u>	<u>-</u>
21. WORLD CUP 2010 EXPENDITURE		
2010 World Cup tickets	<u>-</u>	<u>-</u>
22. TAX STATUS		
Seda is exempt from income tax in terms of section 10 (1)(cA) of the Income Tax Act, 1962.		
Seda is exempted from VAT registration.		

21. NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

23. RECONCILIATION OF BUDGET SURPLUS / (DEFICIT) WITH THE SURPLUS / (DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE

	Budget 2010/11	Actual 2010/11	%	Variance
Net surplus / (deficit) per Statement of Financial Performance				
Revenue				
Transfers from other government entities	461,121,000	461,121,000		0
External earnings *	12,876,452	23,026,256		10,149,804
Interest received	12,340,774	11,627,163		(713,611)
TOTAL REVENUE	486,338,226	495,774,419	1,94%	9,436,193
Expenses				
Personnel cost ^	(193,710,607)	(189,847,834)		3,862,773
Programme, projects and other administrative expenses #	(314,200,130)	(305,757,307)		8,442,823
Depreciation	(11,112,800)	(13,702,240)		(2,589,440)
TOTAL EXPENSES	(519,023,537)	(509,307,381)	1,87%	9,716,156
NET DEFICIT	(32,685,311)	(13,532,962)		19,152,349
Plus: Accumulated surplus previous year		71,444,354		
Net: Accumulated surplus as per Statement of Financial Position		57,911,392		

Notes on variances:

* Revenue: includes R6,9 million of SWEEP funding.

^ Personnel cost: Variance due to vacancies.

Programme and admin cost: Optimization of resources.

ABBREVIATIONS AND ACRONYMS

AsgiSA	Accelerated and Shared Growth Initiation in South Africa	LIBSA	Limpopo Business Support Agency
BA	Business Advisor	M&E	Monitoring and Evaluation
BDSP	Business Development Service Provider	MEDA	Mpumalanga Economic Development Agency
CACB	Confederation of Business Chambers Brazil	MoU	Memorandum of Understanding
CD	Compact Disc	MQA	Mining Qualifications Authority
CIPRO	Companies and Intellectual Properties Registration Office	NAAASP	National African Association of Automotive Service Providers
CIS	Cooperatives Incentives Scheme	NAFCOC	National African Federation of Chamber of Commerce
CSIR	Council for Scientific and Industrial Research	NAMAC	National Manufacturing Advisory Centre
DoA	Department of Agriculture	NC	Northern Cape
DPLG	Department of Provincial and Local Government	NEF	National Empowerment Fund
the dti	Department of Trade and Industry	NSIC	National Small Industry Council, India
EAP	Employee Assistance Programme	PAA	Public Audit Act
EC	Eastern Cape	PFMA	Public Finance Management Act
EIC	Enterprise Information Centre	PMDS	Performance Management Delivery System
EWP	Employee Wellness Programme	PSJ	Port St. Johns Development Agency
Exco	Executive Committee	SABS	South African Bureau of Standards
FDC	Free State Development Corporation	SAMAF	The South African Micro Finance Apex Fund
FET	Further Education and Training	SAWEN	South African Women Entrepreneur Network
FNB	First National Bank	SAQA	South African Quality Agency
FoodBev	Food Beverages Sector	SBC	Small Business Corporation, South Korea
FOSAD	Forum of South African Director Generals	SEBRAE	Small Enterprise Agency Brazil
FS	Free State	Seta	Sector Education and Training Authority
GRI	Global Reporting Initiative	SMME	Small Medium and Micro Enterprise
HACCP	Hazard Analysis and Critical Control Points	Stp	Seda Technology Programme
IBSA	India, Brazil and South Africa	TIPA	Technology Innovation for Poverty Alleviation
ICT	Information, Communication and Technology	TUT	Tshwane University of Technology
IDC	Industrial Development Corporation	UNCTAD	United Nations Council on Trade Development
IDT	Independent Development Trust	UNDP	United Nations Development Programme
IO	Information Officer	UNIZO	Union of Independent Business, Belgium
IR	Industrial Relations	WC	Western Cape
ISO	International Organisation of Standardization	WRSETA	Wholesale and Retailing Sectorial Training Authority
KZN	KwaZulu-Natal		



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