

*annual report for the year ended  
31 MARCH 2005*

*"turning 8 in 10 failures into 8 in 10 successes"*

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## trustees REPORT

As the institution created by government to facilitate technology and business incubation in South Africa, the GODISA Trust has taken up the challenge of delivering on its mandate with great vigour and determination. During 2004/5, GODISA has transferred funding to various consortia for the creation of three new Technology Business Centres (TBCs). In this regard, GODISA has responded to the national call for supporting the construction sector, by the provision of funding for the creation of two Contractors Support Centres, one in Polokwane (Limpopo), and one in Ethekewini (Kwazulu Natal).

GODISA has also supported the environment friendly bio-fuels sector, by the provision of funding for the establishment of a Biodiesel Incubator in the Limpopo Province. GODISA has also run a transparent public process to identify potential new centres that may be established once additional funding becomes available.

The interventions launched by GODISA in the construction industry are targeted at moving small building and civil engineering contractors, currently functioning mainly in the second economy or on the margins of the first economy, into the mainstream of contracting for medium sized projects. Through the services and support to be provided by the Contractor Incubators, small building contractors will be helped to overcome the many hurdles currently blocking them from growing into sustainable, medium sized contractors. This remains one of the fundamental functions of the GODISA Trust.

During the 2004/5 financial year, GODISA has focused on three main objectives, all of which have been achieved:

- Transfer of funding for the establishment of new TBCs

- Capacity building and training of the staff to take over the management of the Trust
- Funding transfer and Programme Management support to the existing GODISA Incubators.

The Trustees are pleased with the progress made by the institution at the end of its first full year of operations in the development and implementation of the necessary systems, policies and procedures to fill the role of Programme Management Unit for both the Department of Science and Technology (DST) and the Department of Trade and Industry (the dti). In this regard, the Trustees are also happy with the smooth takeover of operations from the technical support provided by the European Union and the CSIR.

The GODISA Trust will over the next year focus strongly on building its relations with the Provincial and Local Government departments, to leverage the resources available for small enterprise support. In this regard, the institution will also strengthen its relationship with the Small Enterprise Development Agency (SEDA), as the national institution responsible for driving the small enterprise support agenda. As many synergies exist between SEDA and GODISA, we will explore opportunities for closer cooperation and integration of support services to small enterprises in the new financial year.

The GODISA Trust received notification from SARS that an amount of R7 313 764 was identified as income tax payable relating to the 2004 tax year. The Board has accordingly made the necessary provisions, but has also appointed a firm of tax consultants to appeal this decision on behalf of GODISA as they believe the Trust should qualify for tax exemption.

Subject to the availability of funding, GODISA will continue to explore the possibilities of new centre creation versus further consolidation of support for its

existing centres. The primary aim being the desire to secure maximum impact (ie. small enterprise creation through technology transfer and diffusion) with the limited resources the institution has been provided with.

Another major focus of GODISA over the next year will be the initiation of specific interventions designed to increase the level of Black participation in those sectors where the existing GODISA – supported centres are struggling to make the necessary economic transformational impact. The biomedical and biotechnology sectors in particular will be targeted for specific intervention, to ensure that the long-term pipeline

of projects and ultimately businesses can be increased from the low based upon which it currently feeds.

Incubation remains a critical instrument of government's small enterprise support agenda and GODISA will continue to provide valuable lessons in this regard.



**A N Damane**  
*Chairperson*



**A N Damane**  
*Chairperson*



## chief executive officer's REPORT



**C A Wyeth**

CEO

At the end of the first full financial year of operating as an independent entity, the GODISA Trust is very proud to have proven that "Incubation" is clearly one of the most effective instruments of supporting small enterprises in any economy.

The eight GODISA – supported Technology Business Centres (TBCs), have collectively helped ensure a survival rate of 83.9% of small enterprises being supported by those centres. Given that the failure rate of SMMEs in their first two years of operations in certain sectors is close to 90%, this intervention has made a significant impact on the survival rate of technology – based small enterprises in South Africa.

During the 2004/5 financial year, GODISA centres provided a variety of infrastructural and business support services to 159 small enterprises, and are currently providing an additional 121 innovators and entrepreneurs with a package of support services intended to turn their business ideas into new small enterprises. In addition, a total of 82 new small enterprises have been created. These have been created primarily in the ICT sector, with the support of our partner institutions in the

tertiary education sector, notably the Tshwane University of Technology.

Although the focus of the GODISA Trust is primarily on the wealth creation of the incubatees supported, the growth of these enterprises has resulted in the creation of 711 direct and indirect jobs.

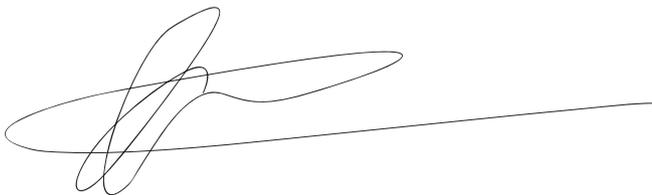
Furthermore, and in response to the enormous need of SMMEs to secure funding for their business operations, GODISA centres have helped their clients to raise a total of R93 313 000 during 2004/5. The bulk of this funding was for the commercialisation of innovative projects and related initiatives in the life science and biotechnology sector. It is envisaged that these projects will form a healthy pipeline or supply of good quality products and/or services for the ongoing operations of the enterprises supported.

In late 2004, to align itself better with the demands of the SA market for business incubation support services, GODISA underwent a major restructuring. The restructuring was designed to improve the operational efficiencies of GODISA, by better allocating workloads

in the institution, as well as focusing on knowledge management and the development of the Trust as a Centre of Competence in Incubation. In this regard, the institution has undergone a full review of all its systems, policies and procedures, to ensure that its operations are in-line with international best practice.

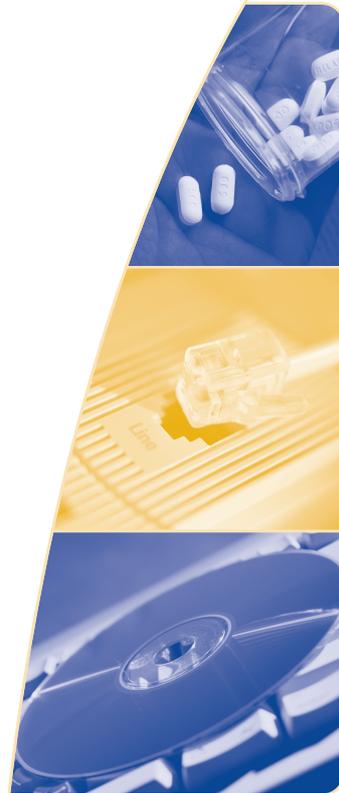
Given the enormous investment in capacity building and training that has been undertaken at GODISA, and the resulting development of competencies and skills in incubation, the institution is currently exploring opportunities for transferring some of these skills to other institutions interested in incubation. In particular, the institution is working with various government agencies in neighbouring countries and the rest of Africa, to launch new incubation initiatives.

I believe that GODISA has the skills and competencies to drive the national agenda for incubation, and will continue to work with the Provincial and Local government structures, as well as other government departments, to ensure that greater leveraging of the resources available for small enterprise support is achieved, and in so doing, increase our overall impact on small enterprises.



**C A WYETH**

*Chief Executive Officer*



## history of the GODISA TRUST

The GODISA Programme was borne in the Technology Transfer sub-programme of the Department of Science and Technology (DST) in 1999/2000, and evolved into a joint initiative between the DST and the Department of Trade and Industry (the dti), with the support of the European Union (EU).

The first Technology Business Centre (TBC), Softstart Technology Incubator, was created in July 2001, and since then, seven other TBCs have been created.

In October 2003, GODISA was registered as a Trust under Section 6(1) of the Trust Property Control Act of 1988 (Act 57 of 1988).

This was followed in June 2004, when GODISA was listed in the Government Gazette No. 26477 as a Schedule 3A Public Entity.

GODISA reports through its Board of Trustees, to the Minister of Science and Technology, The Honourable Mosibudi Mangena. The Board of Trustees have overall responsibility for the affairs of the GODISA Trust, and currently consist of seven representatives, three representing the DST, three representing the dti, and one representing the private sector. The Trustees, as at 31 March 2005, are as follows:



**Mrs A Damane**  
(Chairperson)  
dti



**Ms M Pyoos**  
(Deputy Chairperson)  
DST



**Mr T Motloung**  
(EXCO Chairperson)  
DST



**Mr J Potgieter**  
dti



**Mrs V Mutswana - Qupe**  
dti



**Mr E Lottering**  
DST



**Mr M Myers**  
Private Sector



## strategic FOCUS AREAS

The GODISA Deed of Trust identifies four primary models for centres that have the aim of accelerating the development of entrepreneurs and technology based small enterprises through technology transfer and diffusion. These centres are collectively referred to as Technology Business Centres (TBCs). The four models, which represent the principle instrument through which the GODISA Trust delivers on its national mandate, are:

- Incubators: an Incubator provides a variety of business support services under controlled conditions, to create an environment favourable for developing, nurturing and accelerating the growth of technology - based businesses
- ISC The Innovation Support Centre endeavours to optimise and commercialise developed technologies by means of technology transfer, i.e. licensing, selling of patents or know-how or by "spinning" off technology into small enterprises
- TDC The Technology Demonstration Centre endeavours to demonstrate to small enterprises appropriate technologies, equipment and know-how to establish business ventures and up-grade existing ones.
- Hybrid Centres These centres reflect combinations of the three previously mentioned models

The Deed of Trust provides the strategic framework for all the business activities of the Trust, and identifies, *inter alia*, the following broad objectives:

- The establishment of TBCs such as incubators, innovation centres, demonstration centres or hybrid centres with the aim of accelerating the development of technology – based small enterprises
- The promotion of technology transfer/diffusion within the small, medium and micro-enterprise sector of the local economy
- The enhancement of entrepreneurial and innovative thinking through effective and efficient centre processes
- The facilitation of effective, efficient and economical technological and business skills and know-how in centres
- The establishment and maintenance of networking arrangements among centres, as well as with other similar organisations
- The improvement of the business performance, profitability and survival rate of newly established technology based SMMEs
- The promotion of economic growth and employment creation through the enhancement of technological innovation
- Apart from financial aid, provide assistance eg. training, consultation, advice or other measures deemed necessary for the effective, efficient and economical functioning of centres.
- Continual improvement of the GODISA TRUST by benchmarking and research.

GODISA constantly strives for the economic, efficient and effective application of resources, and has identified and implemented the necessary steps to ensure that

the learning and knowledge developed and acquired by the institution is embedded in its operations.

In this regard, the recommendations and outputs of four different reports were adopted and implemented at GODISA during 2004. These are the Mid Term Review undertaken by the European Union, the Lessons Learnt Report (drafted by an international expert on incubation), a Performance Audit undertaken by a local auditing

firm, and a comprehensive Internal Auditing Report, undertaken by a national auditing firm.

The recommendations made by these reports will contribute significantly towards GODISA adopting best practises in incubation and general management, and will help GODISA in achieving its goal of becoming a Centre of Competence in Incubation.

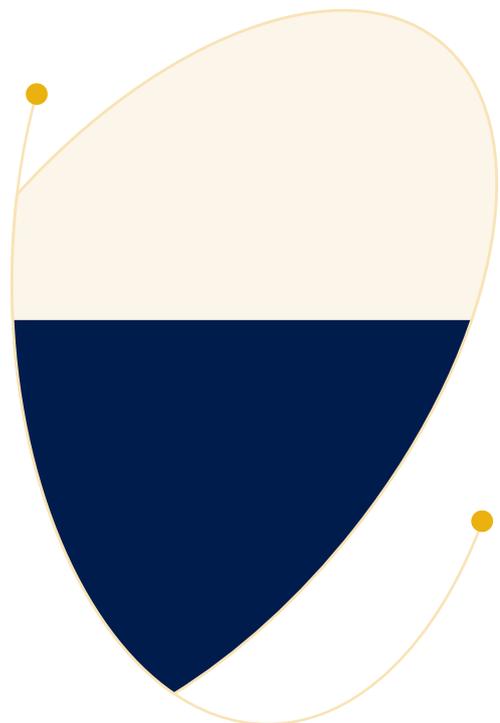
## new CENTRE ESTABLISHMENT

During the course of the 2004/5 financial year, GODISA approved funding for the establishment of three new centres. These are:

- A (building industries) Contractors Support Incubator in Polokwane (Limpopo Province). This centre will be implemented in partnership with the Polokwane Municipality
- A (building industries) Contractors Support Incubator in Durban (Kwazulu Natal Province). This centre will be implemented in partnership with the Ethekewini Municipality)
- A Biodiesel Incubator in the Limpopo Province. A centre to facilitate and support the establishment of (primarily) emerging farmers to produce bio-fuels from the cultivation of selected crops

It is envisaged that full implementation and the operationalising of these centres will take place during the course of 2005.

In addition to the above centres, GODISA is in discussion with the dti concerning the incorporation of 'the dti' incubators into the GODISA Trust.



## centres of the GODISA TRUST



Acorn Technologies is a biomedical, bio-engineering and biotechnology start-up business incubator based in Observatory, Cape Town. This Section 21 company provides residential and laboratory facilities, business expertise and a supportive environment for entrepreneurs and fledgling life science businesses.

The vision of Acorn Technologies is to bridge the gap between product development and commercial enterprise in the life science and biotechnology sectors. This is achieved by providing suitable start-up businesses and techno-entrepreneurs with a range of business resources, including the facilitation of access to finance and on-site incubation.

Acorn stimulates, grows and commercialises viable technologies through world-class service provision and value-adding in the following areas:

- Commercial and Technical Services
- Space and Facilities
- Administrative Services
- Education and Marketing
- Business Plans and Models
- Financial Modeling



The Bodibeng Technology Incubator (BTI) supports high-tech entrepreneurs in starting and growing their businesses by offering innovative products and services.

It is a networked or virtual incubator (incubator without walls) providing hands-on business coaching and mentoring, and offers clients contact with a wide network of local and international partners and associates.

BTI's focus is on the Information, Communications and Electronics Technology (ICT&E) markets, and its services include support for start-up companies, corporates, academics and financial investment institutions. The ICT&E strategy of BTI is based on creating a virtual community of entrepreneurs who can interact in a secure, web-based, collaboration environment. Bodibeng's offices are located in Midrand, Gauteng.

Bodibeng is a North Sotho word, meaning watering hole or place of gathering. BTI is such a place, where members can gather and find sustenance, be it in the form of knowledge, skills or a network of contacts. BTI's vision is thus the development of every ICT&E entrepreneurial venture into a successful, well structured, well managed, fully productive enterprise for the benefit of all in South Africa.



Chemin is a technology incubator specialising in supporting the start-up and growth of SMEs in the downstream chemical industry. Chemin's headquarters is located in Port Elizabeth, but operates nationally through various projects the centre is involved in.

The main focus of Chemin is the development of the downstream chemicals manufacturing industry in South Africa, supporting both process and product technologies, specifically within the fine and performance chemicals markets.

Recognising that it is practically and financially impossible to establish and maintain in-house all the resources for providing services and facilities that might be required by incubatees in downstream chemical production, Chemin has therefore established collaborative linkages with persons and institutions experienced and willing to be service providers. This includes, amongst others, technology feasibility evaluation, forecasting and audits, environmental regulatory compliance, product registrations, analytical services, process and product development and optimisation, process scale-up and plant design, technical and economic evaluations and toll manufacture for product testing.

Chemin, in collaboration with a network of service providers, in addition to the provision of technology incubation services, provides business incubation and business nurturing services to incubator clients, as well as mentoring facilitation, partnering and networking assistance, strategic and business planning services, accounting and financial management support, including tax assistance, maximising utilisation of existing governmental industrial incentive packages and sourcing of developmental funding, as well as seed, venture, equity or asset finance.

a critical role in the promotion of the local biotechnology industry and the development of a sustainable and vibrant biotechnology SMME sector. In addition, the incubator seeks continuously to stimulate and grow biotechnology start-ups through world-class technology incubation. As a result, this will subsequently establish South Africa as an important regional centre for the commercialisation of biotechnology products and services internationally.

By providing a technology intensive, collaborative environment and infrastructural support, combined with strategic, commercial and legal assistance, eGoli Bio aims to develop these technologies into viable business enterprises. The incubator also creates an environment of learning and sharing in which information, experiences and ideas are freely exchanged.



The Embizeni Innovation Support Centre is situated in Durban and provides technical and business support to enable innovators in the electronics, information and communication technology sectors, to take their ideas to the market.

Established in 2001, it provides business, research, technical, management and marketing skills to support innovation and provides a secure environment in which technologies can be evaluated, developed, optimised and commercialised.

The Centre's vision is to embed innovation as the driver for economic growth. Large emphasis is placed on their



Officially launched in 2003, eGoli Bio life Sciences Incubator serves as a development conduit for the commercialisation of bio-sciences research, products, services and technology platforms. It offers biotechnology entrepreneurs a unique opportunity to commercialise their products or services within a business incubator. eGoli Bio aims to be a role model for biotechnology and bio-science incubation in South Africa and to play

“Mind to Market” philosophy, which is the process of taking an idea and applying it to a realistic situation. When this is novel and new, an innovation is born – a process that begins in the mind and, if successful, ends up in the market.



Softstart is a technology business incubator located in Pretoria, which assists innovative, early stage “ICT” entrepreneurs with mentoring and support in the strategy and practice of growing a sustainable business.

The incubator also aims to improve enterprise performance and enhance profitability of its clients by offering technology and management support to SMMEs, which will enable them to develop their innovations to full commercial potential.

Some of Softstart’s key services include strategic and operational mentoring, furnished ‘plug and play’ office space in a secure environment, shared resources such as reception and conference facilities, Internet access, access to service providers and funding sources.



The Timbali Technology Incubator is situated in the Mbombela Region of Mpumalanga, and was established to create a centre for the establishment and support of emerging farmers in the cut flower market.

The lowveld region is ideally suited for the production of a number of flower crops, but despite the climatic and infrastructure advantages, the floriculture industry has remained a fledgeling industry in Mpumalanga.

The challenges of the cut-flower market are often described as viciously competitive. A good understanding of the flower trade, skill, knowledge and experience in growing flowers, is essential in an industry where quality is non-negotiable. Timbali has developed a unique concept that ensures that a high volume of good quality cut flowers is produced for both the local and export markets.

Currently, Timbali clients are focusing on cultivating the famous Gerbera cut flower, which was chosen for its unique adaptability to the region and its high value on the local and overseas markets. It is the largest Gerbera cut-flower project in Africa and it is estimated that over a million flowers are produced annually. The Cluster development is also one of the largest hydroponic production units in the country and represents a major development in floriculture in South Africa.



Technology  
Demonstration Centre

Zenzele Technology Development Centre is based in an office and laboratory complex in Mintek in Randburg, and it provides technical and research support to small-scale mining enterprises.

With the aim of fostering accelerated growth, skills development, job creation and assisting enterprises to successfully compete in their markets, Zenzele provides a range of services to small-scale miners across South Africa. These services include the following:

- An easily accessible Centre that provides technology and services appropriate to the needs of small-scale miners;
- Technical demonstration facilities at Zenzele offices suitable for the large and small-scale processing of a number of commodities;
- A system to assist in the access of finance for the leasing or purchasing of improved equipment by clients;
- Technological input to allow the development of new small mining projects;
- Access to other relevant support service providers; Development of business plans

## *GOALS and OBJECTIVES for 2004/5*

The achievements of the GODISA Trust against all the specific goals and objectives as reflected in the Business Plan for 2004/5 are reflected in the Annual Review for 2004/5. This report was approved by the GODISA Board of Trustees on 30 June 2005, and is available from the GODISA offices.

Regarding specific achievements of the Trust, the following points are worth noting:

- Through their partnerships and alliances with Tertiary Educational Institutions and Research Institutes, each TBC, facilitates, and in some instances, provides their clients/incubatees with technical and technological support in dealing with such issues arising in their businesses. A total of 280 projects/SMMEs have been supported during the past financial year
- Given that all the TBCs currently provide extensive support to start-ups and innovators/entrepreneurs with good technology-based business ideas, the centres have directly contributed to the creation of 82 technology – based small enterprises
- 83.9% of the small enterprises being supported by the GODISA Centres have survived the 2004/5 financial year. This is significantly higher than what would have been the case without the support of the various TBCs
- Through their partnerships and alliances with Tertiary Educational Institutions and Research Institutes, each TBC, facilitates, and in some instances, provides their clients/incubatees with direct access to facilities for the testing and promotion of innovative ideas
- Through the provision of mentors and business coaches to each of their incubatees/clients, the TBCs are able to provide start-ups with information and support concerning modern, efficient and effective business practices, thereby increasing the potential for growth and success of their businesses
- The GODISA Centres have collectively provided their clients with direct access to a combined total of R93 313 000. This funding has gone directly into those small enterprises to pay for product and process development, and assisting those small enterprises to increase their growth and ongoing success



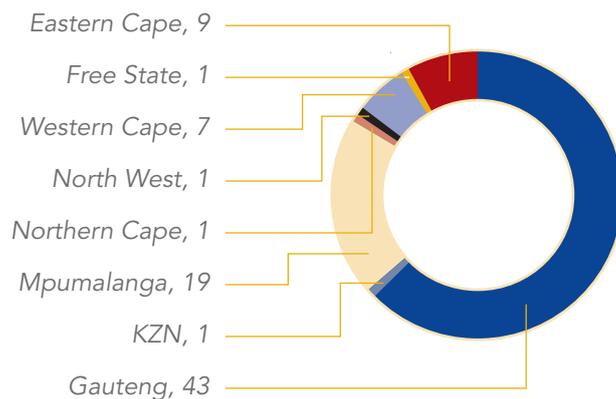
## key outcomes of the PROGRAMME

The process of creating small enterprises that are based on sound business models with well-thought out business strategies is not an easy one, and this is reflected in the performance of the various centres as far as small enterprise creation is concerned.

The approach of supporting start-ups and entrepreneurs in the pre-incubation phase is also one that increases the time and costs of supporting enterprise creation, as the entrepreneurs need considerable inputs to bring their business plans and business concepts to a level of readiness for incubation. In addition to the above points, some of the centres, notably CHEMIN (Chemicals), ACORN (Life Sciences) and EGOLI (Biosciences), have to play a considerable sector development role to increase the level of black representation and entrepreneurship in their respective markets. These sectors are themselves not well developed in SA, and also require considerable general sector development to ensure better performance of these centres in the long term. Furthermore, in the case of ACORN and EGOLI, most of the business proposals investigated by the centres require at least six to twelve months before those initiatives are ready to be turned into the basis of a real business. It will then require a further 6 to 12 months before these businesses will start commencing any trading activities. This negatively affects the ability of the centre to create small enterprises in the short term, but helps create the deal flow and total pool of projects for small enterprises in the longer term.

Based on the information submitted by the centres, 82 small enterprises have been created by the GODISA centres during the 2004/5 financial year.

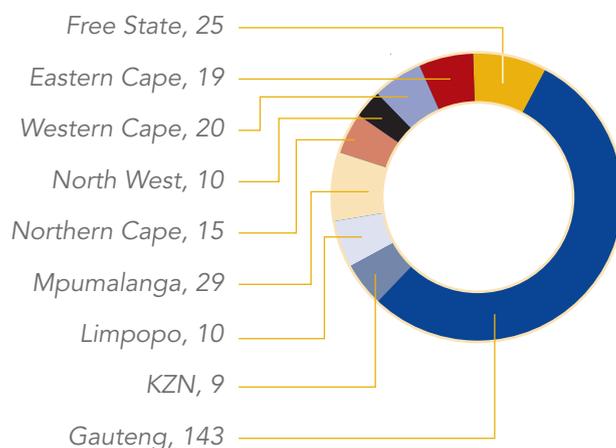
### Number of new SMMEs established per province



In addition to the new SMMEs that have been created by the various centres, a total of 280 incubatees/clients are being supported by those centres.

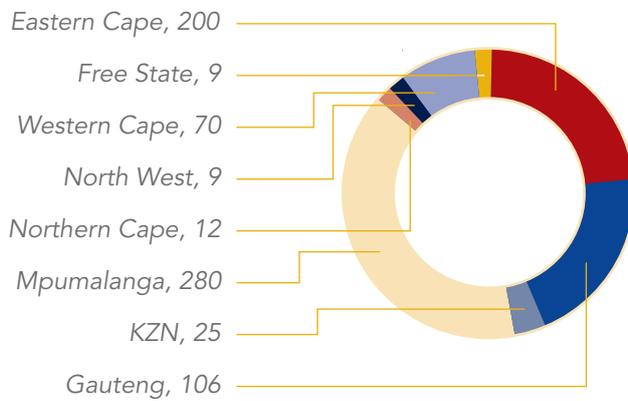
Clients/incubatees are differentiated from SMMEs in that some of these enterprises are not yet registered as formal businesses. These businesses form the deal flow or future small enterprises in the pipeline of small enterprise creation for those centres.

### Total Number of incubatees/clients per province



Whilst the primary focus of the GODISA Trust in contributing to the national development strategy is by focusing on wealth creation through the enterprises created, the following jobs have also been created:

**Number of Jobs created (Direct & Indirect) per province**



## supporting the *SECOND ECONOMY*

Whilst the ultimate objective of GODISA is primarily wealth creation through the support of small enterprises in (mainly) high technology sectors, the GODISA centres also provide a significant amount of support to entrepreneurs and enterprises in marginalised communities and in relatively low - tech arenas.

Tapping from the experiences embedded within the First economy, in terms of skills, technologies, and research outputs, the Godisa sector-focused TBCs, are designed to support talented individuals' start-ups and early stage enterprises. These are initiatives/enterprises, which under 'normal' market conditions and circumstances, would not have access and exposure to complex local and international markets, finance, high-tech testing and technology demonstration facilities; and the innovation pipeline.

It is therefore no surprise that the demand for services within communities has exceeded the existing capacity to supply these services; particularly in rural areas where people are demanding incubation beyond mining and agro-processing to other value-added production activities.

Given the successes incubation has had in other developing countries in South America and Asia, particularly China, the demand for incubation services is definitely going to increase over the next few years. What provides more advantage and impetus to South Africa, is the existence of a strong First Economy; the "first world" universities and research institutions and facilities; international corporations; and world class researchers and entrepreneurs. Given the increasing support brokered within Godisa Incubators to the Second economy, incubation is likely to become an increasingly effective and important instrument in supporting the second economy in the next 10 to 20 years.

The call by the State President to support the Second Economy could therefore not have come at a better time than now, where effective models of private and public partnerships (PPPs) are already in existence. The way forward is to galvanise increased support from the First Economy, particularly big business, and increasingly replicate the successes that have already been achieved by this Programme. This will increase the personal success stories of individuals like Alucia Ngobeni, an incubatee at Timbali Technology Incubator in Nelspruit, and communities like that of Okiep in the Northern Cape, where a small scale mining project of the Zenzele Incubator is having a significant impact on the lives of local people.

Alucia Ngobeni was born in 1970 and grew up in the Bushbuckridge area. She completed Grade 9, and left school at the age of 17 to work on a tobacco farm just outside Nelspruit.

In 2003 she was introduced to Timbali by the Incubator's mentor at the time, Mr Johann Rademeyer. He employed Alucia as a labourer to work in his Maxi Gerbera unit, which formed part of the Timbali Cluster 1.



Timbali subsequently offered Alucia a position as labourer in the unit, with the difference that she would not only earn the minimum wage for farm workers, but would be paid a percentage of the profits from the unit as an

incentive. She excelled in the unit and showed that she was capable of running the unit without any help. She followed the advice given to her by the mentor, and attended to the daily running of the unit on her own.

Eight months after she started working for Timbali in the unit, she applied to become a unit holder. She had to compete with numerous applicants and was subject to the same conditions as all the other applicants. Finally in August 2004, she was elevated to the status of "Unit Holder". Since becoming a unit holder, Alucia has attended all the training provided by Timbali and plays an important role in weekly cluster meetings.

Since working for the minimum wage of R875 per month in January 2004, Alucia has been able to increase her income considerably. Alucia has been earning an average of over R11, 000 per month for the past 10 months.

Part of the success of Alucia can be attributed to the 'package of support' supplied to her by the Timbali staff. Through the close co-operation and support of Timbali's partner organisations, the Agricultural Research Council and the University of Natal, as well as the Timbali mentors, her prospects for the future are looking very rosy!!

Skills required to manage her high tech, cut flower business are provided by daily interaction with the mentor and other training programmes. Alucia has demonstrated that with the will to perform, and hard work, that not even the obstacle of incomplete schooling can stand in your way of becoming a successful high-tech farmer in the Timbali system.

It is in ways such as this that the GODISA funded technology business centres are striving to bring the

benefits of a first world economy directly to the support and advantage of the previously marginalised.

In the Northern Cape, a business venture has been created around the processing and value – adding of copper ore deposits from a mine located about 20 km from the town of Okiep.



These local residents are employed in the extraction and production process, which entails the application of various separation and extraction processes to separate the copper from some of the other materials in the deposit, and the production of various copper products from the ore so extracted.





A jaw crusher is used to crush the ore, which is then ground fine by a hammer mill. The first picture is that of the 'raw ore', before it is ground into a fine 'powder'. The other two pictures are the leaching equipment/circuit, where the copper is leached from the ore using a sulphuric acid solution. The concentrated copper solution is used to electroplate copper onto wax moulds resulting in the creation of copper artefacts, which are sold to tourists and other companies in the region.

As a result of the Zenzele Technology Demonstration Centre intervention, the group is able to earn R200 000 per ton of this upgraded copper as opposed to the R50 per ton they were earning for the ore only.

Below is one of the items produced for a local company and for tourists in the area.





## *compliance with the TERMS and CONDITIONS of the MOAs with DST and dti*

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The Memoranda of Understanding between the GODISA Trust and DST and the dti requires that GODISA confirms the following five statements, which, based on the performance and achievements of the Trust over the 2004/5 financial year, have all been complied with, and remain relevant:

1. The conditions in respect of the previous year's assistance have been complied with.
2. The GODISA Trust delivers a service that is of national importance, the institution supports the national agenda of small enterprise support, as well as technology transfer and diffusion. The impact of the GODISA Trust and its centres will be enhanced through further funding from the national government.
3. The GODISA Trust has fulfilled all its obligations to DST and the dti as stipulated in the MOA as well as all other subsequent requests submitted to GODISA during the course of the 2004/5 financial year.
4. Financial Aid to the GODISA Trust provides a net positive economic return on investment to the economy of South Africa.
5. GODISA has achieved all its objectives as reflected in the Business Plan for 2004/5.

The GODISA Trust complies with Section 38 (j) of the PFMA, in that "The GODISA Trust has implemented effective, efficient and transparent financial management and internal control systems" to ensure the effective management of all resources at its disposal.



**GODISA TRUST** ¥ *annual financial statements*

(Master's reference number: IT7148/2003)

**31 March 2005**





## **GODISA TRUST**

### **BOARD OF TRUSTEES CHAIRPERSON**

A N Damane

### **CHIEF EXECUTIVE OFFICER**

C A Wyeth

### **REGISTERED OFFICE**

CSIR Campus  
Building 14 B  
Meiring Naude Road  
BRUMMERIA  
0184

### **MASTER'S REFERENCE NUMBER**

IT7148/2003

### **NATURE OF BUSINESS**

A development programme targeted at the development of technology-based Small, Medium and Micro Enterprises (SMME's) in South Africa.

### **AUDITORS**

Deloitte & Touche

### **BANKERS**

ABSA Bank

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## **APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 22 to 32 were approved by the trustees of GODISA Trust on 29 July 2005, and are signed on its behalf by:

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Trustee: Mrs A Damane

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Trustee: Ms M Pyoos

**REPORT OF THE INDEPENDENT AUDITORS  
TO THE TRUSTEES OF GODISA TRUST**

**Introduction**

We have audited the annual financial statements of GODISA Trust set out on pages 22 to 32 for the year ended 31 March 2005. These annual financial statements are the responsibility of the trustees. Our responsibility is to express an opinion on these annual financial statements based on our audit.

**Scope**

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

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the annual financial statements;
- assessing the accounting principles used and significant estimates made by management;

- evaluating the overall financial statement presentation; and
- examining, on a test basis, evidence supporting compliance in all material respects with the relevant laws and regulations that came to our attention, applicable to financial matters.

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

**Audit opinion**

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the Trust at 31 March 2005 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the South African Public Finance Management Act, 1999.

*Deloitte & Touche*

**29 July 2005**



**GODISA TRUST**  
**INCOME STATEMENT**  
 for the year ended 31 March 2005

	Notes	2005 R	2004 R
<b>Revenue</b>	1	<b>50 572 043</b>	14 694 997
Other income	2	<b>24 380</b>	272 104
Project related expenses	3	<b>(44 724 638)</b>	-
Operating expenses		<b>(4 825 306)</b>	(692 111)
Staff costs		<b>(3 015 336)</b>	(190 428)
Depreciation expense		<b>(149 293)</b>	(17 380)
Audit fees		<b>(90 000)</b>	(32 000)
<b>(Deficit) surplus from operations</b>	3	<b>(2 208 150)</b>	14 035 182
Income from investments	4	<b>1 207 178</b>	77 980
<b>(Deficit) surplus before tax</b>		<b>(1 000 972)</b>	14 113 162
Taxation	5	<b>(7 313 764)</b>	-
<b>Net (deficit) surplus for the year</b>		<b>(8 314 736)</b>	14 113 162

**GODISA TRUST  
BALANCE SHEET  
31 March 2005**

	Notes	2005 R	2004 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment, furniture and fittings, motor vehicles	6	609 638	401 822
<b>Current assets</b>			
Accounts receivable	7	500 000	1 360
Bank balances and cash		25 740 513	14 043 554
<b>TOTAL ASSETS</b>		<b>26 850 151</b>	<b>14 446 736</b>
<b>TRUST FUNDS AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Trust capital		200	200
Accumulated funds		5 798 426	14 113 162
<b>Current liabilities</b>			
Accounts payable	8	13 512 761	333 374
Income taxation payable	5	7 313 764	-
Income received in advance		225 000	-
<b>TOTAL TRUST FUNDS AND LIABILITIES</b>		<b>26 850 151</b>	<b>14 446 736</b>

**GODISA TRUST**  
**STATEMENT OF CHANGES IN TRUST FUNDS**  
 for the year ended 31 March 2005

	Trust capital	Accumulated funds	Total
	R	R	R
Trust capital	200	-	200
Net surplus for the period	-	14 113 162	14 113 162
<b>Balance at 31 March 2004</b>	<b>200</b>	<b>14 113 162</b>	<b>14 113 362</b>
Net deficit for the year	-	(8 314 736)	(8 314 736)
<b>Balance at 31 March 2005</b>	<b>200</b>	<b>5 798 426</b>	<b>5 798 626</b>

The accumulated funds received from the Department of Science and Technology (DST), Department of Trade and Industry (dti) and the European Union (EU) are committed but unspent funding. These funds are designated to eleven centres that provide technology and business improvement services and will be distributed in the coming financial year.

**GODISA TRUST  
CASH FLOW STATEMENT  
for the year ended 31 March 2005**

	Note	2005 R	2004 R
<b>OPERATING ACTIVITIES</b>			
Cash receipts from customers		50 073 403	14 964 997
Cash paid to suppliers and employees		(39 226 513)	(852 525)
<b>Cash from operations</b>	9	<b>10 846 890</b>	14 112 472
Interest received		1 207 178	77 980
<b>Net cash from operating activities</b>		<b>12 054 068</b>	14 190 452
<b>INVESTING ACTIVITIES</b>			
Acquisition of plant and equipment		(357 109)	(147 098)
<b>Net cash from investing activities</b>		<b>(357 109)</b>	(147 098)
<b>FINANCING ACTIVITIES</b>			
Increase in trust capital		-	200
<b>Net cash from financing activities</b>		<b>-</b>	200
<b>Net increase in cash and cash equivalents</b>		<b>11 696 959</b>	14 043 554
<b>Cash and cash equivalents at beginning of the year</b>		<b>14 043 554</b>	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>25 740 513</b>	14 043 554

**GODISA TRUST  
ACCOUNTING POLICIES  
31 March 2005**

The annual financial statements are prepared on the historical cost basis, except for certain financial instruments at fair value, and incorporate the following principal accounting policies, which have been consistently applied in all material respects as in the prior year.

**Equipment, furniture and fittings, motor vehicles**

Equipment, furniture and fittings and motor vehicles are stated at historical cost, less accumulated depreciation. Depreciation is calculated on the historical cost of assets over their estimated useful lives, using the straight-line method.

The depreciation rates in respect of the various categories are as follows:

Computer equipment	33,33%
Computer software	50,00%
Furniture and fittings	20,00%
Motor vehicles	20,00%
Office equipment	20,00%

Major improvements to equipment are capitalised. Repairs and maintenance are expensed when incurred.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected cash flow is discounted to their present values.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

**Taxation**

National Treasury and the Department of Public Service and Administration have approved GODISA Trust as a

Public Entity. The Trust acts as disbursing agent for the funds provided by the Department of Science and Technology (DST), Department of Trade and Industry (dti) and the European Union (EU). Therefore, there will be no VAT and income taxation implications on the funds that it receives and expenses incurred.

**Provisions**

Provisions are recognised when the Trust has a legal or constructive obligation as a result of past events, for which is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**Financial instruments**

Financial assets and liabilities are recognised on the balance sheet when the company has become a party to the contractual provisions of the instruments. Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets**

The trust's principal financial assets are bank balances and cash and trade and other receivables.

Bank balances and cash comprise cash and short-term deposits held by the trust. The carrying amount of these assets approximates their fair values.

Trade and other receivables are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Non-trading financial assets are stated at fair value with the resultant gain and loss being recognised in the income statement. Loans and receivables originated by the trust are stated at amortised cost.

**GODISA TRUST**  
**ACCOUNTING POLICIES (continued)**  
**31 March 2005**

***Financial liabilities and equity instruments***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Significant financial liabilities include trade and other payables and are stated at their amortised cost.

**Revenue**

Revenue or contributions consist of grants received from the Department of Science and Technology (DST), Department of Trade and Industry (dti) and the European Union (EU) as well as management fees for services rendered to Small, Medium and Micro Enterprises (SMME's). Grants are accounted for once received. Management fees are recognised when the services are delivered.

**GODISA TRUST**  
**NOTES TO ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 31 March 2005**

	2005	2004
	R	R
<b>1. REVENUE</b>		
Department of Science and Technology	24 000 000	5 194 997
Department of Trade and Industry	20 654 000	9 500 000
European Union – funds received	4 723 319	-
European Union – interest earned on funds received	1 194 724	-
	<b>50 572 043</b>	<b>14 694 997</b>

**2. OTHER INCOME**

Sundry income	24 380	-
Donations in kind – furniture and fittings	-	272 104
	<b>24 380</b>	<b>272 104</b>

**3. (DEFICIT) SURPLUS FROM OPERATIONS**

Surplus from operations is arrived at after taking the following items into account:

Project related expenses		
Transfers to centres:	43 872 338	-
• Acorn Technologies	3 000 000	-
• Bodibeng Technology Incubator	3 300 000	-
• Chemical Technology Incubator	2 910 000	-
• Egoli Bio Life Sciences Incubator	2 000 000	-
• Embizeni Innovation Support Centre	4 035 000	-
• Softstart Technology Incubator	6 445 892	-
• Timbali Technology Incubator	6 078 000	-
• Zenzele Technology Demonstration Centre	3 759 096	-
• Bio Diesel	1 744 350	-
• Ethekewini Contractor Incubator	2 500 000	-
• Polokwane Contractor Incubator	1 100 000	-
• Softstart <sup>BTI</sup>	7 000 000	-

**GODISA TRUST**  
**NOTES TO ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2005**

	2005	2004
	R	R
<b>3. (DEFICIT) SURPLUS FROM OPERATIONS (continued)</b>		
Project related expenses (continued)		
Other expenses:	852 300	-
• Professional fees for EU centres	244 000	-
• Feasibility study	387 000	-
• Business plan	221 300	-
	<b>44 724 638</b>	-
Depreciation:		
• Computer equipment	48 019	4 064
• Computer software	21 073	-
• Furniture and fittings	46 225	9 348
• Motor vehicles	4 570	-
• Office equipment	29 406	3 968
	<b>149 293</b>	<b>17 380</b>
Audit fees	<b>90 000</b>	32 000
<b>4. INCOME FROM INVESTMENTS</b>		
Interest received – bank accounts	<b>1 207 178</b>	77 980
<b>5. TAXATION</b>		
South African normal taxation – current	<b>7 313 764</b>	-

The trust has been approved as a Public Entity by National Treasury and the Department of Public Service and Administration. GODISA deregistered as a vendor for Value Added Taxation due to the fact that it does not carry on as an enterprise. GODISA received a notification from SARS in the current year that an amount of R7 313 764 was identified as income taxation payable to them in respect of the 2004 financial year.

GODISA applied for a taxation exemption certificate in the prior year but it has still not been approved and issued by SARS. The taxation liability will be recognised due to the recent assessment received from SARS. Although the tax relates to the prior year, it is raised in the current year due to the change in circumstances and information available. No further tax liability would arise in the current year as the trust made a tax loss. The trustees are confident of being successful in the PBO application.

**GODISA TRUST**  
**NOTES TO ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2005**

6. EQUIPMENT, FURNITURE AND FITTINGS, MOTOR VEHICLES

Cost	Opening balance	Additions	Closing balance
	R	R	R
Computer equipment	109 014	54 581	163 595
Computer software	-	56 195	56 195
Furniture and fittings	219 197	74 741	293 938
Motor vehicles	-	91 400	91 400
Office equipment	90 991	80 192	171 183
	419 202	357 109	776 311

Accumulated depreciation	Opening balance	Current year	Closing balance
	R	R	R
Computer equipment	4 064	48 019	52 083
Computer software	-	21 073	21 073
Furniture and fittings	9 348	46 225	55 573
Motor vehicles	-	4 570	4 570
Office equipment	3 968	29 406	33 374
	17 380	149 293	166 673

Net book value	2005	2004
	R	R
Computer equipment	111 512	104 950
Computer software	35 122	-
Furniture and fittings	238 365	209 849
Motor vehicles	86 830	-
Office equipment	137 809	87 023
	609 638	401 822

**GODISA TRUST**  
**NOTES TO ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2005**

	2005 R	2004 R
<b>7. ACCOUNTS RECEIVABLE</b>		
Trade receivables	<u>500 000</u>	1 360
<b>8. ACCOUNTS PAYABLE</b>		
Trade payables	119 833	301 374
Project related payables:	12 831 350	-
• Bio Diesel	1 744 350	-
• Ethekewini Contractor Incubator	2 500 000	-
• Polokwane Contractor Incubator	1 100 000	-
• SoftartBTI	7 000 000	-
• Feasibility Study - Bio Diesel	387 000	-
• Business Plan	100 000	-
Accruals	540 000	32 000
Accrual for bonuses	21 578	-
	<u>13 512 761</u>	333 374
<b>9. RECONCILIATION OF NET (DEFICIT) SURPLUS BEFORE TAXATION TO CASH FROM OPERATIONS</b>		
Net (deficit) surplus before taxation	(1 000 972)	14 113 162
Adjusted for:		
Donations in kind – furniture and fittings	-	(272 104)
Depreciation	149 293	17 380
Interest received	(1 207 178)	(77 980)
<b>Operating cash flows before changes in working capital</b>	<u>(2 058 857)</u>	13 780 458
Working capital changes	12 905 747	332 014
Increase in accounts receivable	(498 640)	(1 360)
Increase in accounts payable and income received in advance	13 404 387	333 374
<b>Cash from operations</b>	<u>10 846 890</u>	14 112 472

**GODISA TRUST**  
**NOTES TO ANNUAL FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2005**

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10. FINANCIAL INSTRUMENTS

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The Trust's financial instruments consist mainly of cash at bank and cash equivalents, accounts receivable and accounts payable.

**Fair values**

The carrying amounts of the following financial instruments, approximate their fair value due to the fact that these instruments are mostly of short term nature:

- Bank balances and cash – deposits with commercial interest rates.
- Trade and other receivables – subject to normal credit terms and provision is made for doubtful debts.
- Trade and other payables – subject to normal trade credit terms and a relatively short payment cycle.

**Trade and other receivables**

Accounts receivable are presented net of the allowance for doubtful receivables. There is a low risk with respect to trade receivables due to the nature of the business. The trust does not have significant exposure to any individual customer or counter party.

**Cash at bank and deposits**

The Trust's cash resources are placed with reputable bankers.

**Other risks**

Due to the nature, and extent, of the Trust's financial instruments, the Trust is not unduly exposed to price risks, interest rate risks, cash flow risks and liquidity risks. Exposure to foreign currency risk is also limited.

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11. CONTINGENT LIABILITY

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The accumulated funds received from the Department of Science and Technology (DST), Department of Trade and Industry (dti) and the European Union (EU) are committed but unspent funding. These funds are designated to strategic projects of the Godisa Trust and will be distributed in the coming financial year.