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ABBREVIATIONS AND ACRONYMS





PART ONE

Introduction



Foreword by the Deputy Minister of Trade and Industry



As one of the two newly appointed deputy ministers of Trade and Industry, I have to admit that the view from the “other” side is quite different to that of a Member of Parliament serving on the portfolio committee of Trade and Industry at the National Assembly, a position I held for a number of years.

I no longer have the luxury of firing off questions at the Minister, deputy ministers, DG and associated officials of **the dti** and its agencies and expecting answers. I am now part of **the dti** collective that has to provide the answers and solutions to others.

We have just emerged from an election where the majority of our people renewed the mandate of the ruling party to govern until 2014. Of the five priorities identified, the most relevant for our organisation is to create decent and sustainable livelihoods and intensify rural development. This implies that there are practical things that we have to do.

Seda, as a member of **the dti** family, has the potential to realise these goals in order for us as government to make good on our mandate. It is my wish to have a Seda footprint in most municipal districts if not in all. We need to take our services to the people, particularly those in the rural and peri-urban

areas. It is imperative to have a pro-poor bias built into all our programmes. If we truly believe that *small enterprise holds the key to economic growth*, we have to look at our policies and programmes with a revisionist eye, and assess whether they truly contribute to a *better life for all*. We need to do more and embrace the principles of Batho Pele when dealing with our communities. Our work must make a positive impact on poverty alleviation and eradication. Where our programmes need re-engineering, we shall boldly take the necessary steps and I promise my unwavering support for any such exercise.

I wish to congratulate Ms Lupuwana on her appointment as the CEO of Seda. May she lead the Seda family with passion, integrity and the resolve to serve the people of this great country of ours. To the many hard-working women and men in the Seda family – your work might go unheralded, but not unnoticed. Thank you to the chairperson and board members of Seda. Being a board member necessitates people with exceptional commitment to a cause that has no direct material benefit to you as an individual. Your contribution to the development of our country is therefore commendable.

Once again, I wish Seda every success for the year ahead. I have faith in your ability to translate the plans contained in this annual report into practical solutions that can contribute to ensuring sustainable livelihoods.

The Honourable Bongki Maria Ntuli MP
Deputy Minister of Trade and Industry

Overview by the Chairperson of the Seda Board



It is a great privilege to present this annual report in a year where the spotlight focused predominantly on the global monetary crisis and the global economic shrinkage, which impacted negatively on all countries. Due to the visionary leadership of **the dti** and our government, South Africans were spared much of the collateral damage and suffered only consequential effects. These global upheavals unfortunately had a negative influence on our small enterprise community, which is evident in the very sharp downturn in manufacturing and other economic activities. It is in such times when the value of an Agency such as Seda is best revealed with its assistance in helping the many thousands of small enterprises survive under very adverse conditions. Again a tribute to our government, and **the dti** in particular, for having the vision to form Seda as an important measure to ensure that economic stability is maintained in the very vulnerable small enterprises.

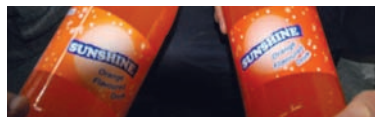
The year also saw the end of term for the previous top management team and the appointment of a new chief executive officer, the experienced and capable Ms Hlonela Lupuwana. Ms Lupuwana has established a formidable executive management team and I am confident that the era of successfully

meeting the important challenges has begun. The new executive management team has already tackled the most pressing issues and special attention was given to the financial function, with consideration being given to the previous year's qualified audit report. Although not all the issues could be addressed within the limited time available, I am confident that the finances of the Agency are in a much better state than a year ago, and well on their way to full recovery.

I would also like to applaud the hard work and dedication of the previous CEO, Ms Damane, and her executive team whose commendable work is the national footprint upon which Seda reaches out to small enterprises even in the distant areas. It was sad to bid her farewell together with some members of her executives at the time when Seda turns a new leaf. I would like to take this opportunity to thank my colleagues who served on the board and its various subcommittees this year. They served Seda with dedication and distinction, often through troubled times. Their inputs and contributions always added significant value and allowed us to steer Seda into reaching its full potential.

Serving on the Seda board gave us, as board members, a bird's eye view of the needs of the small enterprise community in South Africa as well as the relentless efforts made by all key role players to eradicate poverty in our country. It also afforded us an opportunity, as committed and loyal South Africans, to contribute in whatever way possible to the creation of a better life for all, thereby solidifying the enormous gains that came with our momentous transition to a democracy 15 years ago.

This is the fourth annual report of Seda since the Agency's establishment, and the last one under the current board leadership. As stipulated in the Seda Act, the Seda board is made up of various members. The board has six committees, all of which are chaired by capable chairpersons, including the audit and risk committee and the HR and remuneration committee, each having additional independent members appointed with required expertise. Despite challenges, significant progress was achieved in many areas, especially with the implementation of the 2006/07 to 2008/09 Strategic Plan, which has positioned the Agency as a key and relevant national contributor supporting emerging and existing small enterprises, especially in previously disadvantaged communities countrywide. The period under review saw the



Overview by the Chairperson of the Seda Board (continued)



implementation of the strategic plan and I am pleased to state that significant strides have been made towards realising Seda's mandate.

On behalf of the board, I would like to pay special tribute to all the Seda staff members for their unwavering commitment, dedication and fortitude, especially through the past challenging times. I wish them every success in their quest to support small enterprises and to contribute positively to the socio-economic development of our country and the strengthening of our communities. Lastly, allow me a special word of thanks to all the stakeholders and other involved persons for their unfaltering support the past year. In this regard, I would like to mention provincial as well as local governments for their monetary as well as other support. Together we all form the Seda family and we all have a vital role to play in ensuring that maximum support will be provided to the small enterprises that will produce job opportunities and economic growth, which is so important to all the regions of our wonderful country.

A handwritten signature in black ink, appearing to read 'Linda Joseph Mngomezulu'.

Mr Linda Joseph Mngomezulu
Chairperson

Chief Executive Officer's Review



This 2008/09 report is the fourth annual report of Seda since its inception in January 2005. Now in its fifth year of operation, Seda has established a strong foundation consisting of the powerful experience and intellectual capital of our staff, strong local and international partnerships and far-reaching infrastructure to ensure nationwide delivery.

The Seda infrastructure has grown and now consists of eight provincial offices, 42 district branches, four mobile units and 58 EICs, with a staff complement of 534. As a result, we have seen a healthy 7,3% growth in the number of enterprises we have served (186,195 to 199,830). Also in the 2008/09 financial year, Seda's technology programme supported 835 clients creating a total of 1,318 direct jobs and 5,461 indirect jobs as well as establishing 224 new SMMEs.

Key challenges

The 2008/09 financial year performance was impeded somewhat by the moratorium lasting almost half of the year, as well as the completion of the restructuring process. Despite this, 199,830 people nevertheless accessed Seda's network points. Of this figure, 46,695 were assessed and registered while 14,373 received Seda services. Areas such as business registration (5,643 clients) business planning (1,638 clients) cooperative support (2,502 clients) and access to markets (730 clients) were the services most in demand and, as a result, Seda exceeded its targets on these services.

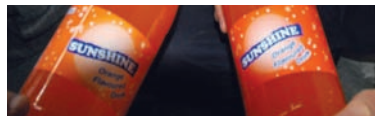
The areas where targets were not met were programmes from national office, including sector programmes, where the budget was frozen during the moratorium and, in some instances, contracts cancelled.

Highlights of the year

A major ongoing initiative was the repackaging of Seda programmes, products and services for improved customer service. Our national programmes remain focused on agribusiness, mineral beneficiation, tourism and cultural industries as well as export awareness and training.

Seda continues to benefit from the experience and best practices of international partners. We partnered with Belgian organisation UNIZO to launch the first South African Entrepreneurs' Day in three provinces. Our relationship with SEBRAE and CACB of Brazil and NSIC of India through the Tri-Nations initiative continues to bear fruit. Technonet Africa (a UNDP programme) drives cooperation among member countries to benefit entrepreneurs, and international programme Trade Point (a UNCTAD programme) assists South African entrepreneurs to form international trade links.

The process of building a performance-driven organisation started with the implementation of a performance management system, which was supported by our integrated institutional change management programme.



Chief Executive Officer's Review (continued)

■ ■ ■ ■

To ensure better financial controls, robust procurement and financial systems were implemented and a corporate governance and compliance management system enforced. These measures had a positive effect on the audit findings.

During the year under review the IT master system plan was finalised, focusing on the consolidation of our IT infrastructure, integration of supporting systems and automation of manual activities.

With respect to finance, the total unaudited actual revenue received for the 2008/09 financial year amounted to R559 million of which R485 million (86.6%) was from parliamentary grants via **the dti**. The total actual expenditure equates to R482 million, which is 86.1% of the annual budget. The surplus is mainly due to the timing difference between the confirmation of the additional funding and the time required to implement the related programmes and projects. Approval will be sought to retain the surplus to fund commitments made and work in progress at year-end as disclosed in note 14 of the unaudited annual financial statements.

Looking ahead

Seda will focus on initiating and strengthening specific partnerships with other South African business development organisations, the private sector and parastatals with a focus on improved and coordinated service delivery to small, micro- and medium enterprises. We shall continue to drive international linkages, striving to make global best practices available to South Africa's entrepreneurs.

My vision for Seda is to focus on the development of high-impact, visible projects, appropriate product and service delivery as well as capacity building for frontline staff. In this regard, a lot of effort will be concentrated on review of our delivery model as well as products and services in line with our strategy and business plans. Our newly established learning academy will play a pivotal role in building internal capacity to provide the majority of services in-house whilst still retaining the services of our service providers for more specialised intervention. There is also a concerted effort to attend to matters related to our public image; accordingly a stakeholder management and communication plan is being put together.

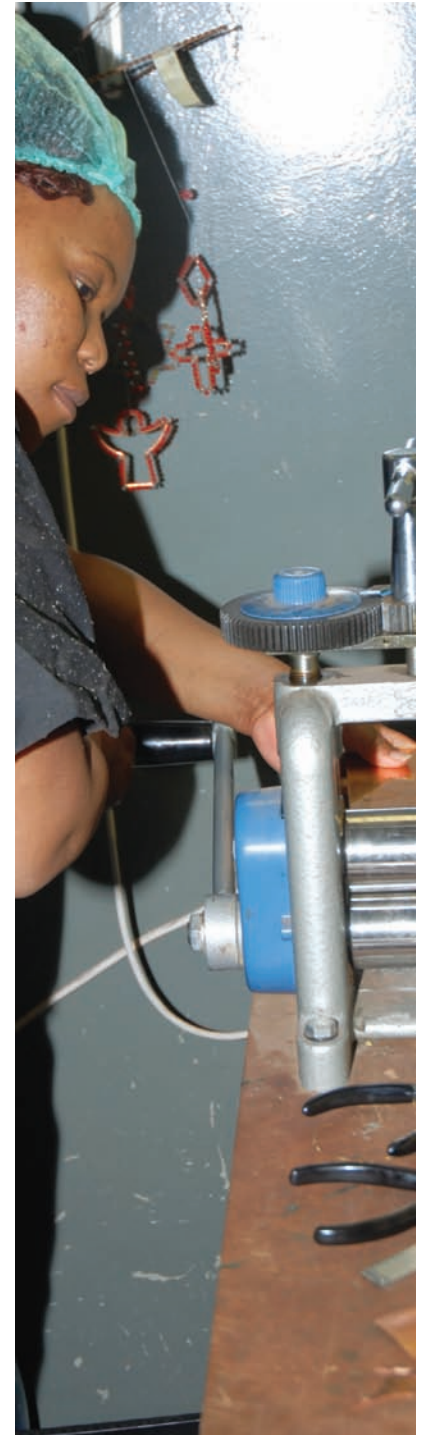
We firmly believe that small enterprise development holds the key to economic growth and we will be marshalling our resources, service providers and partnerships to help fledgling businesses succeed. There is great entrepreneurial potential in South Africa – but we need to transform 'necessity' entrepreneurs into 'opportunity' entrepreneurs, where entrepreneurial thinking is not just based on subsistence, but on properly identifying and harnessing available business gaps.

I am confident that Seda is on the right path and has a competent team in place to achieve this. 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 businesses.

"We make it our business to build your business."



Ms Hlonela Lupuwana
Chief Executive Officer



Seda Board of Directors



Ms H Lupuwana
CEO



Mr LJ Mngomezulu
Chairperson



Ms D Mokhobo
Deputy Chairperson



Mr MJ Feinstein
Chairperson
Remuneration and human
resources committee



Ms M Manjezi
Chairperson
STP committee



Ms QN Mogotsi



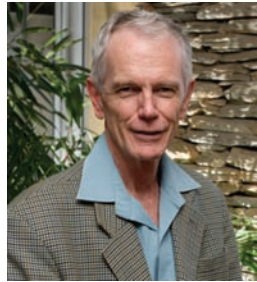
Mr TMS Matang
Chairperson
Strategy and projects
committee



Ms N Dinie



Ms TB Nkambule
Chairperson
Finance committee



Prof NHB Faulf



Adv F Mayimele-Hashatse



Ms N Galeni



Ms P Lugayeni
Chairperson of
monitoring and
evaluation committee



Mr D Thabaneng



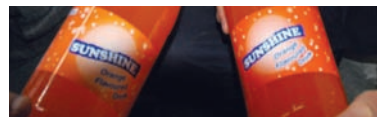
Ms B Calvin



Mr J Motha
Financial Advisor



Mr RG Nicholls
Chairperson
Audit and risk
committee



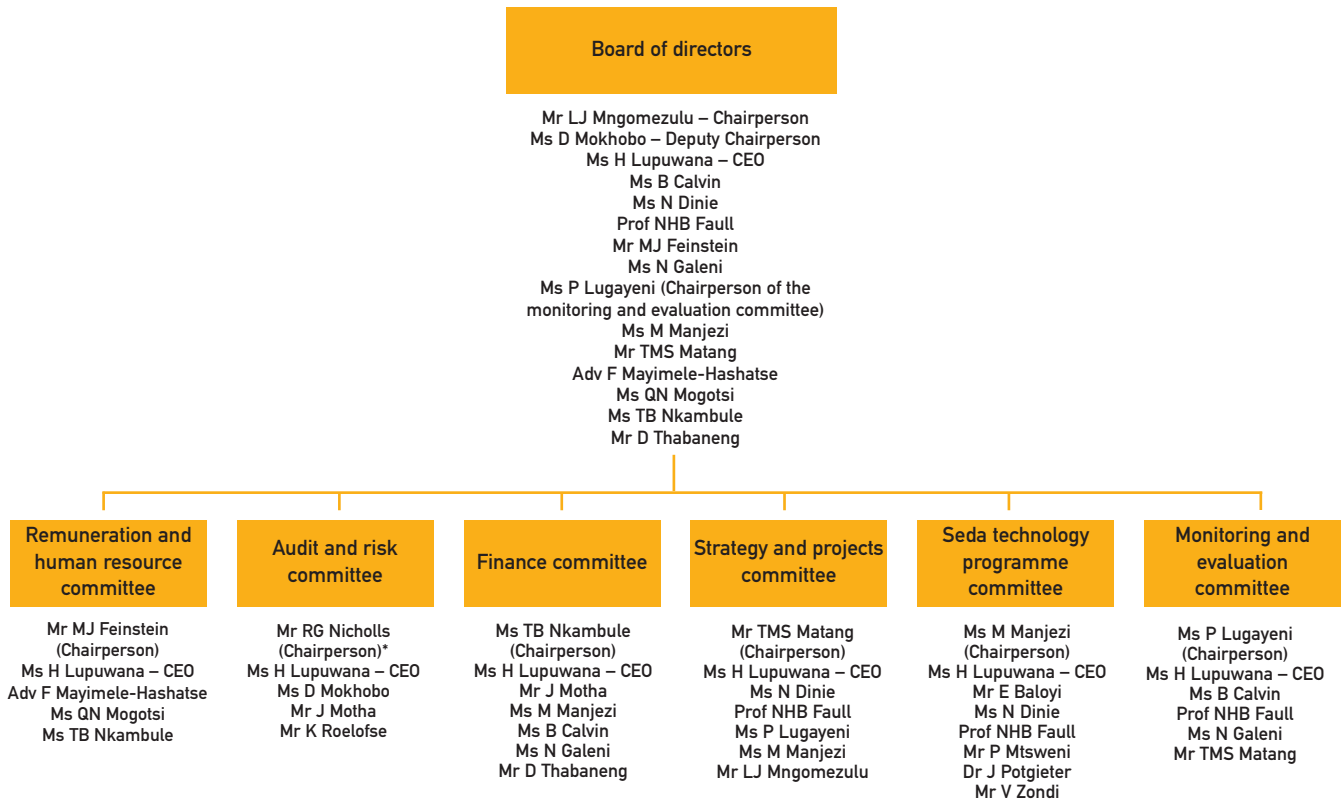
Seda Board of Directors Committees' Organogram



Our management structure

Seda is an agency of the Department of Trade and Industry (the dti), funded by and reporting to the department. The operations of Seda are overseen by the board of directors. The board as the accounting authority in terms of the PFMA has representation from the regions and main stakeholders.

The diagram below shows the members of the board during the period under review as well as the composition of the various board committees.

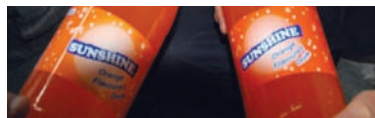
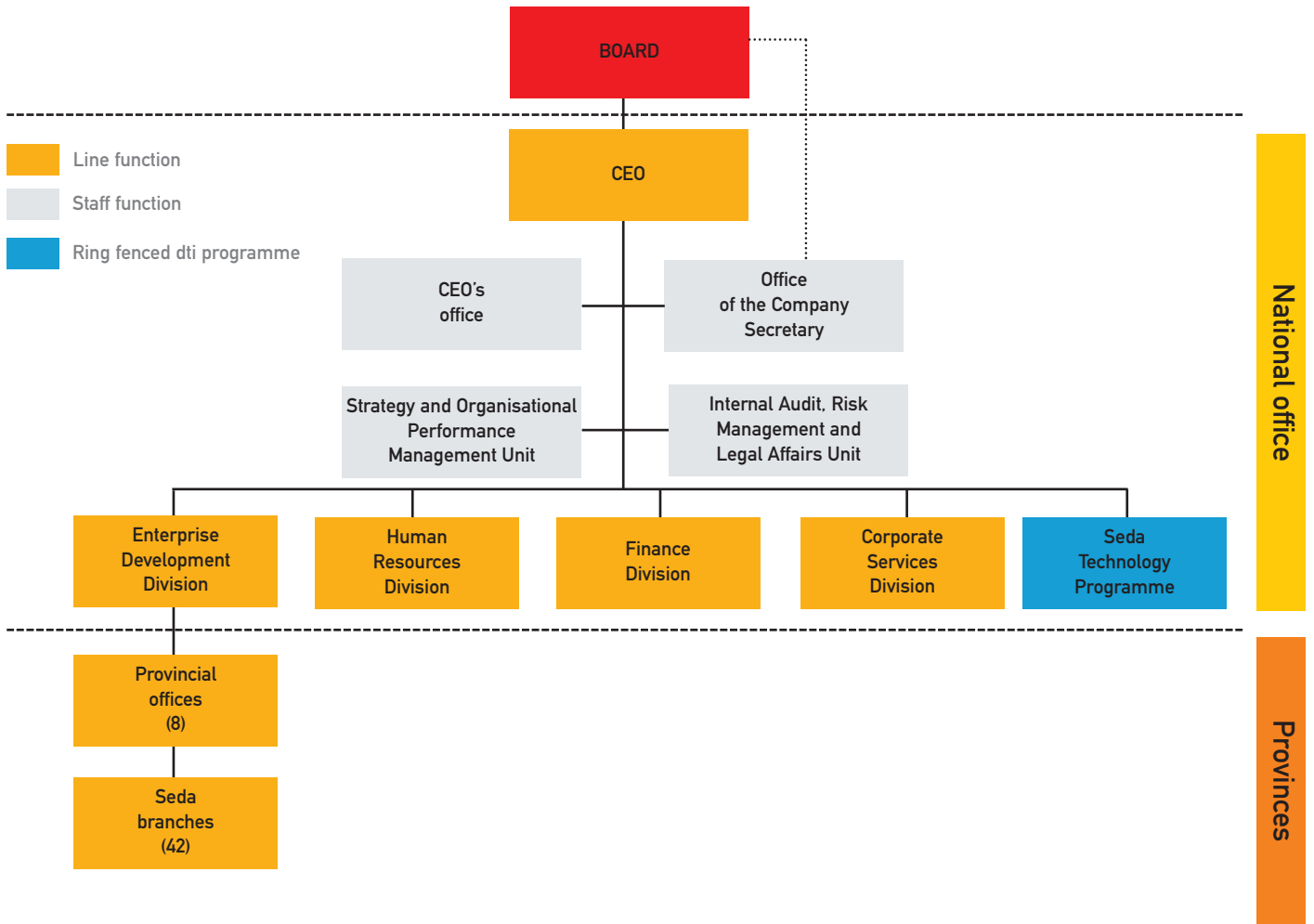


* Mr MJ Mosejane has been appointed as Chairperson of the Audit and Risk Committee after year end. Mr RG Nicholls resigned before year end.

Seda Organogram



Seda's organisational structure has been reviewed over the past two years in order to increase the efficiency and focus on service delivery. The revised high-level organisational structure is shown below.



Seda Executive Management Committee



Mr Kaybee Motlhoioa
Executive Manager
Corporate Services
BSc, MBA



Mr Charles Wyeth
Chief Operations Officer
BSc, MBA



Ms Marilize Hogendoorn
Chief Financial Officer
BCom (Acc), BCompt
(Hons) CTA.



Ms Barata Pitso
Executive Manager
Human Resources
BAdmin (UWC),
Executive Leadership
Certificate (GIBS)



Performance Highlights



Executive summary

Strategic objective 1: Enhance competitiveness and capabilities of small enterprises through coordinated services, programmes and projects

The 2008/09 financial year performance was negatively affected by the moratorium which lasted almost half the year as well as the incompleteness of the restructuring process. In spite of the challenges faced by the organisation during the 2008/09 financial year, there was a concerted effort by the delivery network to ensure that delivery targets were reached.

In some instances targets were far exceeded. Seda's network points were accessed by 199,830 people. Of these, 46,695 were assessed and registered while 14,373 received Seda services. Areas such as business registrations (5,643 clients), business planning (1,638 clients), cooperative support (2,502) and access to local markets (730) were the services most in demand, which resulted in the network surpassing its targets on these services.

The areas where the targets were not met are programmes from national office and sector programmes, where the budget was frozen during the moratorium and in some instances contracts cancelled.

The Shintsha programme, which is using the Entrepreneur methodology, is progressing well and a total of 690 learners in 29 FET colleges graduated between February and April 2009. There was considerably less awareness on and promotion of entrepreneurship during the year. Out of a 11 planned events, only six were held. To supplement these, Seda information officers in the branches attended events organised by other stakeholders, such as local municipalities, and used these platforms to market Seda and encourage entrepreneurship. The university programme was terminated after the second quarter and this will not be continued in the future. A total of four research studies were conducted on IDP/LED programmes from two selected local municipalities, and sector studies on the agribusiness and textile sectors. The Small Business Monitor 2009 was published and launched in March 2009 and the GEM study was launched in May. The research unit will focus more on evaluating the products and services currently offered, with the aim of improving them.

Strategic objective 2: Ensure equitable access for small enterprises to business support services through partnerships

No new branches were opened during the financial year. Fewer EICs were contracted than planned due to the moratorium and also a review on the EIC model is currently under way. The collaboration at local municipalities meant that Seda had to make available additional human resources, but with the freeze of staff appointments pending the restructuring, Seda could not second staff to all the targeted municipalities.

Most marketing activities during the year were demand driven. There is currently a drive to be more proactive in terms of generating publicity and communicating with our clients. A customer relationship management (CRM) audit was conducted and a CRM Strategy is currently being developed. Key staff are also being trained in media relations.

Strategic objective 3: Strengthen the organisation to deliver on its mandate

Improvement of support systems intensified during the second half of the year. Central to this was the review of the master systems plan to inform the organisation on the IT-related improvements that are required. The restructuring process has been coupled with training of managers in change leadership. The development of an integrated monitoring and evaluation system, which is funded by the Finnish Support Programme, is currently under way. In terms of sourcing external funding, Seda's legal status limits the organisation's ability to generate income. Talks are being held with National Treasury on reviewing Seda's MTEF allocation.

Focus area 1: Enhance competitiveness and capabilities of small enterprises through coordinated services

Objective 1: Improve customer-focused service delivery

1.1 Repackage Seda programmes, products and services for improved customer focus

Although eight workshops had been planned for the year under review, the aim being to expand staff awareness of the repackaged programmes, products and services, only three were actually held. This situation was brought about by the resignations in the unit, leading to capacity constraints and a lack of manpower to host the

workshops. However, a number of workshops will be held during the 2009/10 financial year.

1.2 *Customer hotline*

The end of March 2009 saw the pilot phase of the customer hotline completed. The hotline has been up and running successfully since 1 April 2009 and a report on the implementation challenges submitted to **the dti**.

1.3 *Integration of Seda technology programme into Seda's services and network*

Although full integration of the Seda technology programme into Seda's services and network has not yet been activated, it is progressing. A formal submission recommending incorporation has been submitted to the director-general of **the dti**.

1.4 *Seda client contacts*

Seda recorded a satisfying increase in the number of clients visiting its branches and enterprise information centres (EICs), achieving 99.9% of its target. The website, an important resource for people seeking information on Seda, is currently being updated, despite a decrease in usage as a result of a greater number of clients accessing Seda branches for assistance.

Less calls were received by the National Information Centre. Queries handled by the call centre are based on the media coverage received. The availability of Seda branches and EICs decreased the number of calls.

1.5 *Seda client conversions*

As a result of the moratorium, significantly less clients were processed through the normal Seda screening and selection process or added to the client database.

This also had an effect on the number of clients working with Seda, since this is dependent on the number of clients registered on the database.

1.6 *Core services provided for clients*

In general, most targets were met and some exceeded, despite a number of unexpected challenges.

- Business registration

Target exceeded.

- Business planning

Target exceeded. A review of this service is planned for the 2009/10 financial year.

- Access to local markets

Target exceeded.

- Tender and procurement advice

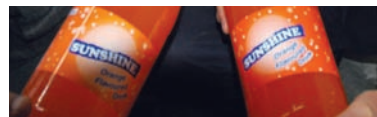
Target not met due to failure by the IBSGI company responsible for the creation of the tender advice portal. The continuation of this initiative was thus not possible.

- Access to finance

Seda's mandate prohibits direct financial assistance to small enterprises. Finance is the most vital ingredient to successful business formation and sustainability, thus a referral programme assists entrepreneurs to access finance in partnership with various financial institutions. The target was not met as a result of the moratorium. Seda was, for six months, unable to commission service providers to draft business plans for its clients. In future, certain business plans will be drafted in-house by Seda business advisors. To further assist clients in this area, Seda is strengthening relations with financing institutions.

- Business start-up and business skills training

Target exceeded.



Performance Highlights (continued)



- Productivity capacity building

Target not met. This business tool was procured without sufficient market analysis to determine its real level of demand, and was underutilised. The target was therefore never achievable and the contract with the NPI was formally cancelled in the first quarter.

1.7 Entrepreneurship awareness and promotion

- University programme

Target not met as the programme terminated in the second quarter of the financial year and will not continue.

- Cooperative support

Target exceeded by over 100%. A concentrated focus on assisting clients from October 2008 produced outstanding results. Training ranges from introductory concepts to formation and management of cooperatives, with various other business support to establish small entrepreneurs in sustainable enterprises.

1.8 Specialised training provided to small business enterprises

- Pre-exhibition training

With Seda's assistance, small enterprises were prepared for exhibitions at national and international events. The target was exceeded. This programme will continue in its present form.

- Export readiness course

Target exceeded by over 100%. This programme will continue in its present form.

- Export orientation course

Target not met due to the moratorium, and operated only in the third and fourth quarters.

- Export development course

Target exceeded. This programme will continue in its present form.

1.9 Sector and non-sector programmes

- Agribusiness

Agribusiness projects were initiated in the fourth quarter. As long-term projects, they will continue into the 2009/10 financial year. Five projects were planned and 12 delivered. The number of clients was relatively low, but an increase is expected once the projects are more widely recognised. These projects include:

- access to fresh produce market;
- technology innovation for poverty alleviation;
- Richtersveld hydroponics project;
- Richtersveld socio-economic study;
- Tsohang le Iketsitse Trust; and
- emerging farmers fresh produce market workshops.

- Mineral beneficiation

This programme provides support for low-technology mining and mineral beneficiation. The moratorium prevented Seda from implementing the project in 2008/09, but will be implemented in 2009/10.

- Tourism and cultural industries

Training commenced in the fourth quarter, and although eight projects were planned and presented, the number of clients was low. It is expected that the 2009/10 financial year will show a significant increase. Clients are trained in business skills and offered opportunities to exhibit their craft products.

- Franchise programme

Whereas only one project/intervention was planned, 20 interventions were hosted during the course of the year. The "clients supported" target was therefore overwhelmingly exceeded, and Seda will continue to host and support information workshops designed to inform entrepreneurs of the franchise environment.

- National procurement programme

Small entrepreneurs face challenges when tendering and accessing procurement opportunities at both government and private sector levels. Various support measures are offered at Seda branches and through the e-procurement platform. The programme was implemented with 16,000 clients benefiting from the training, exceeding the target of 15,000. No changes in methodology are foreseen for the immediate future.

- SETA-MQA project

One project was planned and delivered with the number of clients matching expectations.

- Unizo Go-North programme

This matchmaking programme for South Africa/Belgium small enterprises held one project with the number of clients matching expectations.

- Trade point programme

Having signed an agreement with the world trade Point Federation (WTPF) in 2007 to expose export-ready small enterprises to international markets, four projects were planned and six presented. The programme attracted 126 clients.

- Voka-SA Plato programme

The Voka group mentorship programme attracted a full complement of 70 clients.

1.10 Entrepreneurship awareness and promotion

- University programme

The number of learners attending this programme fell short of expectations. The programme was terminated in the second quarter and will not continue.

- Small business week

Two small business weeks were hosted, both of which were successful events.

- Entrepreneurship seminars and events

It was only possible to hold four of the scheduled nine events due to the moratorium. When this was lifted, not all provinces were in a position to resume, since these events are held in partnership with other stakeholders.

- UNIZO Ntataise Entrepreneurs' Day

The moratorium had a decidedly negative effect on the attendance at the Entrepreneurs' Day. Even after the lifting of the moratorium, certain provinces did not have the capacity to implement the event within the limited time available.

1.11 Research studies conducted

Research identifies both shortfalls and opportunities. In the interest of clients, opportunities are developed by presentation of training and product development.

- IDP/LED studies

Two studies were conducted as scheduled, reviewing the municipal integrated development plans at a local economic level.

- Sector studies

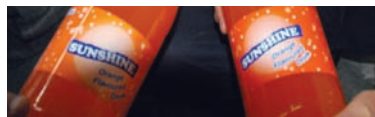
Two of the three monitoring studies were published. The third, concerning arts and crafts, contained outdated information and was not published.

- Small business monitor

The scheduled single edition was published targeting SMME practitioners.

- GEM study

Study information was published.





Focus area 2: Ensure equitable access for small enterprises to business support services through partnerships

Objective 1: Improve customer-focused service delivery (This is a repeat of focus area 2 objective)

2.1 Needs-based establishment of new branches

No new branches were established due to current levels of funding. Rather, emphasis was placed on raising the efficiency levels of existing branches. The same strategy will be followed during the 2009/10 financial year, when it is intended to increase coverage through leverage of partnerships, including co-locations.

2.2 Enhance outreach through partnerships

Although it was visualised that at least 21 co-location points within municipalities would be operative within the past year, negotiations have taken far longer than anticipated. Talks will continue with municipalities during the next fiscal year in an attempt to establish further co-locations.

2.3 Enhance visibility and build reputation

- The position of website manager was not filled during the past year. The function has been taken on by the CRM unit and the website update is currently in progress.

- Approved communications strategy and media policy

Approval was granted by the board in December 2008 for rollout of the communications strategy and media policy. This will promote awareness about the services provided by Seda to small enterprises.

- CRM strategy

The CRM audit as a means to inform the CRM strategy was only completed in December 2008. A draft strategy will be finalised pending the recommendations of the CRM audit.

- Seda SMME awards strategy

It is anticipated that the awards strategy will be reviewed during the 2009/10 financial year.

Specific objective 2: Improved coordination and harmonisation with other role players

2.1.1 Align activities with other government agencies

- Talks with other government agencies to increase the number of their co-locations with Seda to continue during 2009/10. There are currently 21 cooperating agencies.

2.1.2 Seda network for service providers

- Seda provincial offices

The quota of eight for the number of Seda provincial offices is in line with policy.

- Seda branches

Operational branches are in line with the quota of 42.

- EICs contracted

The moratorium halted negotiations with EICs, and only 58 of the anticipated 90 were contracted. The EIC model will be reviewed during the 2009/10 financial year.

- Mobile units

The four mobile units in use exceeded the target by two.

- Business development service providers (BDSP) contracted

No target was set for contractors under this section. However, 806 BDSPs were contracted to render services to Seda clients.

2.1.3 Communications and public relations

No targets are set for this sector, as coverage is demand-driven. Seda has nevertheless embarked on a more proactive media approach. In addition, senior management began training in media relations in the fourth quarter of the 2008/09 financial year. Media exposure during the year under review was most satisfactory.

- National print publications – 198 slots

- Regional print publications – 287 slots

- Radio programmes – 134 slots
- Television programmes – 25 slots
- Online publicity – 11 slots

Strategic objective 3: Strengthen the organisation enabling it to deliver on its mandate.

Specific objective 1: Building a performance-driven organisation

3.1 Implement integrated institutional change programme

- Following last year's climate survey, an integrated management plan was formulated. All staff were informed of the organisational climate and culture and kept abreast with the development process.

3.2 Improving planning, monitoring, evaluation and reporting

Although it was intended that this system be implemented during 2009, development is still in progress. Approval was obtained from Seda, the dti and the Finnish Government in October 2008. Target date for full implementation is set for the third quarter of 2009/10. Reporting is done through quarterly reports, which are then consolidated into an annual report.

3.3 Enhance and build robust systems, processes, policies and procedures.

- A total of 50% of policies – 12 policies in all – had been reviewed by the end of March 2008. The reviewing process will continue into the next financial year.
- Consolidate IT infrastructure
The project will be implemented in the first quarter of 2009/10.
- Mapped business processes
This project is in progress.
- Overall organisation ERP blueprint
An external service provider was contracted to review Seda's ICT business case document. The ERP business case has been developed and presented for approval. The recommendations, upon approval, will be implemented during the 2009/10 financial year.

- Standardised financial management system

This project has been put on hold pending reorganisation of the department by the new CFO. It is expected to be initiated during the first quarter of the 2009/10 financial year.

- Intranet and ECM

Project in progress.

3.4 Implement good corporate governance and compliance management systems

- Update risk and compliance register
The top 10 risks have been confirmed by the board.

3.5 Human resource development strategy

The human resource development strategy has been approved; the policy finalised and strategy development is in progress.

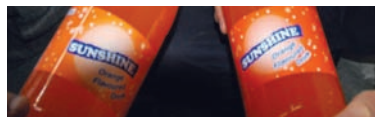
3.6 Seda Learning Academy

- The concept document has been approved, as has the Learning Academy founding statement. It is envisaged that the academy will be fully operational during the 2009/10 period. Business advisors will be graded and skills development plans structured.
- By the end of March 2010 the Learning Academy will be registered after various stakeholder workshops are held and a feasibility study conducted in Sweden.

Specific objective 2: Seda must achieve financial stability and sustainability

3.1.2 Explore new external and internal sources for finance and income generation

Seda's legal status limits its ability to generate external income. Seda will therefore continue to engage the dti and National Treasury to review baseline funding. At the same time, external and internal sourcing of funding will continue, working within the approved framework and guidelines.



Performance Highlights (continued)

9 & Three Quarters CC

Seda Eastern Cape

Introduction

Campus Concepts, located in Grahamstown, is the official supplier of Rhodes University memorabilia. Apart from leisure and sportswear, the shop stocks a variety of branded gifts and functional items. Owners Hilmar Eickhoff and Wendy Ling, with their combined business management skills and Hilmar's experience and creativity in ceramics and silver art clay, expanded the company's operating base in 2007 by purchasing an existing screen-printing business. Not only did they learn the necessary screen-printing skills, but also those of embroidery application and digitising, and sublimation.

Challenges

While keeping the core business as a going concern, Hilmar and Wendy realised that their designs and products required a wider market, and decided to develop a new corporate brand – 9 & Three Quarters. However, concerns about escalating start-up costs and a possible lack of objectivity in implementing the new corporate image derailed the project. Later, after attending a presentation, they seized the opportunity to forge a relationship with Seda.



Solution

Seda's assessment and analysis of the planned new company highlighted the need for a strategic marketing plan to increase market penetration. As part of the broader marketing objectives, Seda arranged for a service provider to develop a range of corporate marketing media including advertising and an interactive website, substantially subsidising the costs of these projects.

Results

Wendy and Hilmar describe Seda's contribution and follow-through in establishing the new company as 'monumental'. In only the first eight months of operation, turnover reached R1 million, making it possible for a substantial capital outlay to be invested in new embroidery machines, design software, a sublimation system and much more. This has created direct and indirect jobs in the local community. With premises consisting of an office, workshop and retail outlet, 9 & Three Quarters has increased its product range and diversified its service base to include local schools, retail shops, large corporations and walk-in trade, plus initiating a fledgling export market.



Dihoai Farmers

Seda Free State

Introduction

Dihoai Farmers in Welkom is a hundred percent BEE agricultural and poultry enterprise managed by Mr David Mphuthi. The business started in 2006 and currently supplies the local branches of national franchises with fresh produce and poultry.

Challenges

David was experiencing difficulty in marketing to the larger retail outlets and chain stores, as they insisted that all products carry a bar code. Being unable to comply with these demands had an adverse effect on revenue and profit.

Solution

He subsequently approached Seda for information and assistance. Evaluation tools were used to assess both David and his business operation.

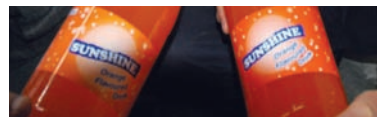
Findings indicated that bar codes were essential for the business to grow, as was a suitable logo and marketing materials to present a professional image. Seda, in conjunction with David, developed these essential items.

Results

Fully bar-coded Dihoai products have been accepted by the large chain stores in and around Welkom and are attractively displayed in packaging carrying the new logo. Having gained market credibility, David intends to export his products to provinces beyond the Free State.

David has a full-time staff of eight on the agricultural side, and employs an additional 30 to 50 people during planting and harvesting seasons. The poultry abattoir has a permanent staff complement of 14.

David's vision is to become the leading agricultural enterprise in Africa and share knowledge and skills freely with all in the agricultural sector.



Performance Highlights (continued)



Tiveka Game Lodge

Seda Limpopo

Introduction

In a bold move, Mrs Tiveka Mathumbu and her family purchased a game farm near Polokwane, in Limpopo province. Recognising the potential of the farm, which at that time had few animals and minimal accommodation, as an opportunity to enter the hospitality and tourism market, they invested their own capital into the project.

Tiveka, after whom the lodge is named, manages the company, assisted by her husband Ezra on the operations side. Ezra has experience in both the tourism and game industries. Her two daughters are board members and offer additional support.

Challenges

Although the company initially focused on game farming and small-scale accommodation, this soon became unviable. They needed additional funding to expand infrastructure and to develop professional marketing tools and materials in order to promote their products and services to a far wider local and international audience.



Solution

Seda's diagnostic and support services identified the challenges impeding growth. Financial help and marketing advice from Seda meant that Tiveka was able to develop and maintain a marketing strategy, including a website, which had an almost immediate effect on the business.

Results

Client accessibility was enhanced through brochures, business cards, the website and email. As new markets were identified and the client base grew steadily, Tiveka began to implement major changes. Accommodation was upgraded, conference facilities constructed, staff employed and game drives offered to guests. Monthly income rose by 100%, and it is Tiveka's intention that long-term sustainability be created by ploughing back the profits into the organisation, thus consistently upgrading the services offered to the tourist industry.

Recognition of Tiveka's success is evidenced by the fact that the Department of Economic Development, Environment and Tourism has placed six learners at the lodge for practical training.



Shonaquip shines with support from Seda

Seda Western Cape

Introduction

Shonaquip CC is an SMME that designs, manufactures and distributes specialised disability equipment with a focus on wheelchairs. It began in 1992, with owner Shona McDonald working from her garage with only two assistants. Shonaquip recognises that each person is an individual with limitless potential regardless of any physical disability. With this in mind, Shonaquip provides a wide range of therapeutic support and seating options, concentrating on modular and custom-made seating systems, mobility devices and other assistive technology.

Challenges

Shona realised that her approach to marketing was underemphasised and the business was overly reliant on word-of-mouth marketing. There was a strong need to grow the sales levels and ultimately the profitability of the business.

Solution

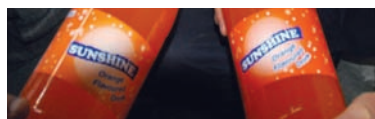
On contacting Seda, their diagnostic process confirmed Shona's concerns. To correct the imbalance, Seda assisted in developing a marketing DVD along

with brochures, posters and a website, confident that these measures would result in increased sales in the business and a larger market share. In 2005, Seda further advised Shona to apply for funding from the Seda Technology Programme: Technology Transfer Fund.

Results

The business received funding to purchase a pressure mapping system which quickly identifies correct wheelchair prescriptions. The mapping system triggered further innovative design work such as building of a device to transform 'contour vacuum bodies' into custom-made foam supports.

Shonaquip went on to win the dti Technology Award for Best Performing Technology intervention in 2005, and subsequently received an SPII incentive to assist with further technical machine design. Shonaquip continues to experience exciting product development, resulting in sales turnover increases, which, in 2008, exceeded R15 million. The business has grown from two employees to over 60 in 2009. Shonaquip has secured several government tenders and has a public-private partnership with government to provide a unique mobile seating clinic service. All equipment is locally made and maintained.



Performance Highlights (continued)



Maggie's Original Mageu

Seda Gauteng – Seda Technology Programme

Introduction

Maggie Mogase was the co-founder of Maggie's Original Mageu, a business which manufactures and distributes the traditional, maize-based, energy-giving fermented beverage popular throughout Africa. The recipe originated during the great famine of 1933, when Maggie's grandmother was forced to find a way to feed her children, and has passed the recipe down through the generations. Maggie's started on a small scale in 2006 and since Maggie Mogase's passing in 2009, the business is being run by her granddaughter Potso Mathekga.

Challenges

Increasing popularity and demand for Maggie's Mageu left the business with the dilemma of fulfilling huge orders. The manual bottling and labelling systems were outdated and productivity suffered as a result.

Solution

Maggie was referred to Seda and encouraged to apply for funding from the Seda Technology Programme: Technology Transfer Fund which assists small



businesses to improve their competitiveness through technology transfer, as well as paying for technical training.

After being assessed by Seda, Maggie's Original Mageu received funding to acquire bottling, labelling, cooling and flavouring equipment. Seda continues to assist the business with quality management, advice and support.

Results

Since the commissioning of the equipment and technical training to staff, Maggie's is flourishing. With improved production processes, plant capacity and efficiency, product quality has increased dramatically.

The business has widened its distribution area and spread its wings across Garankuwa and neighbouring regions, supplying many more outlets with the product, including one large catering company, FEDICS, that supplies mines, hospitals, etc. In addition, Maggie's Mageu empowered four groups within the community as street vendors to sell the product around the area. Seda further assisted with the implementation of the ISO 9001 through the South African Bureau of Standards (SABS).

Seda's intervention resulted in a turnover increase of 20% and an increase in staff complement from nine to 19.



Maggie passed on in June 2009 and has left Potso with the recipe to fulfil their late great grandmother's dream. It is still business as usual at Maggie's Mageu trying to keep up with the high demand for their product. May gogo Maggie Mogase rest in peace.

Mzansi Designer's Emporium

Seda Gauteng

Introduction

Mzansi Designer's Emporium is a black-owned enterprise that has been operating in Johannesburg since 2005. They design, manufacture and distribute exclusive men's and ladies' fashion garments under six brand labels. Their signature designs are traditional South African clothing with a spicy touch of the Middle East and North Africa.

Challenges

Access to international markets was identified by Mzansi as essential if they were to survive in the notoriously fickle fashion industry. Mzansi needed information and knowledge about the export market and its opportunities to allow them to access international markets.

Solution

Taking advantage of the business skills and export development assistance programmes offered by Seda, including the export orientation course, participation in exhibitions, fashion shows and in the ITM (International Trade

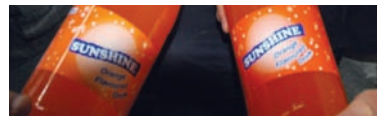
Market) and Trade Point programmes, the company was able to extend its operations, making its mark in both the local and international fashion arena.

Results

Thanks to a number of interventions and ongoing training by Seda, Mzansi designer label fashions are exported to the United States, Norway, Sweden and England, with a retail fashion outlet being planned for Amsterdam. "Our turnover has grown by 20% and our staff complement has increased from 13 employees to 21 since Seda's involvement", remarks Lesego Malatsi of Mzansi Designers Emporium. They have also managed to restructure the company to continue servicing the local market whilst attracting enquiries from new international markets, the latest being from France.

In their desire to plough back, the company has now established The Mzansi Designer's Institute to help young black fashion designers realise their dreams. The Institute provides reasonably priced working space with all necessary equipment for the up-and-coming designers. With training, mentoring and up-skilling, together with marketing opportunities, these young designers are well on their way to leading the fashion industry into the future.

This is truly a success story.



Performance Highlights (continued)



Mavoveni Trading t/a Alpha Pharmacy

Seda KwaZulu-Natal

Introduction

Mavoveni Trading and Projects is a close corporation owned by Ms Zukiswa Petele, a qualified pharmacist in the Umzimkhulu area. Earlier, there was no pharmacy in Umzimkhulu and members of the community requiring medication were forced to travel to nearby towns. Zukiswa recognised this as an opportunity to put her training and expertise to good use, while also creating a sustainable income-generating business for herself. The area certainly needed a pharmacy, and that was just what she decided to start.

Challenges

Zukiswa had already identified a suitable location for the pharmacy and had taken the first steps to comply with the local by-laws. However, lack of funds to start the business along professional lines was a major stumbling block.

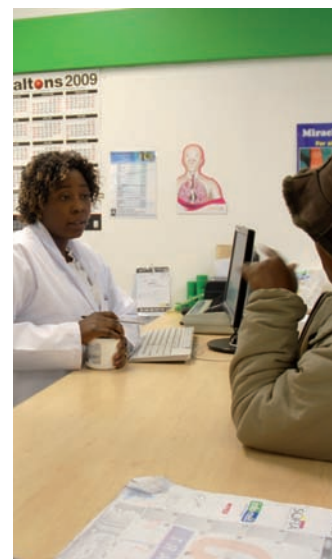
Solution

Zukiswa approached Seda for advice on establishing a pharmaceutical business. After assessing Mavoveni Trading, Seda compiled a business plan and, together with Zukiswa, approached several financial institutions with the intention of securing funds.

Results

Sufficient funds to start the pharmacy were made available by Meeg Bank, and Alpha Pharmacy officially opened in Umzimkhulu on 5 August 2008, with a staff complement of six.

Monthly revenue exceeds R120,000 per month, and the pharmacy is providing a much-appreciated service to the community.



Angelicus Security CC

Seda Northern Cape

Introduction

Angelicus Security is a BEE-compliant company, focusing mainly on guarding and VIP protection services. It offers premium security services at highly competitive prices, giving its customers outstanding value for money. The business is owned by Mr Bason who realised that time is not standing still and that he needed to establish a business entity that will provide him with true security in the long term. Mr Bason has been part of the corporate business world for the past 15 years and was exposed to transformation and business acquisitions.

Challenges

The first challenge Angelicus Security faced, was to get access to markets and to establish itself in the market as a preferred services provider. In addition, the business's expenses were increasing since the owner initially had to fund the business out of his own pocket. The overhead costs of the business increased monthly and the owner struggled to make ends meet. Various presentations were made to prospective clients without any success. The initial business plan of the enterprise also did not meet the required standards of financial institutions. Without any income the business thus reflected negative business growth.

Solution

The owner approached Seda as his last resort and in an attempt to save his business. The first step was to ensure that the business plan conforms to industry standards and that fixed-term employment contracts are compiled for all staff.

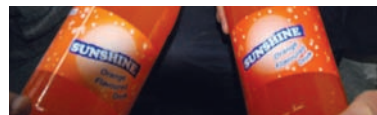
Seda also assisted in registering Angelicus Security with SIRA (Security Industry Regulatory Authority), thus giving it more credibility. The business plan was improved and submitted to ABSA for funding, who granted the business an overdraft facility of R120,000 to cover business expenses such as setting up the control room, as well as the purchasing of new two-way radios.

Seda's advice and training on tender processes, resulted in the listing of Angelicus Security as a preferred service provider at local and provincial government in the Northern Cape.

The next step was to market the operations of the business, thus assisting the client with marketing material, ie brochures, business cards and signage in front of the business. This resulted in clients recognising the Angelicus Security brand easier. More businesses became aware of Angelicus Security and resulted in more opportunities for quotations and profiles to do business.

Results

The business owner is receiving ongoing business advice and support and is in regular contact with Seda. The interventions have led to the business securing fixed-term security contracts to the value of R98,500 per month. The turnover of the business has increased by 50% and continues to reflect positive growth. Angelicus Security CC started with 10 contract employees and is currently employing 37 permanent employees. Employees are registered in their various ranks such as in all professional security companies. Continuous mentoring and support is provided to the business for process improvement interventions.



Performance Highlights (continued)



Mintoro Jewellery & Hand Craft Co-operative

Seda North West

Introduction

Mintoro Jewellery & Hand Craft Co-operative (whose project leader is Mrs Khomotso Moshugi) was formed in 2006 by a group of five women from different employment backgrounds. Due to unemployment they decided to jointly form a co-operative and later acquired skills through the Mintek's: Basic Jewellery Manufacturing Skills Training programme. The business is located in Klerksdorp and is operating from the museum.

Challenges

Mintoro Jewellery & Hand Craft Co-operative's main challenge was to access funds/incentives, so that they are able to acquire the required machinery and relevant equipment. They approached Seda to help them develop a bankable business plan that was required by the potential financiers.

Solution

Through the use of Seda business tools, an assessment of the business was conducted. Subsequently a bankable business plan was developed as a way of enabling the business to access funding.

Results

Mintoro Jewellery & Hand Craft Co-operative's project leader, Mrs Khomotso Moshugi, indicated that the benefits and changes that were achieved through the Seda intervention were phenomenal. "We managed to secure funding of R930,000 from National Development Agency (NDA) to purchase machinery and equipment. Our products were exhibited and later exported to China, Brazil and recently to England", remarks Khomotso.

Following the intervention by Seda and NDA, Mintoro Jewellery & Hand Craft Co-operative managed to create five employment opportunities for young people in Klerksdorp, North West. Turnover increased by 25% per month from R120,000 per annum to R150,000 per annum.



Impilo Occupational Health X-Ray

Seda Mpumalanga

Introduction

Impilo Occupational Health X-Ray is a black, women-owned (BWO) business established by two qualified radiographers. The owners rendered limited X-ray services to mining companies such as BHT Billiton and Anglo Coal.

Challenges

Additional mobile X-ray equipment was desperately needed to extend the company's business throughout Mpumalanga and to make it possible for the company to reach the majority of their current and potential clients scattered throughout the province.

Solution

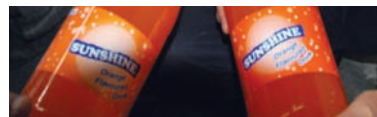
The owners approached Seda for assistance in obtaining finance to purchase mobile X-ray equipment. An assessment was conducted and Seda developed a business plan to facilitate access to finance. Various financial

institutions were approached, and Anglo Zimele approved a loan of R840,000 to purchase the necessary equipment. Further assessments and interventions from Seda saw the set-up of a website and marketing materials in the form of brochures and business cards.

Results

Currently, with an adequate number of mobile X-ray units, the business has the capacity to service more contracts. The marketing and promotional material developed also assisted the client in marketing their business to new and potential clients. This resulted in the client securing contracts with BHP Billiton, Anglo Coal, New Denmark Mine and Exarro Mine to set up X-ray clinics and render services to the abovementioned companies' staff.

Following these interventions by Seda and Anglo Zimele the business was able to start operating fully, and within the first 12 months of operations (starting May 2008) the business generates monthly revenue of R130,000 to R150,000 and has employed two additional permanent staff members.



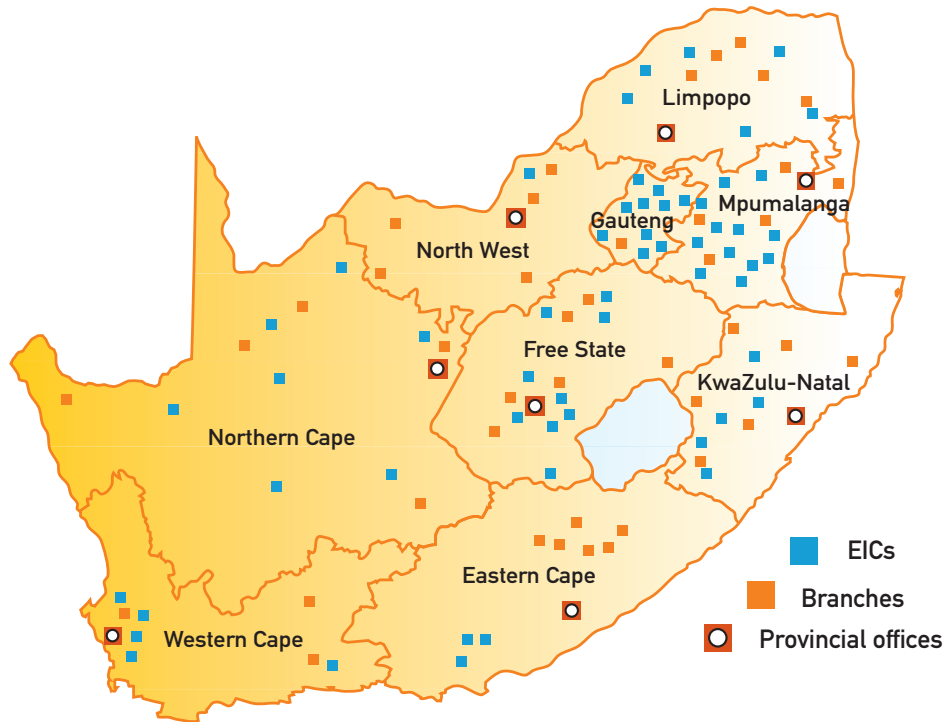


PART TWO

Overview



Geographical Spread of Seda Provincial Offices, Branches and EICs



Province	Branches	EICs
Eastern Cape	6	3
Free State	6	9
Gauteng	1	10
KwaZulu-Natal	6	5
Limpopo	5	6
Mpumalanga	5	12
Northern Cape	5	7
North West	5	1
Western Cape	3	5
Total	42	58

34

Seda Provincial Management Team



Mr Sifiso Kunene
Gauteng (Acting)



Mr Luzuko Dibi
Eastern Cape



Mr Benny Chabalala
Western Cape (Acting)



Ms Ntokozo Majola
Mpumalanga



Mr Neville Maimane
North West



Ms Kedisaletse Williams
Northern Cape



Mr Koenie Slabbert
Limpopo



Ms Jackie Ntshingila
Free State



Mr Lindani Dhlomo
KwaZulu-Natal



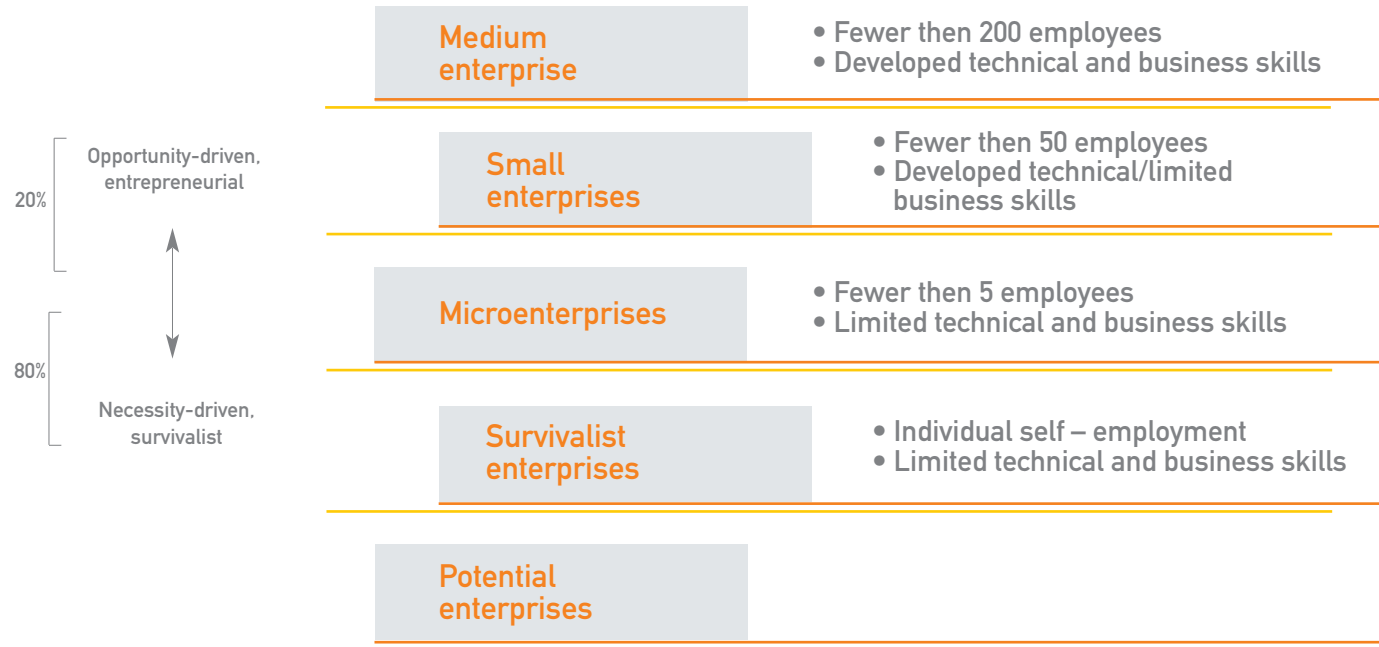
Seda Service Delivery

What we do



Target market

Seda aims to serve customers across the board, with 20% of the focus on medium-sized enterprises, whilst the small, micro- (formal and informal) and cooperative enterprises receive 80% of the focus.

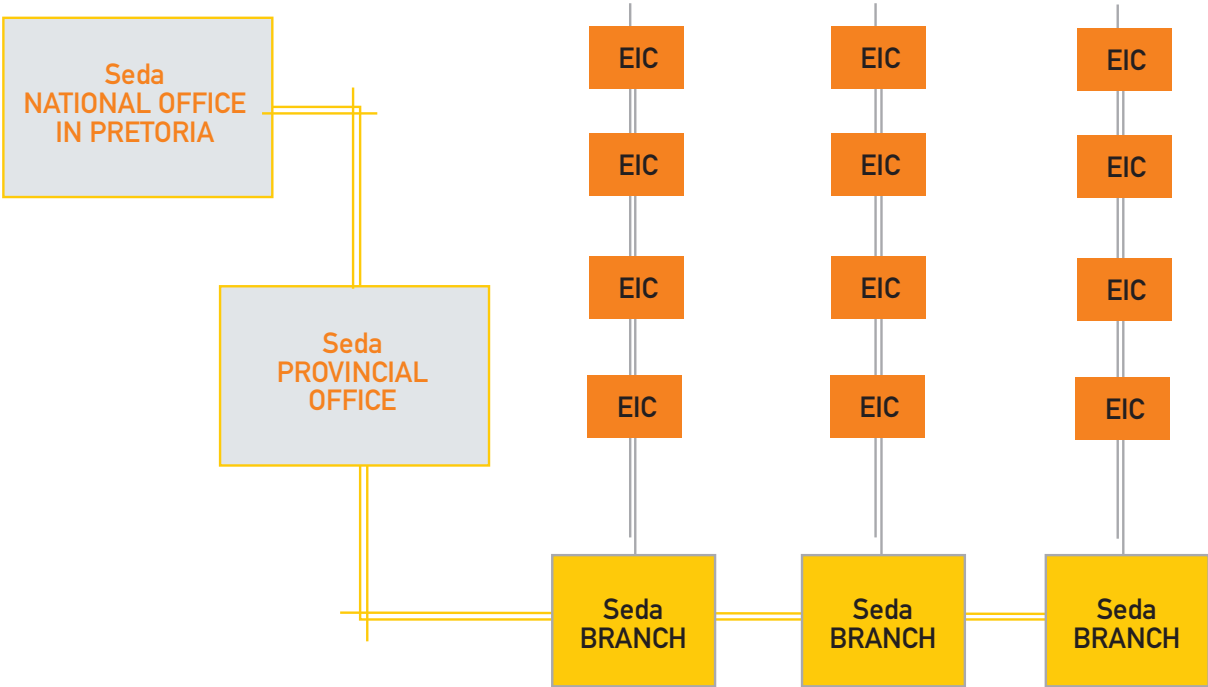


Strategic objectives

Seda's strategic objectives are linked to the three pillars of the dti revised SMME Development Strategy and are as follows:

- Enhance competitiveness and capabilities of small enterprises through coordinated services, programmes and projects.
- Ensure equitable access for small enterprises to business support services through partnerships.
- Strengthen the organisation to deliver on its mandate.

Seda Service Delivery Our Service Delivery Model



Provincial Offices

Total target = 9
Current = 8

Branches

Total target = 59
Current = 42

EIC = Enterprise Information Centre

Total target = 324
Current = 58



Provincial Offices



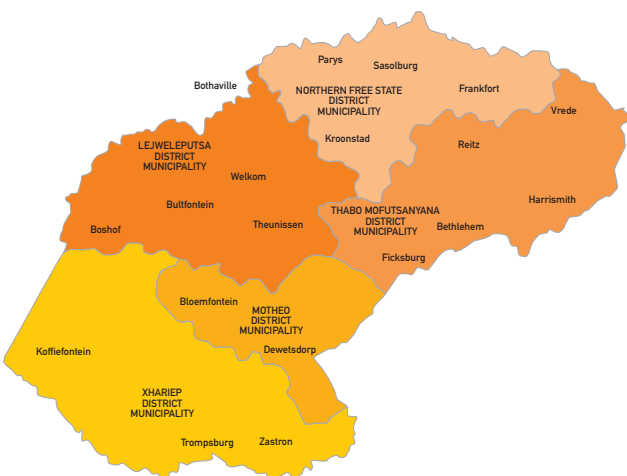
EASTERN CAPE PROVINCIAL OFFICE – EAST LONDON



Branch District	Seda Amathole	Seda Chris Hani	Seda Nelson Mandela Metro
Town	East London	Queenstown	Port Elizabeth

Branch District	Seda OR Tambo	Seda Nelson Mandela Metro	Seda Alfred Nzo
Town	Mthatha	Uitenhage	Mt Ayliff

FREE STATE PROVINCIAL OFFICE – BLOEMFONTEIN



Branch District	Seda Lejweleputswa	Seda Mangaung	Seda Fezile Dabi
Town	Welkom	Bloemfontein	Kroonstad

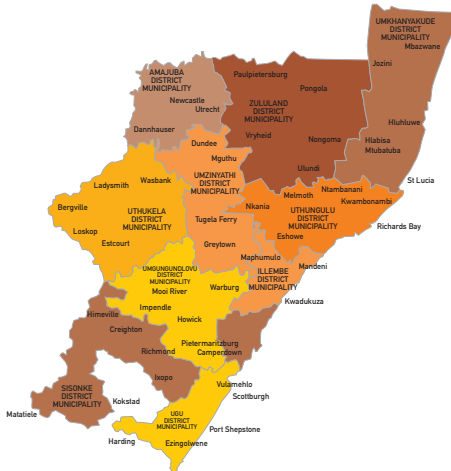
Branch District	Seda Metsimaholo	Seda Thabo Mofutsanyane	Seda Xhartep
Town	Sasolburg	Bethlehem	Trompsburg

GAUTENG PROVINCIAL OFFICE – PRETORIA



Branch District	Seda Tshwane
Town	Pretoria

KWAZULU-NATAL PROVINCIAL OFFICE – DURBAN



Branch District	Seda Amajuba	Seda uGu	Seda uMgungundlovu
Town	Newcastle	Port Shepstone	Pietermaritzburg

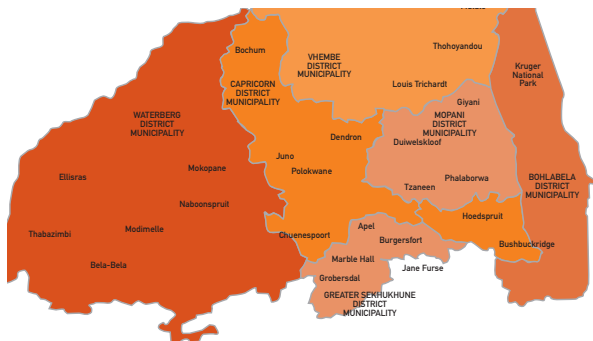
Branch District	Seda Sisonke	Seda eThekweni	Seda Xhartep	Seda uThungulu
Town	Kokstad	Durban	Ladysmith	Richards Bay



Provincial Offices (continued)



LIMPOPO PROVINCIAL OFFICE – POLOKWANE



Branch District	Seda Capricorn	Seda Modimolle	Seda Sekhukhune
Town	Polokwane	Waterberg	Sekhukhune

Branch District	Seda Mopani	Seda Vhembe
Town	Tzaneen	Thohoyandou

MPUMALANGA PROVINCIAL OFFICE – NELSPRUIT



Branch District	Seda Bushbuckridge	Seda Ehlanzeni	Seda Gert Sibande
Town	Bushbuckridge	Nelspruit	Secunda

Branch District	Seda Nkangala	Seda Nkomazi
Town	Witbank	Malelane

NORTHERN CAPE PROVINCIAL OFFICE – KIMBERLEY



Branch District	Seda Frances Baard	Seda Kgalagadi	Seda Namakwa
Town	Kimberley	Kuruman	Springbok

Branch District	Seda Pixley ka Seme	Seda Siyanda
Town	De Aar	Upington

NORTH WEST PROVINCIAL OFFICE – RUSTENBURG



Branch District	Seda Bojanala West	Seda Bophirima	Seda Dr Modiri Molema
Town	Rustenburg	Vryburg	Mafikeng

Branch District	Seda Bojanala East	Seda Southern District
Town	Brits	Klerksdorp



Provincial Offices (continued)



WESTERN CAPE PROVINCIAL OFFICE – CAPE TOWN



Branch District	Seda Cape Town	Seda Eden	Seda Cape Winelands
Town	Bellville	George	Stellenbosch

Seda Service Delivery

Roles of Seda's Offices



Seda national office

- Management, coordination and support to the provincial network.
- Funds' disbursement and administration.
- Reporting and auditing.

Seda provincial office

- Coordination, facilitation and support.
- Marketing and stakeholder relations.
- Service provider identification.
- Vetting and monitoring of district branch.
- Information centre identification and support.
- Performance management.

Seda branch office

- 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 enterprises development and support.
- Development, support and monitoring of enterprise information centres.

Enterprise information centre

- Information, referrals and advice.
- Assessments.
- Counselling.
- Data capturing on small enterprises, service providers and market opportunities.

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 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 non-financial enterprise development and support services through its network of outlets. These include the following services, which are related to basic issues regarding starting or running a business, as well as more complex and specialised business development needs.

- Business registrations
- Business planning
- Access to markets
- Access to finance
- Cooperatives support
- Small enterprise training and mentoring
- Access to technology

Seda is also developing a set of programmes for its customers from particular sectors prioritised in the Asgi-SA, such as crafts and tourism, agribusiness, and small-scale mining.





HUMAN RESOURCES REPORT 2008/09

Human resources concentrate on providing services to build the human capacity at Seda national office as well as the delivery network. The principal activities for the 2008/09 financial year were:

- Implementation of the Seda Performance Management Development Systems (PMDS).
- Reviewing and population of the top organisational structure.
- Population of the Seda provincial structure.
- Review of HR policies.
- Conclusion of the Recognition Agreement with labour.
- Capacity building of staff.

Table 1: Staff composition by business unit at 31 March 2009

Business unit/department	Staff list as at 31 March 2009	Number of vacancies	% of vacancies
Office of the CEO	18	4	18.0
Human resources	9	2	18.0
Marketing and customer relations	14	5	26.3
Network operations	13	11	45.8
Products and services	36	16	30.8
Finance, procurement, IT and facilities	38	11	22.4
Total	128	49	27.7
Gauteng/Tshwane	13	4	23.5
Western Cape	38	5	11.6
Eastern Cape	50	9	15.3
Northern Cape	50	3	5.6
Free State	53	3	5.4
KwaZulu-Natal	60	4	6.3
Mpumalanga	49	5	9.3
Limpopo	45	6	11.8
North West	48	1	2.0
Total	406	40	8.9
Grand total	534	89	14.3

Note: The filling of vacancies was affected by the moratorium as a result of restructuring.

Table 2: Staff employment by occupational category and levels as at 31 March 2009

Occupational bands	Male				Female				Total
	Africans	Coloured	Indian	White	Africans	Coloured	Indian	White	
Top management	1	1	–	–	1	–	–	1	4
Senior management	8	2	2	2	5	–	–	–	19
Professionally qualified and experienced specialists and mid-management	116	9	5	19	92	9	1	19	270
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	15	–	–	1	127	14	1	18	176
Semi-skilled and discretionary decision-making	5	–	–	–	43	1	–	2	51
Unskilled and defined decision-making	0	–	–	–	–	–	–	–	–
Internships and learnerships	11	–	–	–	3	–	–	–	14
Subtotal	145	12	7	22	268	24	2	40	520
Employees with disabilities	–	–	–	–	–	–	–	–	–
Total	156	12	7	22	271	24	2	40	534
Percentage total	29.2	2.2	1.3	4.1	51.0	5	0.4	7.5	–

The above profile reflects a high number of African female representations at 51%, with African males at 29%. Total female and male representation across races is at 63.9% and 36.9% respectively. Although the African females dominate the structure, they are not equitably represented at top management. Our focus on an employment equity plan will be to recruit females at top management, and special attention will be given to people with disabilities across gender, race, occupational level and categories.

Recruitment and turnover rate

Table 3: Staff movement as at 31 March 2009

	30 June 08	31 Sept 08	% change	31 Dec 08	% change	31 March 09	% change
Opening balance	–	536	1.7	545	1.7	532	(2.4)
Total employee gains	37	43	8.0	29	5.5	26	4.9
Breakdown of employee gains							
Appointments	–	43	–	29	–	26	–
Reinstatements	–	–	–	0	–	–	–
Total employee losses	28	34	6.2	42	7.9	24	4.5
Breakdown of employee losses							
Resignations	–	24	–	34	–	11	–
Dismissals	–	2	–	2	–	5	–
Contract terminations	–	7	–	5	–	9	–
Natural attrition	–	1	–	1	–	–	–
Closing balance	536	545	–	532	–	534	–
*Promotions	–	9	–	9	–	1	–
*Lateral transfers	–	7	–	2	–	–	–





Table 4: Breakdown of staff turnover by occupational bands

Occupational bands	Male				Female				Total
	Africans	Coloured	Indian	White	Africans	Coloured	Indian	White	
Top management	1	–	–	–	2	–	–	–	3
Senior management	6	1	–	–	1	1	–	–	9
Professionally qualified and experienced specialists and mid-management	21	–	–	2	13	–	–	–	36
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	18	2	–	2	27	1	–	3	53
Semi-skilled and discretionary decision-making	2	–	–	–	4	1	–	–	7
Unskilled and defined decision-making	–	–	–	–	2	–	–	–	2
Internships and learnerships	7	–	–	–	5	1	–	–	13
Contract employees	1	–	1	–	2	–	–	1	5
Employees with disabilities	–	–	–	–	–	–	–	–	–
Total	56	3	1	4	56	4	–	4	128
Percentage grand total	43.8	2.3	0.8	3.1	43.8	3.1	–	3.1	–

The average turnover rate for the period to March 2009 was 13.03% (measured on a quarterly basis). A total of 128 employment contracts were terminated during the financial year. This was, inter alia, as a result of the fierce market competition for technical skills.

Table 3 further provides a breakdown of separation types, namely resignations, dismissals and contract expiry. Table 4 above shows that the greater percentage of employee losses were both black males and females with an equal rate of 43.8%. The profile also indicates that the bulk of employee losses nationally fall within the category of technically skilled at 41.4% followed by middle management at 28.1%.

Table 5: Staff recruitment by occupational category and levels as at 31 March 2009

Occupational bands	Male				Female				Total
	Africans	Coloured	Indian	White	Africans	Coloured	Indian	White	
Top management	–	–	–	–	–	–	–	1	1
Senior management	1	–	–	1	–	–	–	–	2
Professionally qualified and experienced specialists and mid-management	19	2	–	1	11	1	–	2	36
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	10	3	–	–	21	3	–	–	37
Semi-skilled and discretionary decision-making	1	–	–	–	17	5	–	1	24
Unskilled and defined decision-making	–	–	–	–	9	–	–	1	10
Subtotal	31	5	–	2	58	9	–	5	110
Employees with disabilities	–	–	–	–	–	–	–	–	–
Internships and learnerships	19	–	–	–	5	1	–	–	25
Grand total	50	5	–	2	63	10	–	5	135
Percentage total	37	3.7	–	1.5	47	7.4	–	3.7	–

The above table shows that 47% females were recruited for the financial year ending March 2009, whilst only 37% of males were recruited during the same period. The recruitment of other designated groups continued to be underrepresented, and this will be given priority by the newly established Employment Equity (EE) and Skills Development forum for Seda.

Table 5: 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 well-being 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 entity has a position of wellness manager dedicated for the promotion of health and well-being of employees.
Has the entity introduced an employee assistance or health promotion programme for its employees? If so, indicate the key elements/ services of this programme.	x		Psycho-social counselling (telephonically as well as face to face), financial well-being, legal well-being, onsite wellness clinic, HIV and Aids programme.
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		The entity has reviewed all its policies and has introduced an HIV and Aids policy, which specifically prohibits discrimination on the grounds of HIV status.
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 in its wellness and HIV policies emphasises confidentiality. In addition, the wellness programme, which is conducted by an external provider, guarantees the confidentiality of information.
Does the entity encourage its employees to undergo voluntary counselling and testing (VCT)? If so, list the results that you have achieved.	x		The HIV and Aids policy encourages VCT so that employees can adopt lifestyles that are aimed at preventing infection.

Labour relations

Table 6: Misconduct and disciplinary hearings

Measures	Number of cases
Disciplinary hearings	28
Warnings issued	5
Suspensions without pay	1
Employees found not guilty	5
Dismissals/terminations	15
Grievances	10
CCMA disputes pending	6
CCMA disputes concluded	9
Labour Court cases pending	4

Table 7: Outcomes of disciplinary hearings

Outcomes of disciplinary hearings	Number
Correctional counselling	–
Verbal warning	1
Written warning	2
Final written warning	2
Suspended without pay	1
Resigned during hearing	2
Fine	–
Demotion	–
Dismissal	15
Not guilty	5
Case withdrawn	–
Total	28



Seda People (continued)



The employee relations activities within Seda in the financial year under review remain stable. Throughout the year a total number of disciplinary hearings was at 5.2% of the total staff complement, of these 2.8% were dismissals, and other cases resulted in different sanctions.

The formal grievances were also minimal at 1.9% of the total complement. In many instances, parties resolve matters during informal discussions.

Injury on duty

No injury cases were reported.

Training and skills development

Staff training and skills development is divided into three categories:

- Practitioner training on Seda tools and programmes through the Learning Centre.
- Training organised by other departments.
- General staff training and developed through the Human Resource Department.

The table below illustrates the capacity building of Seda practitioners conducted by the Learning Centre.

Table 8: Technical and/or operational training for practitioners interacting with Seda clients

Topic of training courses	Annual target (staff trained)		Actual for the year (staff trained)	
	Courses delivered	Persons trained	Courses delivered	Persons trained
Seda Tools Training	30	100	20	170
Seda Basic Business Skills Training Course	1	25	1	24
Seda Small Enterprise Start-up Course	1	25	1	24
Seda Start-up 1 Course	1	25	1	25
Seda Small Business Counselling Course	2	50	2	49
Seda Business Planning Process Course	2	50	2	50
Information Sharing on Seda Small Enterprise Training	30	100	6	82
Total	67	375	33	424

Table 9: Total number of employees who received study assistance (bursaries) per occupational band as at 31 March 2009

Occupational bands	Male				Female				Total
	Africans	Coloured	Indian	White	Africans	Coloured	Indian	White	
Top and senior management	1	-	-	-	-	-	-	-	1
Professionally qualified and experienced specialists and mid-management	-	-	-	-	-	-	-	-	-
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1	-	-	-	-	-	-	-	1
Semi-skilled and discretionary decision-making	-	-	-	-	3	-	-	-	3
Unskilled and defined decision-making	-	-	-	-	-	-	-	-	-
Total	2	-	-	-	3	-	-	-	5
Employees with disabilities	-	-	-	-	-	-	-	-	-

The bursary policy was introduced in the fourth quarter of 2008/09 and to date fourteen (14) staff members are currently furthering studies and receiving financial assistance through the new Seda Bursary Scheme.

The majority of recipients are African females.

Table 10: Total number of employees who received general training per occupational band as at 31 March 2009

Occupational bands	Male				Female				Total
	Africans	Coloured	Indian	White	Africans	Coloured	Indian	White	
Top and senior management	35	-	7	5	9	-	-	3	59
Professionally qualified and experienced specialists and mid-management	145	15	9	28	81	20	3	12	313
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	84	3	1	38	47	9	1	3	186
Semi-skilled and discretionary decision-making	11	3	1	-	76	1	3	2	97
Unskilled and defined decision-making	2	-	-	-	1	-	-	-	3
Total	277	21	18	71	214	30	7	20	658
Employees with disabilities	-	-	-	-	-	-	-	-	-
Percentage grand total	42.1	3.2	2.7	10.8	32.5	4.6	1.1	3.0	-

A total of 658 employees attended various training programmes that were in line with their individual development plans (IDP) during the year. African female (32.5%) and male (42.1%) were the majority recipients of staff training and development opportunities. Throughout the year Seda experienced a gradual turnaround in performance due to the continuous interventions introduced.



Corporate Governance Statement

SEDA board composition

The Small Enterprise Development Agency (Seda) was established in terms of section 9 (1) of the National Small Business Amendment Act 29 of 2004 (herein referred to as "the Act"). The board, which is the highest decision-making body within the organisation, is appointed by the Minister of Trade and Industry. The board comprises a non-executive chairperson, deputy chairperson and members, with the exception of the chief executive officer (ex officio) being the only executive non-voting member.

At every sitting the board deals with strategic issues pertinent to the business of the organisation in pursuit of its mandate. The Seda mandate is prescribed in terms of section 9A of the Act and is supported by multi-year strategic and business plans as per section 16 of the Act as approved by the Minister and clearly defined in the Shareholder's Compact as stipulated in Treasury Regulation 30.1.

Seda accepted a number of resignations from the board during the 2008/2009 financial year. The board members who tendered their resignations effective June 2008 were Dr A Mokgokong (chairperson), Ms NP Gosa, Mr KM Duba and Dr TP Duitlwieng.

To ensure that Seda's business continued as usual, the following board members were appointed during September 2008: Ms D Mokhobo (deputy chairperson), Ms B Calvin, Adv F Mayimele-Hashatse, Ms N Galeni, Ms P Lugayeni and Mr D Thabaneng. The deputy chairperson, Mr LJ Mngomezulu was appointed as chairperson of the Seda board. Listed below are the board members and the attendance schedule at board meetings.

Seda board meetings attendance

	10/06/2008	20/06/2008	29/06/2008	26/08/2008	25/09/2009	26/11/2008	18/03/2009
Dr A Mokgokong	a	✓	R	R	R	R	R
Ms AN Damane	a	✓	✓	✓	R	R	R
Ms NP Gosa	a	a	R	R	R	R	R
Mr KM Duba	a	a	R	R	R	R	R
Mr J Motha*	✓	✓	✓	✓	✓	A	A
Mr LJ Mngomezulu	✓	✓	✓	✓	✓	a	✓
Ms D Mokhobo	NYA	NYA	NYA	NYA	✓	a	✓
Ms NH Lupuwana	NYA	NYA	NYA	NYA	✓	✓	✓
Ms M Manjezi	✓	✓	✓	✓	✓	a	✓
Mr TMS Matang	✓	✓	✓	✓	✓	✓	✓
Ms TB Nkambule	✓	✓	✓	✓	a	✓	✓
Prof NHB Faull	a	a	a	a	✓	✓	✓
Ms QN Mogotsi	✓	✓	✓	✓	✓	✓	✓
Mr MJ Feinstein	✓	✓	✓	✓	a	✓	✓
Ms N Dinie	✓	✓	✓	✓	✓	✓	✓
Ms B Calvin	NYA	NYA	NYA	NYA	a	✓	✓
Adv F Mayimele-Hashatse	NYA	NYA	NYA	NYA	✓	✓	✓
Ms N Galeni	NYA	NYA	NYA	NYA	a	✓	a
Ms P Lugayeni	NYA	NYA	NYA	NYA	✓	✓	✓
Mr D Thabaneng	NYA	NYA	NYA	NYA	✓	✓	✓
Mr RG Nicholls (audit committee chairperson)	a	✓	✓	✓	a	a	✓

✓ Attendance

a Apology

R Resignation

NYA Not yet appointed

A Absent

* Mr J Motha: Professional assistant to finance committee 01/07/2007 to 31/05/2009. Independent member to audit committee from 15/10/2008.

In order to best deliver on its mandate and assist the board in discharging its collective responsibilities for corporate governance, several board committees were established. The committees operate within prescribed terms of reference and comprise mainly non-executive board members.

Remuneration and HR committee

The primary objective of the remuneration and HR committee is to develop and monitor the implementation of a competitive human resources strategy to ensure that the entity is able to attract, retain and develop the best possible talent to support superior business performance.

Mr Martin Feinstein is the chairperson of the committee. The table below reflects the subcommittee members' meeting attendance during the 2008/09 financial year.

	05/06/2008	09/07/2008	10/09/2008	22/10/2008	05/02/2009	09/03/2009	25/03/2009
Mr MJ Feinstein (chairperson)	✓	✓	✓	✓	✓	✓	✓
Ms NP Gosa	a	a	R	R	R	R	R
Ms AN Damane	✓		R	R	R	R	R
Ms TB Nkambule	✓	✓	✓	✓	✓	✓	✓
Ms QN Mogotsi	✓	✓	✓	✓	a	✓	✓
Adv F Mayimele-Hashatse	NYA	NYA	NYA	a	a	a	✓
Ms H Lupuwana	NYA	NYA	NYA	✓	✓	✓	✓

Audit and risk committee

The function of this committee is to assist the board to discharge its duties relating to the safeguarding of assets; oversee the operation of adequate systems and controls; assess going-concern status; review and report on financial information; and review the annual financial statements for recommendation to the board.

Mr RG Nicholls is the chairperson of the committee. The committee met more than twice a year as prescribed in terms of section 77(b) of PFMA. The members of the committee are listed below.

	27/05/2008	19/08/2008	10/11/2008	12/02/2009
Mr RG Nicholls (chairperson)**	✓	✓	✓	✓
Mr J Motha*	✓	✓	✓	✓
Ms D Mokhobo	NYA	NYA	✓	✓
Ms H Lupuwana	NYA	NYA	✓	✓

✓ Attendance

a Apology

R Resignation

NYA Not yet appointed

A Absent

* Mr J Motha: Professional assistant to finance committee 01/07/2007 to 31/05/2009. Independent member to audit committee from 15/10/2008.

** Mr RG Nicholls resigned before year end.



Corporate Governance Statement (continued)



Finance committee

As per the finance committee's terms of reference, its mandate is to review Seda's quarterly financial statements and other reports to ensure that they fairly represent the financial position of Seda. The committee also considers the accounting policies and practices adopted by Seda.

The chairperson of the committee is Ms Tholi Nkambule. The table below reflects the schedule of meetings attended by the committee members.

	19/05/2009	05/11/2009	29/01/2009	24/02/2009
Mr J Motha*	✓	✓	A	A
Ms NP Gosa	a	R	R	R
Ms M Manjezi	a	a	✓	✓
Ms TB Nkambule	✓	✓	a	✓
Ms B Calvin	NYA	✓	✓	a
Ms N Galeni	NYA	✓	✓	a
Mr D Thabaneng	NYA	✓	✓	✓
Ms H Lupuwana	NYA	✓	✓	✓

✓ Attendance

a Apology

R Resignation

NYA Not yet appointed

A Absent

* Mr J Motha: Professional assistant to finance committee 01/07/2007 to 31/05/2009. Independent member to audit committee from 15/10/2008.

Projects and strategy committee

The main function of the projects and strategy committee is to offer strategic direction to the Seda executive management team by recommending strategic actions/directives to the board.

The chairperson of the committee is Mr Tsietsi Matang. The members of the committee are listed below.

	06/06/2008	24/07/2008	27/10/2008	12/11/2008	27/01/2009
Ms AN Damane	✓	a	R	R	R
Ms M Manjezi	a	✓	✓	✓	✓
Mr TMS Matang	✓	✓	✓	✓	✓
Prof NHB Faul	a	a	✓	✓	✓
Mr MJ Feinstein	✓	✓	a	✓	✓
Ms N Dinie	✓	✓	✓	✓	✓
Mr LJ Mngomezulu	A	A	a	✓	a
Ms P Lugayeni	NYA	NYA	✓	✓	✓
Ms H Lupuwana	NYA	NYA	✓	✓	✓

✓ Attendance

a Apology

R Resignation

NYA Not yet appointed

A Absent

Seda technology programme committee

The function of the committee is to formulate and manage the Seda technology programme (STP) strategy and policies that are aligned with Seda's overall business strategy. The committee's task is to review, assess, implement and make recommendations to the Seda board on STP's strategy and policies.

	03/04/2008	21/05/2008	17/07/2008	23/09/2008	12/11/2008	09/02/2009
Ms M Manjezi (chairperson)	✓	a	✓	✓	✓	✓
Prof NHB Faulf	a	✓	✓	✓	✓	✓
Ms N Dinie	✓	✓	✓	✓	✓	✓
Ms AN Damane	a	a	a	R	R	R
Ms H Lupuwana	NYA	NYA	NYA	a	✓	a*

✓ Attendance
 a Apology
 R Resignation
 NYA Not yet appointed
 A Absent
 * Delegated authority to the CEO

Monitoring and evaluation committee

This newly established committee's main function is to provide strategic advice to executive management on the development and implementation of an organisation-wide monitoring and evaluation system.

	30/10/2008	29/01/2009
Ms P Lugayeni	✓	✓
Mr TMS Matang	a	✓
Prof NHB Faulf	✓	✓
Ms B Calvin	a	a
Ms N Galeni	a	a
Ms H Lupuwana	✓	✓

✓ Attendance
 a Apology
 R Resignation
 NYA Not yet appointed
 A Absent

Code of ethics

Seda's board of directors, management and employees recognise the need to observe the highest standards of behaviour and business ethics when engaging in business activities. All directors 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

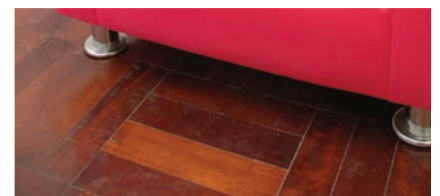
The board has overall responsibility for establishing and maintaining Seda's internal controls and also for reviewing the effectiveness thereof. The close professional working relationship between the external and internal auditors ensure that adequate and efficient audit reviews of these controls take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





PART THREE

Financial Statements



Report of the Audit and Risk Committee



We are pleased to present our report for the year ended 31 March 2009.

The audit and risk committee of the Small Enterprise Development Agency (Seda) is composed of 4 (four) non-executive members and chaired by an externally contracted independent person. The audit committee 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 audit and risk committee has adopted appropriate formal terms of reference as 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 2008/2009 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 audit and risk committee.

In the conduct of its duties, the audit and risk committee 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 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 risk areas of Seda's operations and confirmed that these are appropriately dealt with in the scope of work of both internal and external audit.
- Reviewed the annual financial statements prior to publication, both for fair presentation, and for 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.
- 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, and that it is coordinated with external auditors.

- Reviewed reports of significant investigations and the management's responses to specific recommendations.

In the opinion of the audit and risk committee, the internal controls of Seda are, with the exception of certain 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.

Internal audit

Seda has a fully functional and effective internal audit. The internal audit plan activities for the year were all carried out. The audit and risk committee will continue to monitor Management's planned actions on all significant findings for effective and speedy resolution. This includes the focus on "after care service" on projects and measurement of service providers' performance. The shortage in financial resources and the high reliance on financial consultants during mid-2008 were subsequently resolved in the new financial year.

Internal controls

The control environment in the Finance Division has now been stabilised with the permanent appointment of the Chief Financial Officer, resulting in significant improvement on the year-end processes. The division has now also been strengthened through the appointment of competent senior members of staff.

Risk management

The Seda board takes full control of risk management. Risk management workshops were held by Management to reassess the risks as per the risk register. These risks were then considered and signed off by the board. Detailed progress of action or mitigation plans are reported to the audit and risk committee on a quarterly basis. The management of risk has been institutionalised and cascaded throughout the enterprise with branch managers and supervisors assuming ownership of the process. We note that both internal and external audit confirmed that risk management at Seda is effective.

Governance

The audit and risk committee 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, will continue to get attention by all internal stakeholders. Governance review around the board turnaround and fraud-prevention strategies, as well as implementation plans by internal

audit, highlighted a few significant control weaknesses which have now been substantially addressed by Management. Our overall conclusion is that governance processes are adequate.

Conclusions of the Auditor-General

The audit and risk committee has reviewed:

- and discussed with the Auditor-General and recommended to the accounting authority the audited annual financial statements and auditors' report to be included in the annual report;
- the Auditor-General's management letter and management responses thereto;
- accounting policies and practices and any changes related thereto; and
- significant adjustments resulting from the audit.

The audit and risk committee concurs with and accepts the conclusions of the Auditor-General on the financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.



Mr Motshwanedi Joe Lesejane CA(SA)

Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SMALL ENTERPRISE DEVELOPMENT AGENCY FOR THE YEAR ENDED 31 MARCH 2009

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 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 62 to 90.

The 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 basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on 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 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 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements and in the manner required by the PFMA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters:

Basis of accounting

8. The public entity's policy is to prepare financial statements on basis of accounting determined by the National Treasury, as set out in note 1 to the financial statements.

Investigation

9. The accounting authority's report on page 62 to the financial statements refers to an investigation during the year regarding project expenditure.

Other matter

10. Without qualifying my audit opinion, I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements.

Governance framework

11. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the key governance responsibilities addressed below.

Key governance responsibilities

12. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management, and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No	Matter	Yes	No
1.	Clear trail of supporting documentation that is easily available and provided in a timely manner No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	X	
2.	Quality of financial statements and related management information The financial statements were not subject to any material amendments resulting from the audit.		X
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	X	
4.	Timeliness of financial statements and management information The annual financial statements were submitted for auditing as per the legislated deadlines as set out in section 55 of the PFMA.	X	
5.	Availability of key officials during audit Key officials were available throughout the audit process.	X	
6.	Development and compliance with risk management, effective internal control and governance practices Audit committee <ul style="list-style-type: none">The public entity had an audit committee in operation throughout the financial year.The audit committee operates in accordance with approved, written terms of reference.The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	X X X	
7.	Internal audit <ul style="list-style-type: none">The public entity had an internal audit function in operation throughout the financial year.The internal audit function operates in terms of an approved internal audit plan.The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	X X X	

Report of the Auditor-General (continued)



No	Matter	Yes	No
Development and compliance with risk management, effective internal control and governance practices (continued)			
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	X	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	X	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	X	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.	X	
12.	Powers and duties have been assigned, as set out in section 56 of the PFMA.	X	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		X
14.	SCOPA resolutions have been substantially implemented.	n/a	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	X	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the National Lottery Distribution Trust Fund against its mandate, predetermined objectives, outputs, indicators and targets as set out in Treasury Regulation 30.1.	X	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	X	

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

13. I have reviewed the performance information as set out on pages 16 to 31.

The accounting authority's responsibility for the performance information

14. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

The Auditor-General's responsibility

15. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No 31057 of 15 May 2008*.
16. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
17. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings reported below.

Findings on performance information

Lack of effective, efficient and transparent systems and internal controls regarding performance management

18. The accounting authority did not ensure that the Small Enterprise Development Agency has and maintains a completely effective, efficient and transparent system and internal controls regarding performance management, which describe and represent how the entity's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, as required in terms of section 51(1)(a)(i) of the PFMA.

Usefulness and reliability of reported performance information

19. The following criteria were used to assess the usefulness and reliability of the information on the entity's performance with respect to the objectives in its strategic plan:
 - **Consistency:** Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan?
 - **Relevance:** Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
 - **Reliability:** Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following findings relate to the above criteria:

Reported performance information not always relevant

20. The targets with regard to the subprogrammes were not:
 - specific in clearly identifying the nature and the required level of performance;
 - measurable in identifying the required performance; and
 - time bound in specifying the time period or deadline for delivery.
21. In certain instances, there is no link between the output and the key service delivery indicators and targets on the strategic plan. Performance indicators reflected in the strategic plan do not always identify a specific measurable indicator.

APPRECIATION

22. The assistance rendered by the staff of the Small Enterprise Development Agency during the audit is sincerely appreciated.

Auditor-General

Pretoria

31 July 2009



A U D I T O R - G E N E R A L

Report of the Accounting Authority

■ ■ ■

We have pleasure in presenting the audited annual financial statements, which form part of the annual report of Seda for the period ending 31 March 2009.

Nature of business

Seda was established in December 2004 by the South African Government as the national agency under the Department of Trade and Industry (the dti). Functions of Seda have been set forth in the Revised National Small Business Amendment Act (as amended by Act 29 of 2004) as follows:

- To implement the policy of national government for small enterprise development.
- To design and implement a standard national delivery network that must uniformly apply throughout the Republic in respect of small enterprise development, integrating all government-funded small enterprise support agencies, across all spheres of government.
- To design and implement small enterprise development support programmes.
- To establish provincial structures to ensure the effective implementation of its function.

Seda is listed as a Schedule 3A national public entity in terms of the Public Finance Management Act (PFMA), Act 1 of 1999.

Seda's business model

The following main services form the basis of Seda's core offerings:

- Business registrations.
- Business planning.
- Tender advice and training.
- Access to finance.
- Cooperative support.
- Small enterprise training.
- Access to technology (done through the Seda Technology Programme).

Seda also assists small enterprises through a number of sector-specific and national programmes. The following programmes were part of Seda's service offerings in the 2008/09 financial period.

- Unizo Go North programme for business linkages.
- Unizo Ntataise programme for internal capacity building.
- Voka programme for mentorship.
- Technonet Africa programme.
- Shintsha programme for capacity building and mentorship.
- Programmes in the following areas:
 - Agribusiness.
 - Small-scale mining and beneficiation.
 - Tourism and cultural industries.
 - Information and communication technology.
 - Retail support.
 - Franchise support.
 - Export development.

Target market

Seda is targeting small enterprises in every community of South Africa and has focused its efforts as follows:

- 80% on the new businesses being formed, micro businesses striving to achieve sustainability and very small business striving to become viable in the first economy.
- 20% on existing small and medium-sized enterprises that would like to become more competitive and those with potential to grow and create job opportunities, as well as enter the export market.

Local delivery

To ensure effective delivery, Seda has created a network of eight provincial offices, 42 district branches, two mobile units and 30 enterprise information centres where prospective and existing clients have access to a physical office, staffed by competent staff with the necessary tools and systems. Provincial offices play a coordinating role while actual delivery happens at the branches. EICs and mobile units enhance outreach in some areas and are primarily used for information, counselling and referrals to Seda branches or approved service providers.

Funding model

Seda's funding is mostly from **the dti** (86.6%), with additional funding and technical assistance from the Finnish Government.

Additional funding has been received from other government partners, at a national, provincial and local level.

Supporting local economies

As much as possible, Seda tries to recruit knowledgeable people from local areas, as they have more knowledge of the local economic conditions. Local economic support is also done through accrediting local organisations as enterprise information centres and utilising local service providers.

Audited financial results

	2009 R'000	2008 R'000
Total revenue	559,417	384,847
Total expenditure	(482,220)	(448,227)
Surplus/(deficit) for the year	77,197	(63,380)
Total assets	239,506	158,886
Total liabilities	131,385	127,962

Financial performance

Total revenue increased from R384 million to R559 million as a result of increased funding from **the dti**, as well as other government entities. This, in addition to an increase in total expenditure, resulted in Seda incurring a surplus of R77 million in the year under review. There was an increase in total expenditure of 7% due to cost pressures on services, as well as upward salary adjustments.

Financial position

Total assets increased by R80.6 million mainly on account of the increase in cash and bank balances. The total liabilities rose due to an increase in conditional grants, the unspent portion of which is shown as income received

in advance. The total assets: total liabilities ratio, at 1.83:1, has been maintained above the norm of 1:1.

Cash flow

Cash flows generated in operations were R133 million, a significant increase from 2008 where R68 million was utilised in operating activities. The increase is attributed to the surplus sustained in the year under review. Cash flows utilised in investing activities amounted to R7 million due to purchase of equipment. Cash and cash equivalents increased by R124 million for the 2008/09 financial year.

Capital expenditure

Expenditure on capital items of R7.4 million was mainly to maintain existing operations as well as consolidate the ICT network.

Events subsequent to reporting date

No events took place between the period-end date and the date at which the financial statements were signed that were material enough to warrant disclosure to interested parties.

Executive management

The executive committee (EXCO) is made up of the executive management of all Seda departments. EXCO meets fortnightly, and its responsibilities include:

- developing and implementing Seda's strategy and business plan;
- monitoring and evaluation against targets for the organisation;
- developing and implementing policies and procedures;
- setting objectives for Seda's operational management and administration;
- providing management direction;
- preparing and reviewing business plans and budgets;
- making key expenditure decisions;
- making decisions with respect to staffing and related issues; and
- monitoring and addressing risks associated with strategy implementation.

Report of the Accounting Authority (continued)



Number of employees

The number of full-time staff employed on 31 March 2009 was 534.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure in the amount of R148,587 was incurred during the year under review.

Management response

Management has continued improving the organisation's control environment with the aim of eliminating contraventions of policies and procedures. Also, our supply chain management policy was reviewed to improve operational efficiency without compromising compliance. This was followed by roadshows to workshop the policy across Seda. This has gone a long way towards assisting management with the proper control and compliance organisation-wide as proven by the positive external audit results.

Materiality framework

For the 1 April 2008 to 31 March 2009 period, Seda's materiality was 1% of budgeted expenditure. Material facts of a quantitative nature that need to be disclosed would refer to any fact discovered that exceeds this percentage.

Significant events

Control environment

Management is giving attention to the control environment to improve it. A fully functional internal audit committee has been established to assist in this regard.

Internal audits were conducted throughout the year, audit findings discussed and action plans put in place.

Investigation

As mentioned in the 2007/08 Seda annual report under the auditor-general's report, procurement transactions to the value of R19 million were being investigated due to possible irregularities. The outcome of the investigation could not be determined at that stage and it was therefore uncertain as to what extent the administrative and other expenses amount in the statement of financial performance would be affected.

The investigation revolved around a project that commenced in 2005 under the management of the Department of Trade and Industry (**the dti**), which channelled funds through the Godisa Trust. In 2006 **the dti** placed the Godisa Trust within the Seda Technology Programme (STP); the Trust was subsequently dissolved.

During the 2008/09 financial year preliminary investigation reports did not reveal any irregularities within STP since it was concluded that STP had no management or decision-making responsibility with regard to the project in question. **the dti** supplied further funding amounting to R4.1 million for a transfer to the project of which R3,632,466.88 was transferred on 26 May 2008.

This matter has been referred to the accounting officer of **the dti** for further action and the project is under investigation by **the dti**'s internal audit unit.

Management changes

Seda started the financial year without the Chief Financial Officer and relied on acting and/or caretaker CFOs for the greater part of the financial year. Despite the appointment of the CFO only during the last quarter of the year, Seda's finances show an improved degree of accountability from staff and management.

Another major change in the management of Seda was the reduction of the executive team from six to four executive managers during the third quarter of the financial year.

Statement of responsibility

The board, which is the accounting authority of Seda, is responsible for the preparation, integrity and fair representation of the financial and performance statements of Seda.

- The Public Finance Management Act No 1 of 1999.
- Standards of Generally Recognised Accounting Practice.
- South African Statements of Generally Accepted Accounting Practice.

They are based on appropriate accounting policies, which have been consistently applied and which are supported by reasonable and prudent judgements and estimates. They include entries-based judgements and estimates made by management. The accounting authority, in consultation

with the executive committee, prepared the other information included in the annual report and is responsible for both its accuracy and consistency with the financial statements. The going-concern basis has been adopted in preparing the annual financial statements. The board has no reason to believe that Seda will not be a going concern in the foreseeable future based on forecasts and available cash resources as indicated below.

	R'000
the dti	484,770
Finnish Government – donor funding	nil
Other government departments and entities	61,746
Internally generated funds (interest received, etc)	12,901

The board is also responsible for the Seda system of internal controls. These are designed to provide reasonable, but not absolute, assurance as to the reality of the financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored throughout Seda by management and employees with the necessary segregation of authority and duties. Processes are in place to monitor internal controls, to identify material breakdowns and implement timely corrective action.

The financial statements have been audited by an independent auditor, the auditor-general. The auditor was given unrestricted access to all financial and performance records and related data, including minutes of all meetings of the board, executive management and staff. The accounting authority believes that all representations made to the auditors during the audit were valid and appropriate.



Seda board Chairperson
Mr Linda Joseph Mngomezulu



Seda Chief Executive Officer
Ms Hlonela Lupuwana

Registered address

the dti Campus
77 Meintjies Street
Sunnyside
Pretoria
0001



Statement of Financial Performance

for the year ended 31 March 2009



	Notes	2009 R	2008 R
Revenue			
Transfer from other government entities		484,770,000	348,749,109
External earnings		61,745,671	28,466,003
Interest received		12,901,064	7,632,118
Total revenue	2	559,416,735	384,847,230
Expenses			
Personnel cost		(165,899,303)	(148,461,058)
Administrative and other expenses		(302,469,431)	(287,134,712)
Impairment		–	(495,700)
Depreciation		(9,602,254)	(9,471,321)
Finance costs		(4,210,205)	(2,664,690)
Loss on sale of plant and equipment		(38,586)	–
Total expenses		(482,219,779)	(448,227,481)
Surplus/(deficit) for the year	3	77,196,956	(63,380,251)

Statement of Financial Position

as at 31 March 2009



	Notes	2009 R	2008 R
ASSETS			
Current assets		211,776,532	128,978,289
Cash and cash equivalents	4	206,449,797	82,685,398
Accounts receivable	5	4,996,407	45,869,239
Inventories	6	330,328	382,796
Tax receivable	12	–	40,856
Non-current assets			
Plant and equipment	7	27,729,237	29,907,906
Total assets		239,505,769	158,886,195
LIABILITIES			
Current liabilities		107,273,742	107,402,669
Accounts payable	9	95,233,067	104,591,556
Current portion of finance lease obligations	10	(95,869)	621,305
Provisions	11	12,136,544	407,341
Tax payable	12	–	1,782,467
Non-current liabilities		24,110,900	20,559,355
Long-term portion of finance lease obligation	10	12,168,518	11,346,892
Operating lease liability		11,942,382	9,212,463
Total liabilities		131,384,642	127,962,024
Net assets		108,121,127	30,924,171
Accumulated surplus		108,121,127	30,924,171
Total net assets		108,121,127	30,924,171

Statement of Changes in Net Assets

as at 31 March 2009



Accumulated surplus
R

Balance at 31 March 2007	94,304,422
Deficit for the year – 2007/08	(63,380,251)
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

Cash Flow Statement

for the year ended 31 March 2009



	Notes	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
External earnings	16	102,618,503	(7,135,133)
Transfers from other government entities		484,770,000	348,749,108
Interest received		12,901,064	7,632,118
Payments			
Personnel cost		(165,899,303)	(148,461,058)
Suppliers		(296,777,280)	(264,824,980)
Finance cost	3	(4,210,205)	(2,664,690)
Tax paid		–	(824,026)
Net cash flows from/(used in) operating activities	16	133,402,779	(67,528,661)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	7	(7,423,585)	(9,852,173)
Loss on sale of plant and equipment	16	(38,586)	–
Net cash used in investing activities		(7,462,171)	(9,852,173)
CASH FLOWS FROM FINANCING ACTIVITIES			
Refund of unspent funds – STP	16	(1,554,904)	–
Repayments on finance leases		(621,305)	(578,523)
Net cash used in financing activities		(2,176,209)	(578,523)
Net increase/(decrease) in cash and cash equivalents		123,764,399	(77,959,357)
Cash and cash equivalents at the beginning of the year		82,685,398	160,644,755
Cash and cash equivalents at the end of the year	4	206,449,797	82,685,398

Notes to the Annual Financial Statements

for the year ended 31 March 2009



1. ACCOUNTING POLICIES

The financial statements were prepared on a historical-cost basis in accordance with Standards of Generally Recognised 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 and the accounting policies have been applied consistently throughout the year.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statement, as follows:

Standard of GRAP	Replaced statement of SA GAAP
GRAP 1 – Presentation of Financial Statements	AC 101 – Presentation of Financial Statements
GRAP 2 – Cash Flow Statements	AC 118 – Cash Flow Statements
GRAP 3 – Accounting Policies, Changes in Accounting Estimates and Errors	AC 103 – Accounting Policies, Changes in Accounting Estimates and Errors

Currently the recognition and measurement principles in the above GRAP Standards and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following changes in the presentation of the financial statements:

1.1.1 a) Terminology differences

Standard of GRAP	Replaced statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

b) *The cash flow statement can only be prepared in accordance with the direct method.*

c) *Specific information has been presented separately on the statement of financial position such as:*

- i) receivables from non-exchange transactions, including taxes and transfers;
- ii) taxes and transfers payable; and
- iii) trade and other payables from non-exchange transactions.

d) *Amount and nature of any restrictions on cash balances is required.*

Paragraph 11 to 15 of GRAP 1 has not been implemented due to the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

1.1.2 Adoption of new and revised standards

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

- The amendments to AC 133 Financial Instruments: Recognition and Measurement.
- The amendments to AC 144 Financial Instruments: Disclosures.

Seda has not reclassified any of its financial instruments under the amendments to AC 133 and/or amendments to AC 144.

1.1.3 Standards and interpretations issued, but not yet effective

At the date of the authorisation of these financial statements the following standards, amendment to standards and interpretations, which are relevant to Seda, have been issued by the Accounting Standards Board and are effective for periods beginning on or after 1 April 2009:

- GRAP 4 – The Effects of Changes in Foreign Exchange Rates
- GRAP 5 – Borrowing Costs
- GRAP 6 – Consolidated and Separate Financial Statements
- GRAP 7 – Investments in Associate
- GRAP 8 – Interest in Joint Ventures
- GRAP 9 – Revenue from Exchange Transactions
- GRAP 10 – Financial Reporting in Hyperinflationary Economies
- GRAP 11 – Construction Contracts
- GRAP 12 – Inventories
- GRAP 13 – Leases
- GRAP 14 – Events After the Reporting Date
- GRAP 16 – Investment Property
- GRAP 17 – Property, Plant and Equipment
- GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
- GRAP 101 – Agriculture
- GRAP 102 – Intangible Assets

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 recognised when it is probable that future economic benefits will flow to the public entity and these benefits can be measured reliably. The grant is recognised 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 recognised as income in the period in which they become receivable. Government grants relating to specific expenditure are deferred and recognised in the year during which the expenses are incurred.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2009



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.

The carrying amount of plant and equipment is derecognised 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, the 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, the Seda estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The 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 recognised 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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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.

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 recognised as assets of the 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 capitalised in accordance with the 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 realisable value.

Net realisable 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

Transfers from government entities represent 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.

Transfers from government entities are recognised 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 represents net invoice value to customers. Contracted grants and donations received for specified programmes are recognised as external earnings as and when the related expenditure on these specified programmes are incurred.

Investment income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period of maturity.

1.8 Provisions

Provisions are recognised when the Seda has a present obligation as a result of a past event, and it is probable that the 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 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, all of which are available for use by the Seda.

1.10 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employee entitlements to wage and salaries represent the amount which the 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 contribution plans are charged against income as incurred. These funds are governed by the Pension Funds Act, 1956.

1.11 Financial instruments

Financial assets and financial liabilities are recognised at fair value on the Seda's statement of financial position when the 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.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2009



1.11 Financial instruments (continued)

Accounts receivable

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised 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 amortised cost, using the effective interest rate method.

Trade payables

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

1.12 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.

1.13 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. IAS 16 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.

1.14 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

In the process of applying the entity's accounting policies management has made the following judgements that have the most significant effect on the amounts recognised 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 vehicles are estimated on published second-hand vehicle values as well as trading history. The residual values of all other assets are estimated to be zero.

Trade and other receivables

The provision for bad debt was calculated on a specific identification basis.

Bonus provision

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

1.15 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government or organ of state and expenditure in the form of a grant that is not permitted in terms of the Public Finance Management Act (Act No 1 of 1999). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and, where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Irregular expenditure

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

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

1.17 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.

1.18 Offset

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

1.19 Related parties

The entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African Government. As a result of the constitutional independence of all three spheres of the government in South Africa, only parties within the national sphere of government and Council of Trade and Industry Institutions (COTII) will be considered to be related parties.

1.20 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, unless they relate to qualifying assets in which case they are capitalised as part of those assets.

1.21 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.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2009

	2009 R	2008 R
2. REVENUE		
Parliamentary grants	329,553,000	348,749,109
Grant adjustment from the dti	155,217,000	–
External earnings	61,745,671	28,466,003
Interest received	12,901,064	7,632,118
	559,416,735	384,847,230
<p>Included in external earnings is an amount of R14,1 million from provincial governments and R2,3 million from local and district governments.</p> <p>The baseline on which Seda's budget was calculated in Vote 32 was insufficient for its operations. A budget adjustment was requested and received, in the amount of R155,217 million, during the financial year.</p>		
3. SURPLUS/(DEFICIT) FOR THE YEAR		
Surplus/(deficit) for the year is arrived at after taking into account the following:		
Board members' emoluments		
– For services as members	3,431,486	2,291,431
Operating lease expense		
– Building	23,849,743	20,384,809
Technology transfers and quality improvement grants (included under programmes and projects)	19,418,856	–
Depreciation	9,602,254	9,471,321
– Equipment	774,701	757,865
– Office furniture	866,833	1,312,736
– Motor vehicle	1,834,524	1,946,002
– Computer equipment	2,843,426	2,517,336
– Leased computer equipment	1,029,794	1,221,956
– Leased improvements	1,285,167	747,618
– Leased office furniture	766,080	766,080
– Leased security equipment	201,729	201,728
Auditors' remuneration	2,594,314	2,448,881
– External auditors	1,546,350	1,254,292
– Internal auditors	1,047,964	1,194,589

	2009 R	2008 R
3. SURPLUS/(DEFICIT) FOR THE YEAR (continued)		
Finance cost	4,210,205	2,664,690
– Interest on finance lease obligation (liability at amortised cost)	1,900,128	2,022,970
– Other	2,310,077	641,720
Impairment of plant and equipment	–	495,700
Provision for bad debts	(334,629)	62,813
4. CASH AND CASH EQUIVALENTS		
Call account	102,162,149	1,137,725
Current account	104,090,087	81,326,127
Petty cash	197,561	221,546
	206,449,797	82,685,398
Refer to note 17.4 for detail on interest rates.		
Of the cash balance R40,930,311 (2008: R60,824,033) relates to grants received in advance which are to be utilised for specific projects.		
5. ACCOUNTS RECEIVABLE		
Grants receivable	–	26,834,150
VAT receivable	–	392,847
Payment in advance	1,609,821	1,350,099
Staff receivables	91,391	354,968
Deposits	750,555	556,482
Sundry receivables	2,178,800	16,490,034
Provision on sundry receivables	(196,807)	(669,534)
Relocation cost receivables	714,197	573,645
Provision on relocation cost receivables	(151,550)	(13,452)
	4,996,407	45,869,239
Movement for the year		
Provision for bad debts:		
Opening balance at 1 April	682,986	620,173
Net reversal to the statement of financial performance	(334,629)	62,813
Closing balance at 31 March	348,357	682,986
6. INVENTORIES		
Consumable stores	330,328	382,796

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2009



	Equipment R	Office furniture R
7. PLANT AND EQUIPMENT		
At 1 April 2008		
Cost	4,970,013	8,132,724
Accumulated depreciation and impairment	(2,226,235)	(2,739,840)
Opening carrying amount	2,743,778	5,392,884
Year ended 31 March 2009		
Opening carrying amount	2,743,778	5,392,884
Additions at cost	1,123,790	580,996
Depreciation for the year	(774,701)	(866,833)
Closing carrying amount	3,092,867	5,107,047
At 31 March 2009		
Cost	6,159,083	8,697,981
Accumulated depreciation and impairment	(3,066,216)	(3,590,934)
Carrying amount	3,092,867	5,107,047
Useful lives	6 – 7 years	6 – 7 years
<i>Note: Leased assets are encumbered by a finance lease, (refer to note 10).</i>		
At 1 April 2007		
Cost	4,078,723	5,018,954
Accumulated depreciation and impairment	(1,514,103)	(1,544,625)
Opening carrying amount	2,564,620	3,474,329
Year ended 31 March 2008		
Opening carrying amount	2,564,620	3,474,329
Additions at cost	871,280	3,203,798
Reclassification of assets at carrying amount	62,590	–
Depreciation for the year	(757,865)	(1,312,736)
Impairment	3,153	27,493
Closing carrying amount	2,743,778	5,392,884
At 31 March 2008		
Cost	4,970,013	8,132,724
Accumulated depreciation and impairment	(2,226,235)	(2,739,840)
Carrying amount	2,743,778	5,392,884
Useful lives	6 – 7 years	6 – 7 years

Motor vehicles R	Computer equipment R	Leased computer equipment R	Leasehold improvements R	Leased office furniture R	Leased security equipment R	Total R
10,206,876 (4,378,376)	13,822,748 (6,465,450)	5,015,930 (3,065,153)	3,351,299 (829,816)	5,107,200 (1,851,360)	1,344,856 (487,510)	51,951,646 (22,043,740)
5,828,500	7,357,298	1,950,777	2,521,483	3,255,840	857,346	29,907,906
5,828,500 877,836 (1,834,524)	7,357,298 4,373,225 (2,843,426)	1,950,777 0 (1,029,794)	2,521,483 467,738 (1,285,167)	3,255,840 0 (766,080)	857,346 0 (201,729)	29,907,906 7,423,585 (9,602,254)
4,871,812	8,887,097	920,983	1,704,054	2,489,760	655,617	27,729,237
10,596,246 (5,724,434)	18,026,783 (9,139,686)	5,015,930 (4,094,947)	3,819,038 (2,114,984)	5,107,200 (2,617,440)	1,344,856 (689,239)	58,767,117 (31,037,880)
4,871,812	8,887,097	920,983	1,704,054	2,489,760	655,617	27,729,237
4 – 6 years	3 – 5 years	4 – 7 years	6 – 7 years	6 – 7 years	6 – 7 years	
10,001,612 (2,306,293)	10,106,072 (4,298,893)	5,015,930 (1,843,197)	2,380,163 (152,583)	5,107,200 (1,085,280)	1,344,856 (285,782)	43,053,510 (13,030,756)
7,695,319	5,807,179	3,172,733	2,227,580	4,021,920	1,059,074	30,022,754
7,695,319 90,465 – (1,946,002) (11,282)	5,807,179 4,172,766 (62,590) (2,517,336) (42,721)	3,172,733 – – (1,221,956) –	2,227,580 1,513,864 – (747,618) (472,343)	4,021,920 – – (766,080) –	1,059,074 – – (201,728) –	30,022,754 9,852,173 – (9,471,321) (495,700)
5,828,500	7,357,298	1,950,777	2,521,483	3,255,840	857,346	29,907,906
10,206,876 (4,378,376)	13,822,748 (6,465,450)	5,015,930 (3,065,153)	3,351,299 (829,816)	5,107,200 (1,851,360)	1,344,856 (487,510)	51,951,646 (22,043,740)
5,828,500	7,357,298	1,950,777	2,521,483	3,255,840	857,346	29,907,906
4 – 6 years	3 – 5 years	4 – 7 years	6 – 7 years	6 – 7 years	6 – 7 years	

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2009



	2009 R	2008 R		
8. IMPAIRMENT OF PLANT AND EQUIPMENT				
The movable assets of Seda are depreciated over estimates of useful lives. Moveable assets have been impaired as a result of the legacy of the various entities merged into Seda.	–	495,700		
9. ACCOUNTS PAYABLE				
Trade payables	12,077,304	17,971,421		
Sundry payables and accrued expenses	39,562,937	18,255,182		
Leave pay accrual	7,572,808	7,540,920		
Grants received in advance	36,020,018	60,824,033		
	95,233,067	104,591,556		
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.				
10. FINANCE LEASE OBLIGATION				
The finance lease obligation consists of two lease contracts. The one finance lease obligation is capitalised at a fixed rate of 13% per annum payable in average monthly instalments of R21,196 over 48 months. The other finance lease is capitalised at a fixed rate of 16% per annum payable in average monthly instalments of R200,114 (escalating at 8% per annum) over 173 months (139 months remaining: 2008 – 151 months remaining). These agreements are secured against the assets, described as leased assets in note 7. The current portion of the long-term liability results in a receivable due to the increase of the liability over the short term.				
Total outstanding	12,072,649	11,968,197		
<i>Plus/(Less):</i> Current portion	95,869	(621,305)		
Long-term liability	12,168,518	11,346,892		
	Minimum lease payments	Finance cost	Present value	Present value
Due within one year	1,821,834	(1,917,703)	(95,869)	
Due between two and five years	8,034,354	(7,784,510)	249,844	
After five years	19,997,755	(8,079,081)	11,918,674	
	29,853,943	(17,781,294)	12,072,649	
Due within one year	1,782,978	(1,161,673)		621,305
Due between two and five years	7,610,133	(2,872,911)		4,737,222
After five years	22,235,409	(15,625,739)		6,609,670
	31,628,520	(19,660,323)		11,968,197

	2009 R	2008 R
11. PROVISIONS		
Provision for bonus	11,761,647	32,063
Provision for 13 th cheque	374,897	375,278
	12,136,544	407,341
Movement for the year		
Provision for bonus		
Opening balance at 1 April	32,063	10,054,825
Net (charge) to the statement of financial performance	11,729,584	(10,022,762)
Closing balance at 31 March	11,761,647	32,063
<p>The provision for bonuses, based on management's judgement, represents the obligation to pay bonuses to salaried employees, as a result of predetermined performance criteria having been met.</p> <p>Bonuses for 2007/08 were substantially paid before 31 March 2008 due to then being calculated as a 13th cheque in the absence of a performance management system. The performance system has now been implemented for the current year.</p>		
12. TAX PAYABLE		
<p>The balances have been written off during the current financial year after agreement with South African Revenue Service (SARS).</p> <p>South African Revenue Service (SARS):</p>		
– Tax payable	–	1,782,468
– Tax receivable	–	(40,856)
13. 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> <p>The future minimum lease payments under non-cancellable operating leases are as follows:</p>		
Up to one year	6,350,689	5,903,848
Between two and five years	30,906,267	28,731,673
Later than five years	76,812,431	85,821,012
	114,069,387	120,456,533

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2009



	2009 R	2008 R
14. CONTINGENT LIABILITIES		
There are contingent liabilities in respect of:		
Legal claims – CCMA	2,222,799	1,806,918
Legal claims – Suppliers	600,000	–
Accumulated surplus funds	108,121,127	–
	110,943,926	1,806,918
This contingent liability relates to pending legal claims.		
The accumulated surplus funds are disclosed as a contingent liability due to the National Treasury's approval for the retention thereof being awaited.		
a) COMMITMENTS		
<i>Current expenditure</i>		
Approved and contracted	66,356,308	12,062,312
Approved but not yet contracted	7,571,387	–
	73,927,695	12,062,312
<i>Capital expenditure</i>		
Approved and contracted	5,823,283	–
Approved but not yet contracted	2,994,420	–
	8,817,703	–
Total commitments	82,745,398	12,062,312
Due to the late receipt of an additional grant of R155.217 million, Seda entered into various contracts before the end of the year for delivery in the new financial year. These commitments will be funded from accumulated surplus funds.		

15. REMUNERATION FOR THE PERIOD

Board members: 1 April 2008 to 31 March 2009

No	Name	Director fees	Subsistence allowance	Travelling	Cellphone allowance	Re-imbursements	Salary	Other	Total
1.	H Lupuwana	–	–	–	–	–	603,351	–	603,351
2.	AN Damane	–	–	28,000	9,000	–	293,487	1,481,272	1,811,759
3.	LJ Mngomezulu	76,230	1,680	2,220	–	–	–	–	80,130
4.	D Mokhobo	37,976	5,900	2,460	–	–	–	–	46,336
5.	B Calvin	27,144	65	2,580	–	–	–	–	29,789
6.	N Dinie	57,062	1,170	4,560	–	660	–	–	63,452
7.	NHB Faull	48,739	975	3,660	–	–	–	–	53,374
8.	MJ Feinstein	86,912	1,170	4,692	–	–	–	–	92,774
9.	N Galeni	15,080	65	486	–	–	–	–	15,631
10.	P Lugayeni	37,080	585	1,620	–	–	–	–	39,285
11.	TMS Matang	69,831	8,985	39,162	–	–	–	–	117,978
12.	F Mayimele-Hashaste	21,112	195	2,850	–	–	–	–	24,157
13.	QN Mogotsi	44,194	715	2,460	–	–	–	–	47,369
14.	TB Nkambule	75,513	910	5,520	–	–	–	–	81,943
15.	D Thabaneng	27,144	65	3,300	–	–	–	–	30,509
16.	TP Diutlwileng	578	–	–	–	–	–	–	578
17.	A Mokgokong	1,734	–	–	–	–	–	–	1,734
18.	NP Gosa	704	–	–	–	–	–	–	704
		627,033	22,480	103,570	9,000	660	896,838	1,481,272	3,140,853

Board subcommittees' members: 1 April 2008 to 31 March 2009

No	Name	Consultant fees	Subsistence allowance	Travelling	Cellphone allowance	Re-imbursements	Salary	Other	Total
19.	J Motha	162,093	–	9,636	–	204	–	–	171,933
20.	RG Nicholls	113,241	–	5,459	–	–	–	–	118,700
		275,334	–	15,095	–	204	–	–	290,633
Total		902,367	22,480	118,665	9,000	864	896,838	1,481,272	3,431,486

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

Name of director	Date of exit
AN Damane	31 August 2008
TP Diutlwileng	30 April 2008
A Mokgokong	30 June 2008
NP Gosa	30 April 2008

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2009

15. REMUNERATION FOR THE PERIOD (continued)

Board members: 1 April 2007 to 31 March 2008

No	Name	Director fees	Subsistence allowance	Travelling	Cellphone allowance	Re-imbursments	Salary	Other	Total
1.	AN Damane	–	–	67,200	21,600	246,479	621,449	–	956,728
2.	NP Gosa	38,233	195	4,290	–	–	–	–	42,718
3.	N Dinie	52,810	780	121,708	–	492	–	–	175,790
4.	TP Diutwileng	78,884	1,495	83,496	–	–	–	–	163,875
5.	NHB Faulf	45,789	390	95,858	–	–	–	–	142,037
6.	MJ Feinstein	37,897	845	136,522	–	–	–	–	175,264
7.	J Kilani	2,938	–	300	–	–	–	–	3,238
8.	N Lila	6,935	–	330	–	–	–	–	7,265
9.	TMS Matang	57,098	1,365	115,156	–	1,501	–	–	175,120
10.	LJ Mngomezulu	33,766	–	5,011	–	451	–	–	39,228
11.	QN Mogotsi	33,504	650	40,754	–	52	–	–	74,960
12.	A Mokgokong	28,059	–	45,736	–	–	–	–	73,795
13.	TB Nkambule	61,768	975	73,020	–	–	–	–	135,763
14.	KM Duba	19,306	–	11,340	–	–	–	–	30,646
		496,987	6,695	800,721	21,600	248,975	621,449	–	2,196,427

An amount of R68,513 was paid to AN Damane as a performance bonus.

Board subcommittees' members: 1 April 2007 to 31 March 2008

No	Name	Consultant fees	Subsistence allowance	Travelling	Cellphone allowance	Re-imbursments	Salary	Other	Total
15.	RG Nicholls	19,066	65	33,191	–	–	–	–	52,322
16.	J Motha	40,966	–	1,716	–	–	–	–	42,682
		60,032	65	34,907	–	–	–	–	95,004
Total		557,019	6,760	835,628	21,600	248,975	621,449	–	2,291,431

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

Name of director	Date of exit
J Kilani	3 January 2007
N Lila	13 March 2007 (not a director, but former chairman of the audit committee)

	2009 R	2008 R
16. NOTES TO THE CASH FLOW STATEMENT		
a) Plant and equipment		
During the period under review Seda acquired assets with an aggregate cost by means of cash on hand, as per asset note 7 above.	7,423,585	9,852,173
b) Reconciliation of surplus/(deficit) for the year to net cash flows from/(used in) operating activities		
Net surplus/(deficit) for the year	77,196,956	(63,380,251)
Non-cash movements		
Escalation effect of finance lease	725,757	774,694
Depreciation	9,602,254	9,471,321
Impairment of plant and equipment	–	495,700
Loss on sale of plant and equipment	38,586	–
<i>Plus:</i> Interest earned refunded to the dti	1,554,904	–
Changes in working capital		
Increase/(decrease) in provisions	11,729,203	(9,647,484)
Increase/(decrease) in accounts payable	(9,358,489)	18,993,490
Decrease in tax payable	(1,782,467)	–
Decrease in tax receivable	40,856	7,855,088
Increase/(decrease) in inventories	52,468	(32,972)
Increase/(decrease) in accounts receivable	40,872,832	(35,601,136)
Smoothing effect of operating lease	2,729,919	3,542,889
Net cash flows from/(used in) operating activities	133,402,779	(67,528,661)
c) Receipts from external earnings		
Gross external earnings	61,745,671	28,466,003
Accounts receivable – current period	(4,996,407)	(45,869,239)
Accounts receivable – prior period	45,869,239	10,268,103
	102,618,503	(7,135,133)
d) Refund of unspent funds		
Interest earned refunded to the dti	1,554,904	–

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2009

17. FINANCIAL INSTRUMENTS

17.1 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.

17.2 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 analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and 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.

17.3 Market risk

The entity's 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.

17.4 Interest rate risk management

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

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

2009 Assets	Effective interest rate as at 31 March 2009	Less than six months R	More than six months R	Total R
Current cash balances	7.00%	104,090,087		104,090,087
Short-term call deposits	9.05%	102,162,149		102,162,149
		206,252,236		206,252,236
Liabilities				
Finance leases	13%, 16%		12,168,518	12,168,518

17. FINANCIAL INSTRUMENTS (continued)

2008 Assets	Effective interest rate as at 31 March 2009	Less than six months R	More than six months R	Total R
Current cash balances	8.50%	81,326,127		81,326,127
Short-term call deposits	10.25%	1,137,725		1,137,725
		82,463,852		82,463,852
Liabilities				
Finance leases	13%, 16%		11,346,892	11,346,892

17.5 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. The board members consider the price risk to be insignificant.

17.6 Credit risk management

Credit risk refers to the risk that a counterparty 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. Trade receivables are presented net of an allowance for doubtful receivables. Seda does not have any significant exposure to any other individual customer or counterparty.

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.

17.7 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.

17.8 Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The board members consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2009



	2009 R	2008 R
18. RELATED PARTIES		
Seda, as a Public Finance Management Act (PFMA) schedule 3A Public Entity, receives its core funding from Parliament via Vote 32 – Department of Trade and Industry, as disclosed in note 2.		
Further to the above, the entity entered into various other transactions with related parties in the ordinary course of business at arm's length.		
Balances at 1 April	–	–
Transactions		
South African Bureau of Standards (SABS)	108,129	–
Council of Scientific and Industrial Research (CSIR)	2,000,000	528,923
	2,108,129	528,923
<i>Less: Payments</i>	<i>(2,108,129)</i>	<i>(528,923)</i>
Balances at 31 March	–	–

19. REMUNERATION OF KEY MANAGEMENT

Payments made to Seda's executive managers for the year ended 31 March 2009

Name	Salary	Travel allowance	Cellphone allowance	Re-imbursments	Other	Total
M Hogendoorn	182,975	15,000	3,600	288	9,860	211,723
T Guvebu	382,304	92,166	10,229	5,865	1,424,214	1,914,778
C Wyeth	656,507	68,600	13,200	19,376	66,257	823,940
KD Motlhoioa	621,021	102,000	14,400	9,374	13,819	760,614
B Pitso	670,208	103,086	14,400	1,287	–	788,981
H Zondi	372,596	25,846	8,686	1,454	408,406	816,988
	2,885,611	406,698	64,515	37,644	1,922,556	5,317,024

M Hogendoorn joined 1 January 2009

T Guvebu resigned 15 December 2008

H Zondi resigned 7 November 2008

19. REMUNERATION OF KEY MANAGEMENT (continued)

Payments made to Seda's executive managers for the year ended 31 March 2008

Name	Salary	Travel allowance	Cellphone allowance	Re-imbursments	Other	Total
M Makhanya	96,751	–	2,400	–	85,200	184,351
S Rossie	416,632	155,000	14,400	–	192,876	778,908
T Guvebu	477,439	129,999	14,400	1,365	243,656	866,859
V Malunga	193,084	56,870	6,000	4,595	177,559	438,108
KD Motlhoia	505,753	102,000	14,400	5,890	284,799	912,842
B Pitso	349,747	–	7,200	1,060	81,618	439,625
H Zondi	294,067	–	7,200	1,515	77,715	380,497
	2,333,473	443,869	66,000	14,425	1,143,423	4,001,190

M Makhanya resigned 31 May 2007

V Malunga resigned 31 August 2007

S Rossie resigned 31 March 2008

B Pitso joined 1 October 2007

H Zondi joined 1 October 2007

Notes to the Annual Financial Statements (continued)

for the year ended 31 March 2009



	2009 R	2008 R
20. RETIREMENT BENEFITS AND MEDICAL AID		
The total amount paid towards retirement benefits for the period (521 employees for the current year) and medical aid for the period (379 employees for the current year) is as follows:		
Provident fund	13,519,475	12,641,435
Medical aid	7,471,245	6,424,090
	20,990,720	19,065,525
21. FRUITLESS AND WASTEFUL EXPENDITURE		
Settlement payment	16,748	–
SARS – interest paid	–	518,727
Staff relocation cost not recovered	35,456	151,550
Staff travel advances	13,264	–
Diners – interest	83,119	–
	148,587	670,277
22. IRREGULAR EXPENDITURE		
Irregular expenditure incurred in contravention of the Supply Chain Management Policy	–	3,627,290
23. TAX STATUS		
Seda is exempt from income tax in terms of section 10 (1)(cA) of the Income Tax Act, 1962. The taxation balance reflected in the comparative figures on the statement of financial position was as a result of outstanding balances inherited from the entities that were transferred on formation of Seda. These balances were written off in the current financial year.		
Seda is exempted from VAT registration.		

Abbreviations and Acronyms



AsgiSA	Accelerated and Shared Growth Initiation in South Africa	GEM	Global Entrepreneurship Monitor
BA	Business Advisor	GRI	Global Reporting Initiative
BDSP	Business Development Service Provider	IBSA	India, Brazil and South Africa
BWO	Black, Woman-Owned	ICT	Information, Communication and Technology
CACB	Confederation of Business Chambers Brazil	IDC	Industrial Development Corporation
CCMA	Commission for Conciliation, Mediation and Arbitration	IDC	Industrial Development Corporation
CD	Compact Disc	IDP	Individual Development Plan
CFO	Chief Financial Officer	IO	Information Officer
CIPRO	Companies and Intellectual Properties Registration Office	IR	Industrial Relations
CIS	Cooperatives Incentives Scheme	ITM	International Trade Market
COTII	Council of Trade and Industry Institutions	KZN	KwaZulu-Natal
CRM	Customer Relationship Management	LED	Local Economic Development
CSIR	Council for Scientific and Industrial Research	LIBSA	Limpopo Business Support Agency
DoA	Department of Agriculture	M&E	Monitoring and Evaluation
DPLG	Department of Provincial and Local Government	MEDA	Mpumalanga Economic Development Agency
the dti	Department of Trade and Industry	MOU	Memorandum of Understanding
EAP	Employee Assistance Programme	MQA	Mining Qualification Authority
EC	Eastern Cape	MTEF	Medium Term Expenditure Framework
ECM	Enterprise Content Management System	NAAAASP	National African Association of Automotive Service Providers
EIC	Enterprise Information Centre	NAFCOC	National African Federation of Chamber of Commerce
ERP	Enterprise Resource Planning	NAMAC	National Manufacturing Advisory Centre
EWP	Employee Wellness Programme	NC	Northern Cape
Exco	Executive Committee	NDA	National Development Agency
FDC	Free State Development Corporation	NEF	National Empowerment Fund
FET	Further Education and Training	NPI	National Productivity Institute
FNB	First National Bank	NSIC	National Small Industry Council, India
FoodBev	Food Beverages Sector	PAA	Public Audit Act
FOSAD	Forum of South African Director Generals	PFMA	Public Finance Management Act
FS	Free State	PMDS	Performance Management Delivery System
GAAP	Generally Accepted Accounting Practice	PSJ	Port St. Johns Development Agency
GRAP	Generally Recognised Accounting Practice		

Abbreviations and Acronyms (continued)



SABS	South African Bureau of Standards
SAMAF	The South African Micro Finance Apex Fund
SAQA	South African Quality Agency
SAWEN	South African Women Entrepreneur Network
SBC	Small Business Corporation, South Korea
SCOPA	Standing Committee on Public Accounts
SEBRAE	Small Enterprise Agency Brazil
SEDA	Small Enterprise Development Agency
Seta	Sectorial Training Authority
SIRA	Security Industry Regulatory Authority
SMME	Small Medium and Micro Enterprise
STP	Seda Technology Programme
TIPA	Technology Innovation for Poverty Alleviation
TUT	Tshwane University of Technology
UNCTAD	United Nations Council on Trade Development
UNDP	United Nations Development Programme
UNIZO	Union of Independent Business, Belgium
WC	Western Cape
WRSeta	Wholesale and Retailing Sectorial Training Authority
WTPF	World Trade Point Federation