

annual report 2009•2010

samaf

south african micro-finance apex fund
an initiative of **the dti**





mandate

To contribute to Government's poverty reduction goals by acting as a catalyst for the development of an effective micro-finance sector by:

- Providing support for the establishment of sustainable micro-finance institutions that can reach deeper and broader to the enterprising poor;
- Facilitating the establishment of an enabling environment for effective financial intermediation and creation of working markets for the enterprising poor; and
- Building a strong, effective and efficient Apex Fund.

vision

samaf envisions a country in which a network of sustainable micro-finance institutions broadens and deepens access to affordable financial services for the enterprising poor through:

- Active and robust participation of the enterprising poor in economic activities which bear fruit;
- The reduction of financial troughs for a better livelihood;
- The adoption of best practice models in micro-finance;
- Competent employees;
- The utilisation of systems in the delivery of services; and
- A financially sustainable **samaf**.

mission

To provide developmental financial and non-financial services to Financial Intermediaries through:

- Effective mobilisation and wholesaling of capital for micro-finance institutions with proven potential;
- The development of human capital in the economic environment through capacity building and institutional development;
- Contributing to policy development with respect to micro-finance to inform and support **samaf** staff, its partners and stakeholders; and
- The development of valuable partnerships between business, Government and the community.

key strategic goals

- Increase access to finance;
- Increase capacity and sustainability of finance institutions;
- Increase micro-finance networks and partnerships;
- Participate in policy making and create a micro-finance centre; and
- Build a strong and capable Apex fund and incorporated legal fund.

values

samaf's guiding principles for decisions and activities are:

Integrity – Dealing with stakeholders in a honest and ethical manner.

Transparency – Ensuring compliance with best practice on the dissemination and sharing of information with all stakeholders and consulting with them to ensure comprehensiveness and buy-in of **samaf** employees.

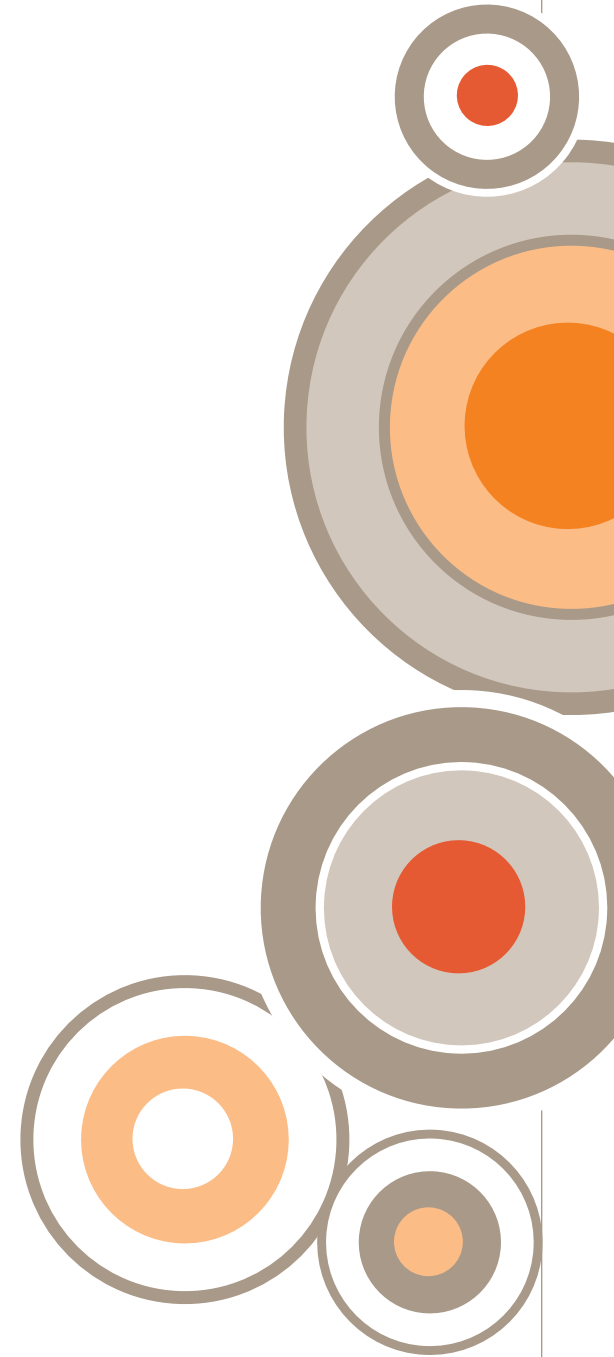
Professionalism – Adherence to specific defined norms and standards of workmanship, respect and communication.

Accountability – Taking responsibility for decisions and actions including allocation of powers and duties.

High performance – Excellent performance and satisfied customers guarantee the long-term sustainability of **samaf**.

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“**samaf** is ideally placed, given its mandate, to support Government’s focus on the creation of decent and sustainable livelihoods and intensified rural development.”

deputy minister's foreword

The year 2009/2010 was a transitional period for our Government as a whole, with new Ministries being added to the Executive. This had an impact on the South African Micro-finance Apex Fund (**samaf**) which has been earmarked to move from the Department of Trade and Industry (**the dti**) to the Ministry of Economic Development. This is therefore the last time that I will be presenting this foreword on behalf of **the dti**.

The new administration identified five key priorities that Government will focus most of its work on and direct most of its resources to. Amongst these is the creation of decent and sustainable livelihoods and intensified rural development. **samaf** is ideally placed, given its mandate, to realise these goals. The fact that the work of **samaf** is directed entirely at the rural and semi-urban areas says much for Government's commitment to alleviating poverty and improving livelihoods.

Access to affordable finance is often mentioned as a major stumbling block by prospective entrepreneurs as well as by those who want to grow their businesses. This issue becomes more serious the further an area is from cities and towns. We therefore have to be in constant dialogue with our communities, not only to inform but also to listen.

During this period I have interacted with **samaf** beneficiaries and all the provincial offices. This was an eye opener in terms of the real need for a solid developmental Micro Finance Institution, which will become an intervention vehicle in the second sphere of our economy. Since its inception, **samaf** has disbursed R76,1 million (loans and grants) to 51 Financial Intermediaries, thus benefiting 160 611 beneficiaries. A substantial number of these people are based in rural areas.

I would like to thank the **samaf** team, its executives and the former Chief Executive Officer, Mr Sithembele Mase, who is now with the Eastern Cape Provincial Economic Development Agency, for their sterling and outstanding work in improving the life of our people. In handing over this entity, I wish my colleagues, Minister Ebrahim Patel, and the Deputy Minister, Gwen Mahlangu Nkambinde, as well as the entire Economic Development Department, led by Professor Levin, all the success.



The Honourable Bongki Maria Ntuli MP

Deputy Minister of Trade and Industry



“The **samaf** intervention is unprecedented – there are very few local models to follow – yet the entity continues to grow to date and has hitherto disbursed a total amount of R76.1m.”

chief executive officer's report

Mandate and Highlights for the Year

As a trading entity, **samaf** has successfully piloted its apex developmental micro-finance model utilising community based Financial Intermediaries (FIs) (Financial Services Co-operatives and Micro-finance Institutions) to extend financial services, to build capacity and to encourage mobilisation of savings by the enterprising and working poor communities thus contributing to reduction of poverty and unemployment.

Invaluable lessons have been learnt during the first three years of this pioneering work. It must be emphasised that the **samaf** intervention is unprecedented. There are very few local models, if any, to follow. Despite not having a local benchmarking model, the entity has built a network of 51 FIs, directly benefiting 35 844 very small survivalist entrepreneurs with total loans of R49.8m. **samaf** has spent R26.3m in grant support to build the capacity of the FIs which extend services to poor communities through their lending and savings mobilisation programmes. An infrastructure network has been established through **samaf's** nine (9) provincial offices. This strategy has helped to increase outreach and service delivery into the deep rural and peri-urban communities of South Africa. **samaf** employs 61 people, of whom 34 are deployed in provinces.

It is important to note that the entity has improved its disbursements from R12.5m during the previous financial year to R19.4m. **samaf** addresses various critical areas to improve service delivery. A special project was undertaken to evaluate the work of the entity for further reform and possible institutionalisation into a corporate entity. Key areas of focus, amongst others, were:

1. Building human capital and skills for the South African economy

In October 2009 **samaf** implemented a programme for organisational change and development. The programme started with a strategic conversation with all sixty-one (61) employees. Through an open and robust interactive process the employees worked together in identifying key areas which required attention in order for **samaf** to build a solid foundation and vision for the future. The project is called **samaf** BOKAMOSO (**samaf** of Tomorrow). Through this project a new competency model was developed, new areas for staff development were identified and performance management systems were implemented with change agents being identified to drive the **samaf** business.

2. samaf evaluation project

After three years of piloting and testing the **samaf** model, a decision was made by the Advisory Board after consulting with the Accounting Officer, to conduct an evaluation. An independent service provider was duly appointed to conduct this evaluation and recommend improvements and further reform. Their report was issued on 31 March 2010 and has been submitted to the new Accounting Officer for further consideration.

3. Internal audits and risk management

For the year under consideration the internal audit function was outsourced to Gobodo Forensic Investigation Accountants (GFIA) which conducted various audits as per the approved Internal Audit Plan.

Ramathe Inc., a risk management company, was appointed to assist in producing a risk management framework and producing reports for the Audit Committee on a quarterly basis.

4. Improvements in governance committee structures

Two additional independent Audit Committee members were appointed during the last quarter of the year. The Audit Committee is chaired by an independent member with extensive audit and accounting experience in both the public and private sector. An Advisory Board was also established with independent members from various fields.

The Advisory Board is chaired by an independent member with extensive experience in development finance and policy expertise on small business entrepreneurship. The committees have adequately executed their mandates during the year.

Acknowledgements

I wish to thank the Audit Committee through its Chairperson, Mr Anthony Coombe, for the robust yet constructive oversight role they have played in **samaf**.

The Advisory Board and its chairperson, Ms Mandisa Manjezi, have provided the organisation with outstanding and invaluable insights, support and advice, as the organisation has navigated through complicated policy issues.

chief executive officer's report (continued)

The improvement in disbursements and service delivery is due to the sterling work of **samaf** staff and senior management in the areas where it matters most, the provinces.

The support we received from the Department of Trade and Industry (**the dti**) has been extremely valuable.

Minister of **the dti**, Dr Rob Davies has provided me with the courage and space to explore new possibilities for further reform.

Deputy Minister, Ms Bongzi Ntuli's great passion for development and service delivery has kept me hopeful that **samaf** has continued to make an invaluable contribution in society.

Lastly, I want to thank the **samaf** Executive, Senior Management and staff for their sterling support and commitment in the work of **samaf**.



Sitembele Mase

Chief Executive Officer: **samaf**



samaf funded institution

Bittersweet Trade & Investment 16 (Pty) Ltd

Bittersweet Trade & Investment 16 (Pty) Ltd is a **samaf** funded Financial Institution, based in the Eastern Cape. The Acting CEO, Mrs Vuyiswakhe, explained that their company was started in 2009 after the strategic directives given by former President, Mr Nelson Mandela. The President challenged people to do something to alleviate poverty and contribute to the economic growth in the country. As one of the provinces that has the highest level of poverty in the country, they saw the need to heed this call. When starting the company, they did not have any systems in place. They started from scratch, recruited staff and put all the financial systems in place.

From there on, the community got together and decided to form a Proprietary Limited to support its people and alleviate poverty. Their clientele is comprised of micro/survivalist entrepreneurs, who rely on the Developmental Financial Institution for the development of their enterprises. **samaf** funded Bittersweet with R1.5m for both on-lending and capacity building and the money has benefited the Mdantsane and neighbouring communities. Within its short space of time in operation, Bittersweet MFI bought office equipment, software, employed seven (7) staff members on a full time basis and provided training to their staff. Through the **samaf** funding, it was able to reach out to 213 clients within its first three month period.

samaf beneficiary



samaf beneficiaries attending an outreach event in Limpopo.

corporate governance report

There has been steady progress in the refinement and improvement of corporate governance at **samaf**, particularly with respect to the operations of the following key governance structures:

Advisory Board

The Advisory Board was established in October 2007 and provides oversight and strategic direction to the organisation. It comprises eleven members, who were appointed based on their ability to contribute the appropriate skills and time required to assist in the operation and future development of **samaf**. The Board met four times during the year under review and is chaired by Ms Mandisa Manjezi, an official from the Department of Public Administration Leadership and Management Academy.

samaf has established the following Committees:

Audit Committee

The Audit Committee, which comprises two external independent members, was formalised in June 2007. The Committee provides oversight by considering and determining relevant actions in respect of the control issues raised by management, the internal and external auditors. The Committee is chaired by Mr Anthony Coombe, who has vast experience in private and public sector finance and auditing. The appointment of the members was approved by the Accounting Officer and complies with the provisions of section 76 and 77 of the PFMA. The committee met three times during the year under review.

Risk Management Committee

A Risk Management Committee was established in February 2008 and was chaired by the Chief Executive Officer of **samaf**. Two meetings were held to assess and develop action plans pertaining to risk management. A risk awareness programme was implemented throughout **samaf** and a risk tracking register has been implemented to monitor operational and strategic risks. **samaf** has embarked on a process of developing a fraud prevention plan to further enhance its ability to detect and prevent fraud.

Rules, Registration, Supervision and Stabilisation (RRSS) Committee

samaf was granted powers in terms of the Exemption Notice 887 dated 22 August 2008 to regulate and supervise registration of community-based deposit-taking institutions, not defined as banks in terms of the Banks Act. As

such, the Rules, Registration, Supervision, and Stabilisation Committee was formed to implement registration and regulation, and set prudent standards for deposit-taking community-based institutions. The Committee is chaired by Mr Litha Myataza. The Committee comprises representatives from **samaf**, CIPRO, the South African Reserve Bank, and the Co-operative Banks Development Agency. The Committee convened 10 times during the year under review.

Internal Audit Function

The Internal Audit function was outsourced to and conducted by GFIA during the year under review. The role of Gobodo Forensic Investigative Accounting (Pty) Ltd was constantly monitored by the Audit Committee through direct engagements and reports submitted for review in Audit Committee meetings.

Credit Committee

The Credit Committee was established in December 2006 to evaluate and approve funding proposals up to R15 million. It is under the chairmanship of Ms Barbara Calvin, who has extensive experience in the private and public sectors. The financial delegations and appointment of the Credit Committee was approved by the Accounting Officer. The committee met four times during the year. The delegations were approved in terms of section 44 of the PFMA. Additional members of the committee are from the National Treasury and **the dti** co-operatives unit.

Tender/Bidding Committee

In June 2007 **samaf** established a fully functioning Tender/Bidding Committee under the Chairmanship of the **samaf** Chief Financial Officer. The committee adjudicates and approves tenders ranging from R500 000 to R2m. The appointment and financial delegations of the Tender/Bidding Committee were in accordance with the requirements of section 38 (1) (a) (iii) of the PFMA. The committee met on one occasion during the year under review.

Executive Committee (EXCO) and Extended EXCO

samaf established an Executive Committee comprising the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer and HR Executive in April 2007 to direct the corporate strategy and approve disbursements to qualified FIs. The committee met six times during the year under review. In addition extended executive meetings are held with executive and senior managers, to direct the operational strategy. The extended EXCO met three times during the year.

Legal and Corporate Secretariat

The Secretariat ensures success in a highly regulated environment and builds a culture that reinforces compliance with appropriate legislation, regulations and guidelines. It provides support to **samaf**'s committees and the Board and ensures compliance with corporate governance principles within **samaf**. All committee members have access to the advice and services of the **samaf** secretariat.

Members	Advisory Board		Audit Committee		Credit Committee		Risk Management Committee		RRSS Committee		EXCO		Bidding Committee	
Number of meetings	4		3		4		2		10		6		1	
Ms M Marjezi	C	4												
Mr S Mase (CEO)	M	4	M	3	M	4	M	2			C	6		
Mr N Ngewu (HRE)	A	3	A	3	M	3	M	2			M	6	M	1
Ms T Njozela (CFO)	A	4	A	3	M	2	M	2			M	6	C	1
Mr B Dzulane (COO)	A	2	A		RC	4						4		
Mr MA Menye	A	3	A	3	M	3			RC	9	M	6	M	1
Ms B Calvin	M	2			C	3								
Mr J Ndumo	M	1												
Ms A Thela	M	1												
Ms M Lamola	M	*												
Mr K Mfabana	M	*												
Mr R Mutshekwane	M	*												
Mr A Lukhele	M	*												
Mr S Faku	M	*												
Ms C Syamah					M	1								
Mr T Nemahagala			A	1	M	2							M	1
Mr A Coombe			C	3										
Mr D Braithwaite			M	3										
Mr K Naidoo			M	1										
Mr NJ Gumbo									M	10				
Mr LS Myataza									C	6				
Mr NT Gape									M	1				
Mr M Kuhlengisa									M	3				
Ms P Tshoane									M	1				
Mr M Moeti									M	1				
Ms E Gruindelingh									M	1				
Mr G Schutte									M	6				
Ms E Pinkham									M	6				
Mr D De Jong									M	9				
Mr S Singh													M	1
Ms A van Niekerk													M	1

C - Chairperson M - Member R - Resigned RC - Resigned Chairperson now a member A - Attendees

* Advisory Board members were appointed in January 2010 but had no meetings during the year under review.

** Audit Committee members were appointed in March 2010 but had no meetings during the year under review.

samaf beneficiary

Mandate

The mandate of samaf is to:

Contribute to government's poverty reduction strategy by acting as a catalyst for the development of micro - finance institutions through:

- Support the establishment of sustainable micro-finance institutions broader to

... of an effective creation surprising

... e and

samaf beneficiary from Limpopo, running his small business selling traditional medicine.

samaf beneficiary



samaf beneficiary from Pretoria, selling food from home.

human resources report

Background

Human Capital's response to **samaf's** purpose is to ensure that there is institutional capacity internally and within its FIs that are supported by **samaf**.

samaf Human Capital commenced the year with a clear strategy to shape the organisational culture into a performance-driven environment and to build capability to deliver on the **samaf** business model. In line with this purpose Project Bokamoso was established.

Context of the Project Bokamoso

samaf adopted the following solutions to address these challenges:

- **Alignment of the samaf organisation** with the strategic intent to review the **samaf** organisation, specifically in light of the strategy structure fit. Recommendations will be made which outline in detail the steps that need to be taken to achieve the strategic aims of the organisation;
- **Development of an HR plan** to support and achieve the goals of the organisation through a consultative process with **samaf** leaders and the HR team;
- **Employee engagement** to design and implement a **mobilisation plan** to execute the mandate and goals of the organisation and to ensure the effectiveness of the balanced business scorecard;
- **A review of the organisation's capability** to sustain the strategic challenges including an **assessment of the internal and external talent against benchmarks**; and
- The design and implementation of an approach to **learning and development** which builds the required capability and mindset.

In this context, the Bokamoso Project was structured to address these challenges through five work streams, namely:



The following competencies were identified as critical for achieving **samaf's** mandate:

Developmental:

- Identifying market opportunities that will assist **samaf's** goals of disbursing funds to the end user through FIs; and
- Building capacity for FIs in order to sustain themselves and achieve **samaf's** mandate of alleviating poverty.

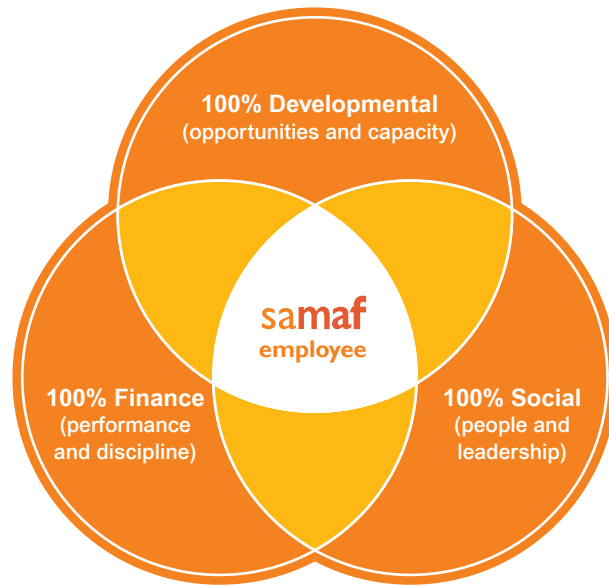
Financial:

- To ensure that the culture of performance is driven within **samaf** and that the relevant financial skills are available to support performance measures; and
- To create a culture of discipline within **samaf**.

human resources report (continued)

Social:

- Aligning people capabilities to achieve the strategic objectives; and
- To create a leadership quality that will support the execution of **samaf's** mandate.



Disciplinary Hearings

One Senior Management staff was subject to a disciplinary hearing.

Administration

After the resignation of the COO a long search was conducted to find a suitable candidate for the position with relevant experience in micro-finance. Mr Buhle Dlulane was appointed to the position and assumed duty on 7 January 2010.

The turn-over rate for the year ended 31 March 2010 was 1.3%.

SA Micro-finance APEX Fund		Oct 09	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10
African	Female	33	33	33	33	32	32
	Male	20	20	20	20	20	19
Asian	Female	1	1	1	1	1	1
Coloured	Female	3	3	3	3	3	3
	Male	2	2	2	2	2	2
White	Female	3	3	3	3	3	3
	Male	1	1	1	1	1	1
Total		63	63	63	63	62	61

Training and Development

One Senior Manager and eight Outreach Coordinators were identified to go on a Micro-finance Certificate Course at the University of Pretoria.

Leadership and Climate Survey

samaf initiated the **samaf** leadership and climate survey, to assess the **samaf** climate. This survey will be undertaken biannually. The results of the survey played an integral role in the future planning of **samaf**. The satisfaction survey results were 90%.



samaf beneficiary

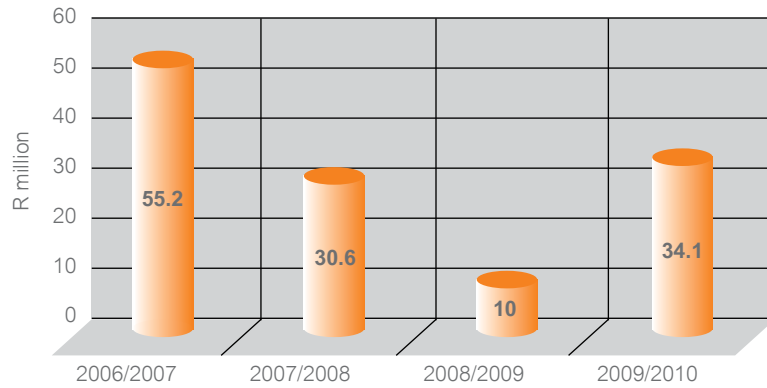
Bittersweet Trade & Investment 16 (Pty) Ltd beneficiary

Mrs Zamani lives in Mdantsane in the Eastern Cape Province. She and her husband are not employed, but are the proud owners of a small business which specialises in selling milk and vegetables to the communities around Mdantsane. While busy selling the milk and distributing the orders to their clients, her husband saw an open site and thought about using it to grow vegetables to sell to the community. Their challenge was to raise funding, as they were already struggling to meet the demands of their clients since their milk sales were not giving them the profit they expected. Their concern was resolved after Mrs Feziwe Ntsau approached them to talk about Bittersweet. Bittersweet Trade & Investment 16 (Pty) Ltd is one of the Developmental Finance Institutions funded by samaf in the Eastern Cape Province. The micro-financial intermediary is situated in the Amatole District Municipality at Mdantsane Township in East London.

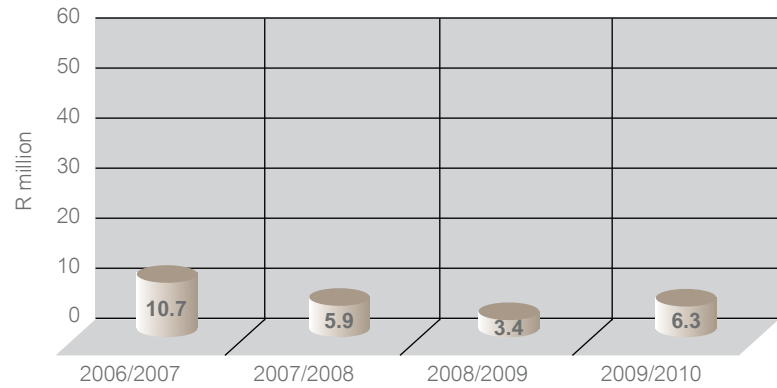
Mrs Zamani received her first loan of R1 000. She used it to buy more stock from the farm and managed to repay her first loan in six months, including interest. The loan also enabled them to purchase seeds to plant in the vegetable garden. They proceeded to the second loan of R5 000 and have now received a third loan of R7 000. Due to increasing demand, Mrs Zamani explained that they intend to buy a mini truck which will enable them to deliver the milk and vegetables to their clients. Mrs Feziwe Ntsau, the loan officer at Bittersweet, has confirmed that Mrs Zamani is on her third loan and that she is an excellent client who has never defaulted on her payments. Mrs Zamani indicated that they have been working very well with Bittersweet Trade & Investment 16 (Pty) Ltd and thanked them for the assistance she has received thus far.

performance highlights

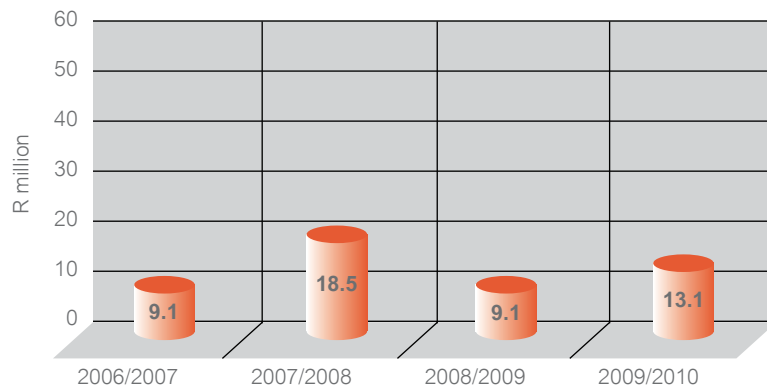
Approved Funds (Annually)



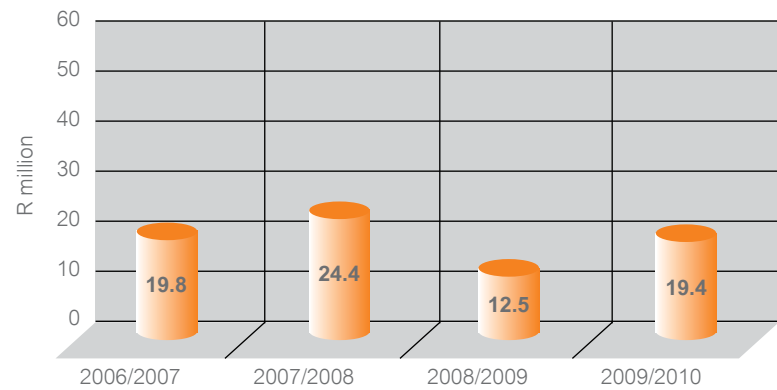
Capacity Building Disbursements (2006-2010)



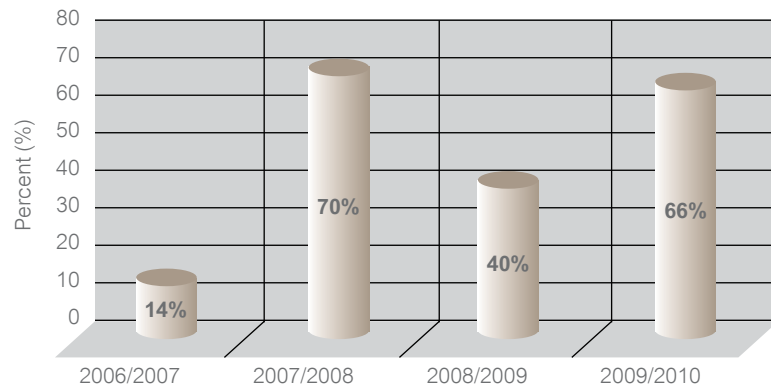
Loan Disbursements



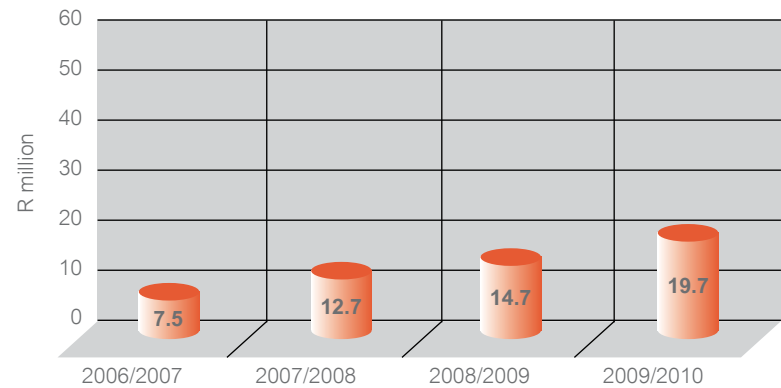
Total Disbursements



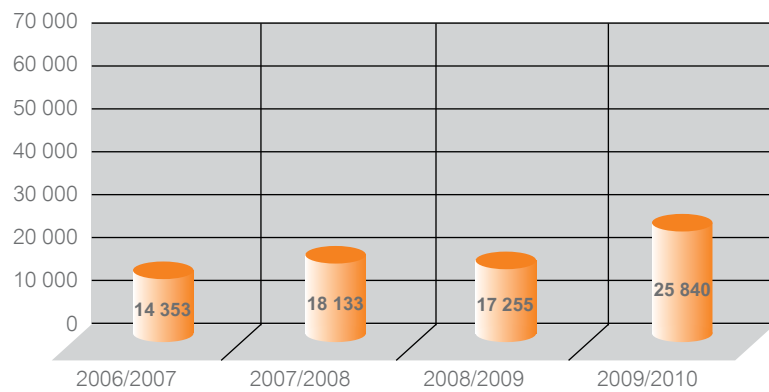
Loan Repayment Rate (FI to samaf)



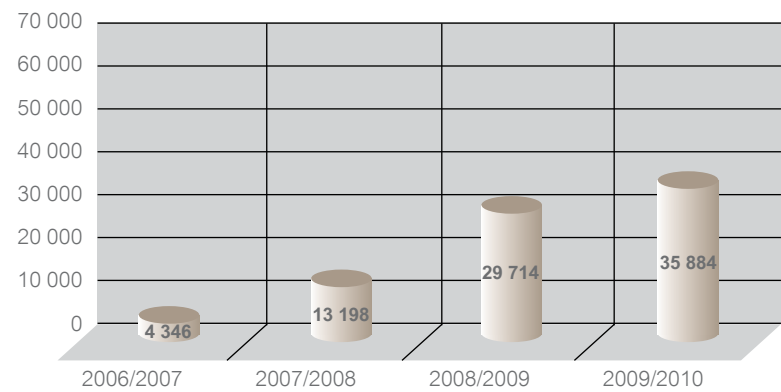
Cumulative Net Loan Book



No. of Savers: 2006-2010 (At beneficiary level)



No. of End-users/Borrowers: 2006-2010 (Annually)



samaf beneficiary



Member of the public at an informal snack and phone kiosk.

performance information

for the year ended 31 March 2010

Perspective	Strategic thrusts	Key performance area	Performance measure	Since inception to March 2009	Target 2009/2010	Actual	Cumulative March 2010	Reasons for non-achievement	
Development Impact	Contribute to poverty alleviation goals	Profile of end-user	Number of MFIs supported	16	8	11	27	Achieved	
			Number of FSCs supported	20	10	4	24	Not achieved. FSCs do not need the required standards first time	
			Total number of end-users	29 714	3 120	6 170	35 884	Achieved	
			Household impact (family size of 5)	148 570	15 600	30 850	179 420	Achieved	
			End-user women profile	65%	67%	86%	86%	Achieved	
			End-user rural profile	49%	50%	75%	75%	All provinces are largely rural except Gauteng and Western Cape	
			End-user semi-urban profile	51%	50%	25%	25%	All provinces are largely rural except Gauteng and Western Cape	
			End-user service loans:						
			Enterprise	30%	40%	75%	75%	Achieved. Main focus is on enterprise finance in-line with mandate hence higher percentage	
			Housing	30%	25%	15%	15%		
			Education	40%	35%	10%	10%		
			FI loan repayment (by end-user to FIs)	FI loan repayment rate	39%	50%	92%	92%	Achieved. Due to 4 big MFIs with over 90%
			End-user savings	Number of active savers (end-user to FI)	17 255	2 345	8 585	25 840	Achieved
				Total savings book	R15.1m	R3.9m	R3.4m	R18.5m	Not achieved. The economic meltdown reduced the savers
End-user satisfaction	End-user satisfaction index (interventions)	0	50%	50%	50%	Achieved			

performance information (continued)

Perspective	Strategic thrusts	Key performance area	Performance measure	Since inception to March 2009	Target 2009/2010	Actual	Cumulative March 2010	Reasons for non-achievement	
Customer and other Stakeholders	Exceed our stakeholder expectations	CRM	Stakeholder satisfaction index	0	60%	60%	60%	Achieved	
			Customer retention (valued customers) after service delivery relationship	0	10%	60%	60%	Major clients satisfied but need to develop reporting system	
			Client complaints	60%	60%	60%	60%	All complaints and enquiries are handled	
		samaf product consumption	Profile of services consumed per FI:						
			Loans	61%	40%	68%	68%	Achieved	
			Grants/Capacity building	39%	50%	31%	31%	FIs did not meet requirements in line with PFMA and samaf standards	
			Savings mobilisation/RRSS	0	10%	1%	1%	See above	
			Loans disbursed	R36.7m	R20m	R13.1m	R49.8m	Met 68% of target, FIs non-compliant with samaf prudential standards and PFMA	
			Grants disbursed	R20m	R10m	R6.3m	R26.3m	Met 63% FIs not complying	
			Savings formalisation/RRSS	0	0	0	R50k	1% of R19.4m disbursed. There were no savings formalisation due to FIs not complying with the RRSS requirements	
		FI sustainability	% Improvement of FIs from baseline	0	20%	5%	5%	Target removed on the revised budget	
		samaf brand	Stakeholder brand awareness	0	50%	40%	40%	25 of the 50 are aware of the samaf brand. This is due to round table discussions representing the sector as well as MTTT	

Perspective	Strategic thrusts	Key performance area	Performance measure	Since inception to March 2009	Target 2009/2010	Actual	Cumulative March 2010	Reasons for non-achievement
Customer and other Stakeholders (continued)	Exceed stakeholder expectations (continued)	FI Capacity building effect	FI improvement in service delivery quality	20%	50%	40%	40%	20 of the 50 FIs assisted with financial statements, systems and governance to comply for draw downs to comply with PFMA
			Number of accredited FSCs	0	60%	82%	82%	27 FSCs of the 33 deposit-taking FSCs have been registered due to effectiveness of RRSS
Internal Business Process	Improvement of processes to achieve service delivery excellence	Service delivery efficiency	Cost per Rand disbursed	None	Develop tool	None	None	Financial system to report accurately delayed due to Treasury regulations
			% Services delivered within agreed turnaround times	0	60%	30%	30%	FIs not meeting standards which delays disbursements
		Review and improve credit policy	Policy review	100%	100%	100%	100%	Done
			Completion and implementation	0	100%	40%	40%	Credit committee established with clear TOR and is strictly adhered to
			Fully embedded	0	60%	100%	100%	Fully embedded
		Implement due diligence	Portfolio at risk over 180 days	55%	40%	100%	100%	Fully embedded
		Structure strategy fit	Approval of revised organisational structure	Current	Approved	Proposal	Proposal	Awaiting DG and Ministerial approval under new ministry
		Improve quality of capacity building interventions	Financial systems and controls	20%	60%	55%	55%	Partial compliance due to new systems installed during the financial year
			FI risk management (qualitative and quantitative)	24%	60%	80%	80%	Pre and post due diligence and provincial M&E implemented to identify risks
			Loan monitoring and technical support	40%	60%	60%	60%	Fully embedded, but institutional capacity still poses challenges

performance information (continued)

Perspective	Strategic thrusts	Key performance area	Performance measure	Since inception to March 2009	Target 2009/2010	Actual	Cumulative March 2010	Reasons for non-achievement
Learning and growth	Leverage performance through capability and people	Employee competence	% Achievement of work skills plan	0	100%	100%	100%	Achieved
			% Age achievement of succession plan	0	100%	100% Policy preparation	100% Policy preparation	Succession framework in place, but the size, age and new competencies developed takes the company 2 years to have successors in some critical positions
		Organisation culture	Employee satisfaction rating index	0	20%	70%	70%	Development of new culture and work discipline is being hampered by a series of fraud line complaints, investigations and disciplinary hearings based on poor performance and weak governance
			% Units complying to all performance management system	60%	100%	61%	61%	94% contracted on time, 61% half year reviews done on time, while managing poor performance still remains a challenge
Financial Perspective	Build a sustainable Apex Fund	Financial performance	Budget variance	35%	20%	37%	37%	FIs failure to meet PFMA requirements
			Total operating cost to total budget ratio (current 60%)	79%	100%	94%	94%	Not achieved. FIs did not comply with samaf standards
			Cost to income ratio	79%	58%	54%	54%	Achieved
		Corporate risk	Portfolio at risk (PAR) (lending risk)	55%	40%	31%	31%	PAR improved due to implementation of robust debt collection systems, impairment processes and litigation of defaulting FIs
			% Write off	17%	50%	17%	17%	Loan loss write-off remained the same in line with samaf risk appetite

Perspective	Strategic thrusts	Key performance area	Performance measure	Since inception to March 2009	Target 2009/2010	Actual	Cumulative March 2010	Reasons for non-achievement
Financial Perspective	Build a sustainable Apex Fund	Corporate governance	% Attendance of planned advisory board meetings	33%	100%	25%	25%	Not achieved. The Board did not have a quorum and minutes were sent to DG for ratification.
			Corporate audit qualification	Technical qualification	Technical qualification	Accounting qualification	Accounting qualification	Details of qualifications set out in the AG's report

samaf beneficiary



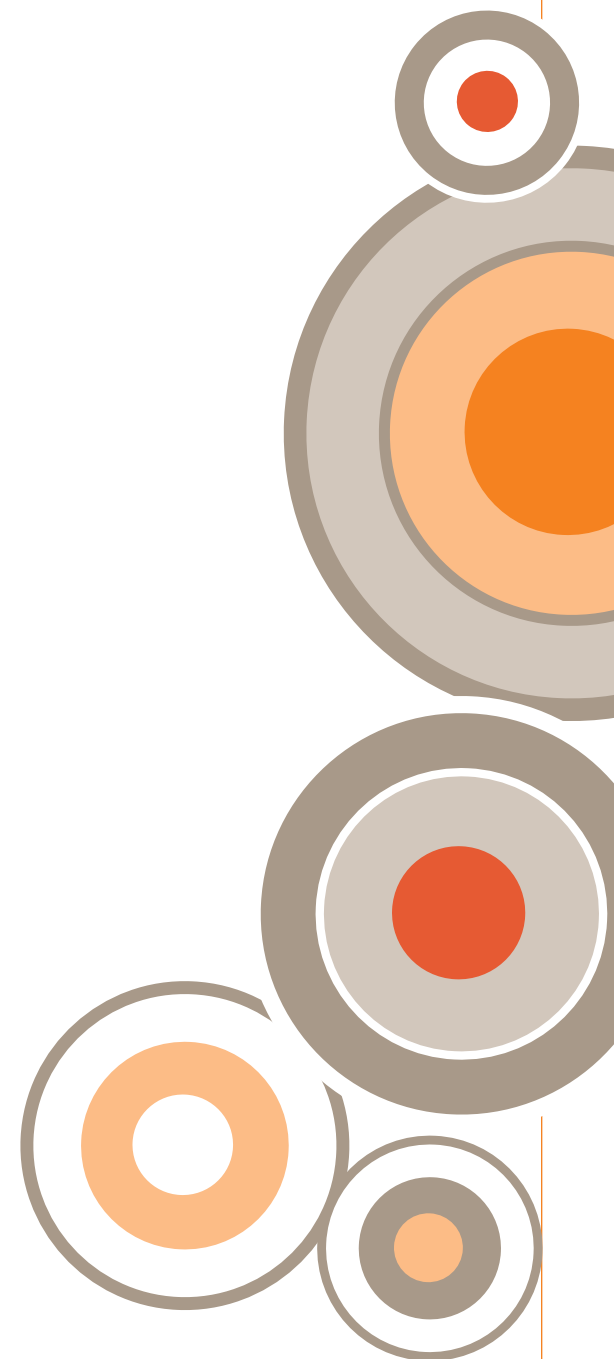
samaf beneficiary from Mpumalanga, selling fruit in her stall.

annual financial statements

for the year ended 31 March 2010

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report of the audit committee

for the year ended 31 March 2010

We present our report for the year ended 31 March 2010.

Audit Committee Members and Attendance

The Audit Committee, consisting of the members listed below, convened three times during the year under review, in terms of its approved terms of reference. Ms R Kenosi and Ms M Mosweu were appointed as additional independent members in March 2010 and attended their first meetings shortly after the year-end. There were no other changes in the composition of the Committee during the year under review.

Name of Member	Number of meetings attended
Independent Non-executive Members	
Mr AC Coombe (Chairperson)	3
Mr DA Braithwaite	3
Ms R Kenosi	n/a
Ms M Mosweu	n/a
Executive Members – Ex officio	
Mr T Matona (Director-General)	2
Mr S Mase (Chief Executive Officer)	3

The Director-General has ensured adequate representation on his behalf for meetings that he could not attend, due to urgent requests from the Minister.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a) of the PFMA and Treasury Regulations 3.1.13. The Audit Committee also reports that it has appropriate terms of reference in the form of its Audit Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Effectiveness of Internal Control

The systems of internal control are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed.

From the various reports of the outsourced Internal Auditors and of the Auditor-General, the Audit Committee was appraised of certain significant internal control weaknesses as well as certain instances of non-compliance with prescribed policies and procedures. In line with the PFMA, the Internal Auditors

seek to provide the Audit Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of a quarterly reporting process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Although a separate Risk Management Committee has been established to manage and monitor the assessment and control of risk, this committee has not met regularly during the year under review. A risk register has been prepared, which was used by the Internal Auditors to prepare their audit coverage plans and to undertake audit work in the higher risk areas identified.

Based on the audits conducted and presented to the Audit Committee meetings for the year ended 31 March 2010, the Committee concludes overall that the internal controls evaluated during those audits were partially adequate and partially effective.

Quality of Management Reports

The Audit Committee is generally satisfied with the content and quality of the quarterly management reports as prepared and issued by Management during the year under review in terms of the PFMA.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed with Management the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General's management letter and Management's responses thereto;
- Reviewed the appropriateness of accounting policies and practices; and
- Reviewed significant adjustments resulting from the annual audit.

The Audit Committee has discussed, concurs with and accepts the conclusions of the Auditor-General on the annual financial statements, read together with the qualified report of the Auditor-General, and recommends these to the Accounting Officer for acceptance.



AC Coombe

Chairperson of the Audit Committee
31 July 2010

report of the accounting officer

Overview

The impact of the global recession has been felt by all economies, and South Africa was no exception. **samaf's** target market, low income earners, was severely affected as businesses restructured and retrenched employees. The downsizing of companies affected mostly the unskilled and semi-skilled workers. Although this environment provided an opportunity for greater uptake of **samaf** products, the lending activities were disappointing, for three main reasons:

- Firstly, the limited number of eligible Financial Intermediaries through which to channel on-lending loans to the ultimate borrowers. There is a need for **samaf** to put in even more effort in developing and enabling a greater number of FIs for economies of scale and outreach purposes;
- Secondly, with some end users having been retrenched, there was a greater need to re-skill retrenched workers towards entrepreneurial aptitude; and
- Finally, due to retrenchments, some end users could not honour their repayment obligations with the FIs, resulting in delinquency of FI accounts with **samaf**.

During the financial year under review, **samaf** continued its efforts to strengthen its systems and empower its employees through project Bokamoso, in order to more effectively deliver on its mandate.

Performance Highlights

During the year under review, **samaf** increased the number of supported Micro-finance Institutions by 11, bringing the total to 27 institutions. The new institutions are in Gauteng, Limpopo, Free State and Western Cape. The number of Financial Services Co-operatives (FSCs) were 24.

Since inception, **samaf** has disbursed R76.1m to 51 FIs. The total number of borrowers who benefitted indirectly from **samaf** loans is 35 884, of whom 86% are from rural areas, which indirectly contributes to job creation. In addition to funding support in respect of the 51 FIs, **samaf** has, through its regulatory function, registered 27 FSCs for deposit taking and other financial transactions. Whilst this contribution to the economy is commendable, it is however acknowledged that addressing the poverty levels in South Africa, in line with the Millennium Development Goals of 2014, remains a great challenge.

During the year under review, an amount of R13.1m was disbursed for on-lending and R6.3m for capacity building nationally, thus totalling R19.4m. Some of the main interventions going forward will be focussing on the improvement

of controls to ensure that funding is directed towards quality intermediaries, as well as stepping up mechanisms of monitoring the performance of the **samaf** supported FIs. This is in view of the observation that the quality of the loan book has been deteriorating over the past three year period of **samaf** operation, hence the R6.2m write-off, which is 31% of the net loan book, and the R12.2m impairment.

Disbursement Trends

	2009/2010	2008/2009	2007/2008	2006/2007
Loans	13.1	9.1	18.5	9.1
Capacity Building	6.3	3.4	5.9	10.7
Total Disbursements	19.4	12.5	24.4	19.8

The amount disbursed for loans and capacity building has shown fluctuations over the period of **samaf** operations. This is mainly due to the capacity constraints within the FIs which have made it difficult to consistently disburse funds committed to them.

Material Losses/Impairments

The loan write-off amounting to R6 179 509 is disclosed in note 6 to the financial statements in terms of Section 41(3)(b)(iii) of the PFMA. Impairments and write-offs are inherent in the nature of **samaf's** business, because loan advances are largely with new FIs. This will stabilise as FIs move towards maturity.

Challenges

Job competency and structure/strategic fit are the two most critical challenges at **samaf**. This is mostly due to the fact that the Developmental Micro-finance environment is fairly new in South Africa and the appropriate skills are not readily available. In view of this, **samaf** will have to take a greater initiative in developing appropriate institutional capacity. The approved establishment for **samaf** is 74 positions of which 61 were filled, resulting in a vacancy rate of 17.5% as at 31 March 2010.

samaf continues to experience challenges in some provinces, particularly the Northern Cape, due to geographic and socio-economic dynamics, while other provinces are faced with capacity issues as alluded to above, hence the high operational costs of doing business across the provinces.

Lack of proper institutional capacity (e.g. financial systems, competencies,

report of the accounting officer (continued)

governance issues etc.) in some FIs has slowed the disbursement of further loans to these institutions. **samaf** is continually working with these institutions to ascertain how best they can be assisted in improving their institutional mechanisms.

Lack of deposit insurance to cushion and/or mitigate the risk that goes with the deposit taking function poses a serious threat to depositor's savings. As these savings fall below the threshold that is accommodated by Co-operative Banks insurance, there is an urgent need for this to be considered with the view to housing it under **samaf**.

Other Matters

It should be noted that **samaf** did not incur any expenditure in relation to the 2010 Soccer World Cup.

Conclusion

The establishment of **samaf** by **the dti** was one of Government's responses to addressing the poverty and unemployment problem that was identified as one of the key priorities to be addressed in terms of the Millennium Development Goals, of which micro-finance was seen as an appropriate vehicle. The period since inception has been a period of piloting the institutionalisation of micro-finance, with the results as shown above. During the year under review, an evaluation study has been conducted with the assistance of Deloitte. A report has been finalised and its recommendations are receiving attention. The delays in taking the recommendations forward have been caused by the transitional arrangements between **the dti** and Economic Development Department (EDD), in respect of the transfer of **samaf** to the EDD with effect from 1 April 2010.

The report together with the evaluation report recommendations serve as hand-over reports of **samaf** to the EDD, for the EDD to take the micro-finance strategy forward.



Tshediso Matona

Director General: **the dti**

report of the Auditor-General

to Parliament on the financial statements of the South African Micro-finance Apex Fund for the year ended 31 March 2010

Report on the Financial Statements

Introduction

I have audited the accompanying financial statements of the South African Micro-Finance Apex Fund (**samaf**), which comprise the statement of financial position as at 31 March 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 51.

Accounting Officer's responsibility for the financial statements

The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and in the manner required by the Public Finance Management Act of South Africa (PFMA). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

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

Basis for qualified opinion

Operating expenses and accounts payable

samaf implemented a new accounting system during the year under review. A number of general ledger journals were passed during the course of the system implementation process. Management was not able to provide sufficient and appropriate explanation and/or documentation to substantiate these journal entries. The unsubstantiated journal entries amounted to R1,701,429 and resulted in a possible understatement of operating expenses and accounts payable. The entity's records did not permit the application of alternative audit procedures regarding operating expenses and accounts payable. Consequently, I did not obtain all the information and explanations I considered necessary to satisfy myself as to the accuracy and completeness of the operating expenditure, accounts payable and related disclosures.

Qualified opinion

In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **samaf** as at 31 March 2010 and its financial performance and its cash flow for the year then ended, in accordance with the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and in the manner required by the PFMA.

report of the Auditor-General (continued)

Emphasis of matter

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

Restatement of corresponding figures

As disclosed in note 20 to the financial statements, the corresponding figures for 31 March 2009 have been restated as a result of an error discovered during 2010 in the financial statements of **samaf** at, and for the year ended 31 March 2009.

Irregular expenditure

As disclosed in note 21 to the financial statements irregular expenditure to the amount of R361,028 was incurred, as the correct procurement process had not been followed.

Material impairments

As disclosed in note 6 to the financial statements material impairments to the amount of R6,179,509 were incurred as a result of the write-off of loans provided to FIs.

Non-consolidation of controlled Financial Intermediaries

As disclosed in note 23 to the financial statements, **samaf** did not prepare and present consolidated financial statements.

Report on other Legal and Regulatory Requirements

In terms of the PAA of South Africa and *General Notice 1570 of 2009*, issued in *Government Gazette No. 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

Findings

Predetermined objectives

Non-compliance with regulatory and reporting requirements

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

The accounting officer did not ensure that **samaf** has and maintains an 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 38(1)(a)(i) and (b) of the PFMA.

Usefulness of reported information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Changes to planned performance information not approved

samaf reported on objectives, indicators and targets in addition to those as per approved in the strategic plan. Furthermore, these additional objectives, indicators and targets were not included in the approved or adjusted budgets or were not approved subsequent to the strategic planning process.

Planned and reported performance targets not verifiable

For the selected objectives (contribute to poverty alleviation and building a sustainable Apex Fund), 43% of the planned and reported indicators were not verifiable, as it was not possible to validate the process and systems that produce the indicator.

Reliability of reported information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Validity: Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
- Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relate to the above criteria:

Reported targets not valid, accurate and complete as inadequate supporting source information was provided

For the selected objectives (contribute to poverty alleviation and building a sustainable Apex Fund), the validity, accuracy and completeness of 36% of the reported targets could not be established as sufficient appropriate audit evidence could not be provided for audit purposes.

Compliance with laws and regulations

Public Finance Management Act

Non-adherence

Contrary to the requirement of section 38(1)(a)(i) of the PFMA, the policies and procedures on the loan book of **samaf**, were not sufficiently appropriate to effectively mitigate the financial and operational risk posed by the business activities.

Internal Control

I considered internal control relevant to my audit of the financial statements, the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the deficiencies identified during the audit.

Leadership

The internal policies and procedures of **samaf** did not adequately address the processes pertaining to the planning, monitoring and reporting of financial and performance information at the overall performance management level. Furthermore **samaf** did not have sufficient monitoring controls to ensure compliance with all applicable laws and regulations and internal controls.

Financial and performance management

Sufficient appropriate audit evidence with regard to the journal entries could not be obtained, as management and staff did not fulfil their duties and responsibilities to design and implement appropriate and effective control procedures for the accounting system conversion to ensure a complete, accurate and valid system migration.

Auditor-General

Pretoria
31 July 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

statement of financial position

as at 31 March 2010

	Notes	2010 R	Restated 2009 R
Assets			
Current assets			
		167 517 871	141 494 323
Cash and cash equivalents	4	159 550 505	133 277 282
Current portion of loans	6	7 810 920	8 212 213
Other receivables	5	156 446	4 828
Non-current assets			
		14 314 193	9 815 820
Loans	6	11 875 499	6 117 325
Property, plant and equipment	7	1 704 938	2 416 673
Intangible assets	8	733 756	1 281 822
Total assets		181 832 064	151 310 143
Equity and Liabilities			
Current liabilities			
		5 136 400	5 289 966
Trade and other payables	9/20	2 213 390	2 799 219
Provisions	10	2 923 010	2 490 747
Non-current liabilities			
Deferred income	11/20	61 537 491	42 961 952
Equity			
		115 158 173	103 058 225
Retained surplus		36 798 173	24 698 225
Capital reserves		78 360 000	78 360 000
Total equity and liabilities		181 832 064	151 310 143

statement of comprehensive income

for the year ended 31 March 2010

	Notes	2010 R	Restated 2009 R
Grant income	12/20	58 771 461	45 732 284
Interest on loans	13	1 224 654	1 038 240
Other income	14	18 713	164 342
Revenue		60 014 828	46 934 866
Operating expenses	15/20	(58 790 174)	(45 895 704)
Operating surplus		1 224 654	1 039 162
Bank interest	13	10 875 294	14 530 402
Interest paid		-	(922)
Net Surplus for the year		12 099 948	15 568 642

statement of changes in equity

for the year ended 31 March 2010

	Capital Reserves R	Retained Surplus R	Total Equity R
Balance as at 31 March 2008	78 360 000	9 129 583	87 489 583
Surplus for the year	-	15 568 642	15 568 642
Balance as at 31 March 2009	78 360 000	24 698 225	103 058 225
Surplus for the year	-	12 099 948	12 099 948
Balance as at 31 March 2010	78 360 000	36 798 173	115 158 173

statement of cash flow

for the year ended 31 March 2010

	Notes	2010 R	Restated 2009 R
Net cash from operating activities		6 437 696	1 452 631
Surplus for the year		12 099 948	15 568 642
Adjustments to reconcile result for the year with funds from operations			
- Depreciation and amortisation		1 814 075	1 090 028
- Finance costs		-	922
- Impairment charge		3 688 478	2 032 200
- Provisions		432 263	338 439
- Loss on disposal of property, plant and equipment		15 673	8 181
- Interest received from banks		(10 875 294)	(14 530 402)
Changes in working capital		(737 447)	(3 055 379)
- Increase in receivables		(151 618)	(4 828)
- Decrease in payables		(585 829)	(3 050 551)
Net cash from investing activities		1 259 988	6 381 367
Net increase in loan portfolio		(9 045 359)	(5 947 951)
Proceeds from asset disposal		-	2 268
Interest received from bank		10 875 294	14 530 402
Purchase of property, plant and equipment		(346 155)	(802 303)
Purchase of intangible assets		(223 792)	(1 401 049)
Net cash inflow/(outflow) from financing activities		18 575 539	(7 640 206)
Increase/(decrease) in deferred revenue		18 575 539	(7 639 284)
Finance costs		-	(922)
Net increase in cash and cash equivalents		26 273 223	193 792
Cash and cash equivalents at beginning of year		133 277 282	133 083 490
Cash and cash equivalents at end of year	4	159 550 505	133 277 282

notes to the annual financial statements

for the year ended 31 March 2010

1. Summary of Significant Accounting Policies

1.1 Basis of preparation

The principal accounting policies and disclosures made in the financial statements conform to South African Generally Accepted Accounting Practice (SA GAAP).

The financial statements are prepared on the historical cost basis unless otherwise stated and on a going concern basis.

The principal policies are set out under notes 1.2 to 1.14 below, and are consistent with those applied in the prior year, except for those new and revised standards, amendments and interpretations adopted in the current year.

1.2 Significant accounting judgments and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement are inherent in the determination of these estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements.

Significant judgments made relate to the estimate of the useful life, residual values and impairment of property, plant and equipment, impairment of intangible assets and impairment of loans.

1.3 Revenue recognition

Grants from the Government are recognised where there is reasonable assurance that the grant will be received and the entity will comply with all the relevant conditions.

Grants are recorded as income over the period necessary to match the grant on a systematic basis with the cost that it is intended to compensate.

1.4 Property, plant and equipment

Property, plant and equipment is stated at cost excluding the cost of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Improvements to assets are included in the cost if the recognition criteria under AC 123 (IAS 16) are met. Depreciation is calculated using the straight-line method. The estimated useful lives are as follows:

Computer equipment	4 years
Computer software	2 years
Audio-visual equipment	3 years
Office equipment	5 years
Furniture and fittings	5 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "other operating income" or "other operating expenses" in the statement of comprehensive income in the year the asset is derecognised.

Residual values and useful lives are reviewed and adjusted, if applicable, at each reporting date.

1.5 Impairment of assets

The entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the entity makes an estimate of the asset's recoverable amount. The recoverable amount of an asset is the higher of fair value less costs to sell or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount of the cash generating unit is used.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been

determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. The reversal of impairment is recognised in the statement of comprehensive income unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After a reversal of impairment the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1.6 Financial instruments

Financial instruments are initially measured at fair value plus directly attributable transaction costs, except for financial instruments carried at fair value through profit or loss, which do not include directly attributable transaction costs. Financial assets within the scope of AC 133 (IAS 39) are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets. The entity determines the classification of its financial assets after initial recognition and re-evaluates this designation at each financial year-end. Financial assets and financial liabilities are initially recognised when the enterprise becomes party to the contractual provisions of the instrument.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

All purchases and sales of financial assets are recognised on the date of trade i.e. the date that the entity commits to purchase or sell the asset. Purchases or sales of financial assets that require delivery of the asset within a period are generally established by regulation or convention in the marketplace.

Subsequent measurements of financial instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference

between that initial amount and the maturity amount, and minus any deduction for impairment or uncollectibility.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash in bank accounts and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statements, cash equivalents consists of cash and cash equivalents as defined above, less outstanding bank overdrafts.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the asset is transferred and the transfer qualifies for derecognition.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

notes to the annual financial statements (continued)

1.6 Financial instruments (continued)

Impairment of financial assets

The entity assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Asset carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

1.7 Operating leases

Leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

1.8 Employee benefits

Retirement benefits

A defined benefit fund is in place for the benefit of employees, which is the Government Employees' Pension Fund. The fund is funded by payments from employees and the entity. The employer's contributions are charged to the statement of comprehensive income in the year to which they relate. The entity is not liable for any deficits due to the difference between the present value of the benefit obligations and the fair value of the assets managed by the Government Employees' Pension Fund. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the combined income of the entity.

Contractors can elect to be members of the pension fund. The total cost to entity is adjusted according to their election.

Medical benefits

No medical contributions are made to the medical aid of retired employees.

Termination benefits

Termination benefits are payable when employment is terminated prior to the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The entity recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed, formal plan without the possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy based on the number of employees expected to accept the offer. If the termination benefits fall due more than 12 months after the statement of financial position date, they are discounted to present value.

Statement of comprehensive income

The cost of all short-term employee benefits, such as salaries, bonuses, medical and other contributions is recognised in the statement of comprehensive income during the period in which the employee renders the related service.

1.9 Provisions

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The expense relating to any provision is presented in the statement of comprehensive income net of any re-imbursing. Where the effect of time value is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

Employee entitlements to annual leave pay benefits and bonuses are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and bonuses as a result of services rendered by employees up to the statement of financial position date.

1.10 Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, the requirement of any applicable legislation and policy, including the PFMA and the Supply Chain Management Policy.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular, fruitless and wasteful expenditure is charged against income in the period in which it is incurred.

1.11 Related party transactions and other Government entities

samaf identifies and classifies an entity as a related party when the relationship consists of any of the following:

- (a) Directly, or indirectly through one or more intermediaries, **samaf**:
 - 1) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - 2) Has an interest in the entity that gives it significant influence over the entity; or
 - 3) Has joint control over the entity;
- (b) The party is an associate of the entity;
- (c) The party is a joint venture in which the entity is a venturer;
- (d) The party is a member of the key management personnel of the entity or its parent;

- (e) The party is a close member of the family of any individual referred to in (a) or (d);
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

1.12 Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the entity obtains control, and continue to be consolidated until the date such control ceases.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in the consolidated financial statements.

Minority interests represent the portion of profit or loss and net assets that is not held by the entity and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisition of minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired is goodwill.

1.13 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level.

notes to the annual financial statements (continued)

1.13 Intangible assets (continued)

The assessment of useful life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net proceeds and the carrying amount of the asset and are recognised in the statement of financial position when the asset is derecognised.

1.14 Key management personnel

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the entity. Compensation paid to key management personnel, including their family members where relevant, is included in the disclosure notes.

2. Financial Risk Management

The major business risks that are identified by the entity in respect of its principal non-derivative principal instrument are liquidity risk, interest rate risk and credit risk. The executive committee reviews and agrees to policies for managing these risks annually. The entity maintains a conservative policy regarding credit and interest rate risks. The entity does not engage in speculation in the market. In addition, the entity does not speculate or trade in derivative financial instruments.

2.1 Interest rate risk

The entity's interest rate risk exposure relates to finance income received.

The following table sets out the carrying amount and maturity profile:

Floating rate	Within 1 year	Total
	R	R
Year ended 31 March 2010		
Cash assets	159 518 505	159 518 505
Year ended 31 March 2009		
Cash assets	133 255 493	133 255 493

There are no financial instruments that are exposed to floating interest rates with maturities beyond 12 months.

Loans and advances to FIs are at a fixed interest rate and are not exposed to changes in interest rates.

The following table demonstrates the sensitivity to changes in interest rates of the entity's surplus, all other variables held constant.

	Increase/ decrease in basis points	Effect on surplus R
2010	+100	1 595 185
	-100	(1 595 185)
2009	+100	1 332 554
	-100	(1 332 554)

2.2 Credit risk

The credit policy requires that all FIs be subjected to due diligence investigations. The due diligence reports are submitted to the Credit Committee for approval. With respect to credit risk arising from the other financial assets of the entity, which comprise other receivables, the entity's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

2.3 Liquidity risk

The entity aims to have significant cash reserves to cover its financial obligations as they fall due.

	On demand R	Less than 3 months R	3 to 12 months R	1 to 5 years R	Total R
Year ended 31 March 2010					
Loans	-	1 799 832	6 011 088	11 875 499	19 686 419
Cash and cash equivalents	159 550 505	-	-	-	159 550 505
Trade and other payables	-	(762 454)	(1 187 575)	-	(1 950 029)
Net position	159 550 505	1 037 378	4 823 513	11 875 499	177 286 895
Year ended 31 March 2009					
Loans	-	635 401	7 576 812	6 117 325	14 329 538
Cash and cash equivalents	133 277 282	-	-	-	133 277 282
Trade and other payables (restated)	-	(1 039 719)	(1 467 717)	-	(2 507 436)
Net position	133 277 282	(404 318)	6 109 095	6 117 325	145 099 384

3. IFRS and IFRIC Interpretations not yet effective

The entity has not applied the following IFRS and IFRIC interpretations that have been issued but are not yet effective:

AC 140 (IFRS 3) Business Combinations

The scope of IFRS 3 has been revised to include combinations of mutual entities and combinations without considerations (dual listed shares), thereby capturing more transactions. This standard does not apply to the activities of the entity.

AC 123 (IAS 27) Consolidated and Separate Financial Statements

This standard becomes effective for annual periods beginning on or after 1 July 2009. Change in ownership interest of a subsidiary will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or a loss.

AC 125 (IAS 32) and AC 101 (IAS 1) Amendments to AC 119 (IAS 31) Financial Instruments: Presentation and AC101 (IAS 1) presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation

This standard becomes effective for annual periods beginning on or after 1 July 2009. Change in ownership interest of a subsidiary will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or a loss.

notes to the annual financial statements (continued)

3. IFRS and IFRIC Interpretations not yet effective (continued)

IFRS 2 Share-based payments

This standard becomes effective for annual periods beginning on or after 1 January 2010.

IFRS 5 Non-current Assets held for sale and discontinued operation

This standard becomes effective for annual periods beginning on or after 1 July 2010.

IAS 32 Financial instruments: Presentation – Classification of rights issues

This standard becomes effective for annual periods beginning on or after 1 February 2010.

IAS 39 Financial instruments: Recognition and measurement – Eligible hedged items

This standard becomes effective for annual periods beginning on or after 1 January 2010.

Interpretations issued

IFRIC 14 Prepayments of a minimum funding requirement

The amendments to the standard are not applicable to the activities of **samaf**.

IFRIC 17 Distribution of non-cash assets to owners

The amendments to the standard are not applicable to the activities of **samaf**.

IFRIC 18 Transfer of assets from customers

The amendments to the standard are not applicable to the activities of **samaf**.

IFRIC 19 Extinguishing financial liabilities with equity instruments

The amendments to the standard are not applicable to the activities of **samaf**.

	2010 R	Restated 2009 R
4. Cash and Cash Equivalents		
Cash at bank – Reserve Bank	159 154 675	132 510 868
Cash at bank – Absa	363 830	744 625
Cash on hand	32 000	21 789
	159 550 505	133 277 282

Cash at bank earns interest at prevailing market rates. The carrying amount of cash and cash equivalents approximates their fair value due to short-term maturities of these assets.

	2010 R	Restated 2009 R
5. Other Receivables		
Staff debtors	53 348	4 828
Salary debtors	34 536	-
Receivable from National Treasury	68 562	-
Other debtors	135 000	-
Impairment on other debtors	(135 000)	-
	156 446	4 828
Other debtors relate to suppliers with debit balances.		
6. Loans		
Loans	32 428 221	29 249 753
Less: Impairment	(12 239 762)	(14 730 793)
Less: Interest in suspense	(502 040)	(189 422)
	19 686 419	14 329 538
Disclosed on the statement of financial position as follows:		
Non-current portion of loans	11 875 499	6 117 325
Current portion of loans	7 810 920	8 212 213
	19 686 419	14 329 538
Changes in the provision for impairment are:		
Opening balance	14 730 793	12 698 593
Utilised during the year	(6 179 509)	-
Charge for the year	3 688 478	2 032 200
	12 239 762	14 730 793

notes to the annual financial statements (continued)

7. Property, Plant and Equipment

	Computer equipment R	Audio visual equipment R	Office equipment R	Furniture and fittings R	Total R
2010					
Net carrying amount at beginning of year	638 337	172 081	753 816	852 439	2 416 673
- Cost	1 810 191	361 102	1 136 186	1 247 401	4 554 880
- Accumulated depreciation	(1 171 854)	(189 021)	(382 370)	(394 962)	(2 138 207)
Additions	226 388	14 584	105 183	-	346 155
Disposal	(15 673)	-	-	-	(15 673)
Cost	(152 695)	-	(112 804)	-	(265 499)
- Accumulated depreciation	137 022	-	112 804	-	249 826
Depreciation charge	(470 822)	(107 507)	(214 408)	(249 480)	(1 042 217)
Net carrying amount at end of year	378 230	79 158	644 591	602 959	1 704 938
- Cost	1 883 884	375 686	1 128 565	1 247 401	4 635 536
- Accumulated depreciation	(1 505 654)	(296 528)	(483 974)	(644 442)	(2 930 598)
2009					
Net carrying amount at beginning of year	397 595	223 266	880 351	1 078 124	2 579 336
- Cost	1 195 285	303 291	1 050 684	1 227 116	3 776 376
- Accumulated depreciation	(797 690)	(80 025)	(170 333)	(148 992)	(1 197 040)
Additions	638 705	57 811	85 502	20 285	802 303
Disposal	(10 449)	-	-	-	(10 449)
- Cost	(23 799)	-	-	-	(23 799)
- Accumulated depreciation	13 350	-	-	-	13 350
Depreciation charge	(387 514)	(108 996)	(212 037)	(245 970)	(954 517)
Net carrying amount at end of year	638 337	172 081	753 816	852 439	2 416 673
- Cost	1 810 191	361 102	1 136 186	1 247 401	4 554 880
- Accumulated depreciation	(1 171 854)	(189 021)	(382 370)	(394 962)	(2 138 207)

	2010 R	Restated 2009 R
8. Intangible Assets		
Computer software		
Net carrying amount at beginning of year	1 281 822	16 284
- Cost	1 514 726	113 677
- Accumulated amortisation	(232 904)	(97 393)
Additions	223 792	1 401 049
Derecognition	-	-
- Cost	(113 667)	-
- Accumulated amortisation	113,667	-
Amortisation	(771 858)	(135 511)
Net carrying amount at end of year	733 756	1 281 822
- Cost	1 624 851	1 514 726
- Accumulated amortisation	(891 095)	(232 904)
9. Trade and Other Payables		
Trade payables	650 606	1 001 693
Accrued expenses	1 299 423	1 505 743
Deferred lease charges	263 361	291 783
	2 213 390	2 799 219

Trade and other payables are non-interest bearing and are generally on 30-90 day terms. At 31 March 2010 and 2009 the carrying amounts approximate their fair values due to short-term maturities of these liabilities.

10. Provisions

	Termination R	Leave pay R	Bonuses R	Total R
2010				
Balance at beginning of the year	643 082	1 061 673	785 992	2 490 747
Utilised during the year	(643 082)	(1 740 125)	(645 199)	(3 028 406)
Provided during the year	-	2 675 422	785 247	3 460 669
Balance at end of the year	-	1 996 970	926 040	2 923 010
2009				
Balance at beginning of the year	-	1 533 853	618 455	2 152 308
Utilised during the year	-	(1 765 042)	(1 010 219)	(2 775 261)
Provided during the year	643 082	1 292 862	1 177 756	3 113 700
Balance at end of the year	643 082	1 061 673	785 992	2 490 747

Bonuses

In terms of the entity's policy, employees are entitled to a 13th cheque which they may elect to receive monthly or annually. Also included in bonuses is the performance bonus that qualifying employees are entitled to in terms of their contracts and which are expected to be paid within the next 12 months.

notes to the annual financial statements (continued)

	2010 R	Restated 2009 R
11. Deferred Income		
Balance at beginning of the year	42 961 952	50 601 236
Received from the dti for operations	58 047 000	38 093 000
Received from the dti for on-lending	19 300 000	-
Transferred to grant income for operating and administrative purposes	(58 771 461)	(45 732 284)
Balance at end of the year	61 537 491	42 961 952
The amounts relate to grants which have been received to fund future capacity building grants, on-lending and operational expenses.		
12. Grant Income		
Government grants transferred for operating and administrative purposes	58 771 461	45 732 284
13. Finance Income		
Loans	1 224 654	1 038 240
Bank interest	10 875 294	14 530 402
	12 099 948	15 568 642
14. Other Income		
Registration fees	9 530	-
Other sundry income	9 183	164 342
	18 713	164 342

	2010 R	Restated 2009 R
15. Operating Expenditure		
The following items have been charged in arriving at operating expenditure:	58 790 174	45 895 704
Advertising and publications	1 723 234	1 944 630
Auditor's remuneration		
- Internal	902 563	802 882
- External	1 913 586	1 337 606
Administration fee reversed	-	328 386
Audit committee fees	97 937	113 310
Advisory board fees	6 160	-
Communication expenses	1 124 570	1 084 540
Consulting expenses	3 888 550	2 591 236
Depreciation and amortisation expenses	1 814 075	1 090 028
Grants paid	6 300 000	3 398 401
Loan impairment	3 688 478	2 032 200
Legal fees	542 681	321 602
Loss on disposal of assets	15 673	8 181
Operating lease expenses	2 205 805	2 088 359
Personnel expenses	28 944 728	23 610 101
Provision for other receivables	135 000	-
Travel and subsistence	3 054 456	2 946 635
Venue hire	519 703	389 602
Other expenses	1 912 975	1 808 005
Number of employees at year end	61	60

	Carrying values		Fair values	
	2010 R	2009 R	2010 R	2009 R
16. Financial Instruments				
Financial assets				
Loans	19 686 419	14 329 538	19 686 419	14 329 538
Cash and cash equivalents	159 550 505	133 277 282	159 550 505	133 277 282
Other receivables	156 446	4 828	156 446	4 828
Financial liabilities				
Trade and other payables (restated)	1 950 029	2 507 436	1 950 029	2 507 436

notes to the annual financial statements (continued)

16. Financial Instruments (continued)

Fair value of financial instruments

At 31 March 2010 the carrying amounts of cash and cash equivalents, loans, trade receivables and accrued expenses approximated their fair values due to the short term maturities of these assets and liabilities.

17. Employee Benefits

All permanent employees are members of the Government Employees Pension Fund, which is a defined benefit fund.

Current medical benefits

The entity contributes to medical aid schemes for the benefit of permanent employees and their dependants. The contributions charged against income amounted to R635 562 (2009: R602 444).

18. Key Management Personnel

	Salary R	Pension contribution R	Medical contribution R	Total R
2010				
CEO	1 073 635	-	22 232	1 095 867
CFO	973 535	82 163	12 330	1 068 028
COO (3 months)	203 103	18 694	5 540	227 337
HR Executive	917 050	-	17 820	934 870
	3 167 323	100 857	57 922	3 326 102
2009				
CEO	1 070 047	-	20 745	1 090 792
CFO	969 221	73 985	12 720	1 055 926
COO	1 218 062	28 922	17 600	1 264 584
HR Executive (6 months)	374 567	-	5 940	380 507
	3 631 897	102 907	57 005	3 791 809

19. Related Party Transactions

	2010 R	Restated 2009 R
Grants received		
Department of Trade and Industry (the dti) (Income and on-lending funds)	77 347 000	38 093 000
Expenditure		
Department of Trade and Industry (the dti)	617 929	601 455
Department of Public Works	1 587 975	1 578 814
Telkom	425 803	496 310
SITA (Pty) Ltd	64 043	138 493

	Transactions	2010 Balance	Impairment	Transactions	2009 Balance	Impairment
	R'000	R'000	R'000	R'000	R'000	R'000
Aloga Financial Services	-	-	-	155	-	-
Bakenberg	-	-	-	39	-	-
Beehive Entrepreneurial Development	(100)	-	-	4	109	109
Chakatsa	(356)	-	-	34	363	363
Diatla Co-operative Limited	-	-	-	115	-	-
Disaneng Financial Services	-	-	-	80	-	-
Fernie Financial Services	(90)	-	-	4	-	-
Ncedisizwe	(1 058)	-	-	-	858	858
Great Commission Community Services	-	-	-	87	-	-
Ikussasa Empowerment Fund	(94)	-	-	4	112	112
Impact Direct Ministries	(103)	-	-	3	112	112
Kwamachi Financial Services	-	-	-	79	-	-
Lesolo Agri Commodities	(235)	-	-	10	243	243
Makwane Financial Services	-	-	-	60	-	-
Mathabatha Financial Services	-	-	-	164	-	-
Middledrift Financial Services	-	-	-	104	-	-
Mothusi Financial Services	(101)	-	-	4	109	109
Motswedi FSC	-	-	-	73	85	85
Qalakancane Co-operative	(361)	-	-	14	368	368
Sakhisizwe Multi-Purpose	(129)	-	-	5	137	137
Siyazakha Women's Co-operative	-	-	-	18	182	182
Sizathina Financial Services	(82)	-	-	17	92	92
Tseki Financial Services	(136)	-	-	6	145	145
Tsoga Micro-finance Services	-	-	-	144	-	-
Tsosologo Youth Programme	(100)	-	-	4	109	109
Umthombo Co-operative Ltd	(608)	-	-	25	604	604
Khula Mnofto Co-operative	(380)	-	-	16	385	385
Total	(3 933)	-	-	1 268	4 013	4 013

notes to the annual financial statements (continued)

20. Prior Period Error

The correction of prior period error relates to operating lease expense and the deferred lease liability calculated for the financial period. Previously the straightlining of the operating lease was not applied accurately. The entity made an error in this regard and the error has been corrected retrospectively.

Adjustment have been made to the 2009 comparatives:

	R
Balance sheet	
<i>Accounts payable</i>	
Balance as previously reported	3 737 845
Prior year error	(938 626)
Restated balance	2 799 219
<i>Deferred income</i>	
Balance as previously reported	42 023 326
Prior year error	938 626
Restated balance	42 961 952
Income statement	
<i>Grant income</i>	
Balance as previously reported	46 670 910
Prior year error	(938 626)
Restated balance	45 732 284
<i>Operating expenses</i>	
Balance as previously reported	46 834 330
Prior period error	(938 626)
Restated balance	45 895 704

21. Irregular and Fruitless and Wasteful Expenditure

Section 38 (1)(a)(i) of the PFMA requires an accounting officer of a trading entity to ensure that the trading entity has and maintains effective, efficient and transparent systems of risk management and internal controls.

Section 40 (3)(b)(i) of the PFMA requires that **samaf** includes particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that was identified and classified as such during this financial year.

Section 40 (3)(b)(iii) of the PFMA requires that **samaf** includes particulars of any material losses recovered or written off.

Incident	Steps taken	2010 R	2009 R
Irregular expenditure			
Supply chain procedures not followed	Disciplinary action in progress	226 028	-
Overpayment to supplier	Disciplinary action against staff and recovery from supplier in progress	135 000	-
Fruitless and wasteful expenditure			
Interest charge for late payments	No disciplinary action could be taken yet	9 976	9 103
Computers lost	No disciplinary action could be taken yet	-	922
		9 976	8 181
Material losses			
Loans written off		6 179 509	-

22. Commitments

	2010 R	2009 R
Operating leases		
At the reporting date, the entity had operating leases which relate to the premises that it occupies in the regions. The operating leases relate to the buildings and the parking on these premises. The future minimum lease payments under these non-cancellable operating lease agreements are as follows:		
Payable within 1 year	1 553 660	1 616 297
Payable between 2 and 5 years	1 186 052	2 511 508
	2 739 712	4 127 805
Funds committed for loans not yet drawn		
Payable not later than 1 year	37 400 000	31 934 100
Funds committed to FIs in terms of contractual arrangements which will be payable only on the achievement of certain specified conditions.		
Other commitments		
Outstanding orders at 31 March 2010	4 263 485	608 589

Approved and contracted for goods and services not yet received at year end.

23. Consolidation of Deemed Subsidiaries

samaf had the ability to control the FIs in terms of SIC 12 for the loans entered into before the year ended 31 March 2007. **samaf** was required to consolidate these FIs in terms of AC 132 (IAS 27). Previously **samaf** was unable to consolidate these organisations due to the unavailability of accurate financial information from these FIs. During the current financial year, balances of R3.9m relating to these organisations were written-off after having liquidated these organisations, and **samaf** no longer had the ability to control these FIs.

24. Taxation

samaf is exempt from income tax in terms of S10 (1)(a) of the Income Tax Act of South Africa number 58 of 1962.

25. Contingent Liability

At year end, **samaf** recorded a retained surplus of R36 798 173 (2009: R24 698 225) that has been classified as a contingent liability at 31 March 2010. In terms of Treasury Regulation 19.7.1, **samaf**, at the end of each financial year, needs to declare any surplus to National Treasury. National Treasury may apply such surplus to reduce any proposed allocation to the trading entity or require that all or part of it be deposited in the Exchequer bank account. Request has been submitted to National Treasury to retain the surplus for 2009/2010 and earlier financial years in order to fund the 2010/2011 budget as approved by the Accounting Authority.

list of acronyms

Acronym	Definition
the dti	Department of Trade and Industry
EDD	Economic Development Department
EXCO	Executive Committee
FI	Financial Intermediary
FSC	Financial Services Co-operatives
GFIA	Gobodo Forensic Investigation Accountants
MFI	Micro-finance Institution
PFMA	Public Finance Management Act
RRSS	Registration, Regulation, Supervision and Stabilisation
PAR	Portfolio at risk
samaf	South African Micro-finance Apex Fund
SMS	Senior Manager

samaf provincial contact details

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North West

Acting Provincial Manager: Mr Tefo Lekutle
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Mpumalanga

Provincial Manager: Mr Sabelo Mamba
Physical Address: 30 Brown Street,
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Eastern Cape

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Western Cape

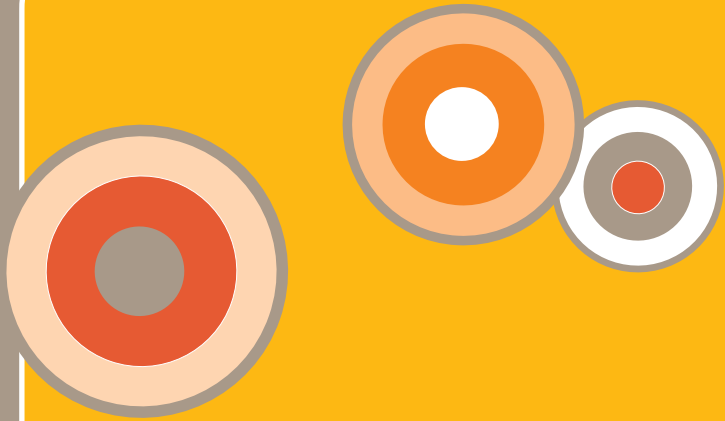
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