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2006 Annual Report

Umsobomvu Youth Fund

2006 Annual Report



unleashing the potential of youth



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Purpose-

UYF's purpose is to enable the implementation of effective youth development programmes and mainstreaming of youth development for young people to have sustainable livelihoods.

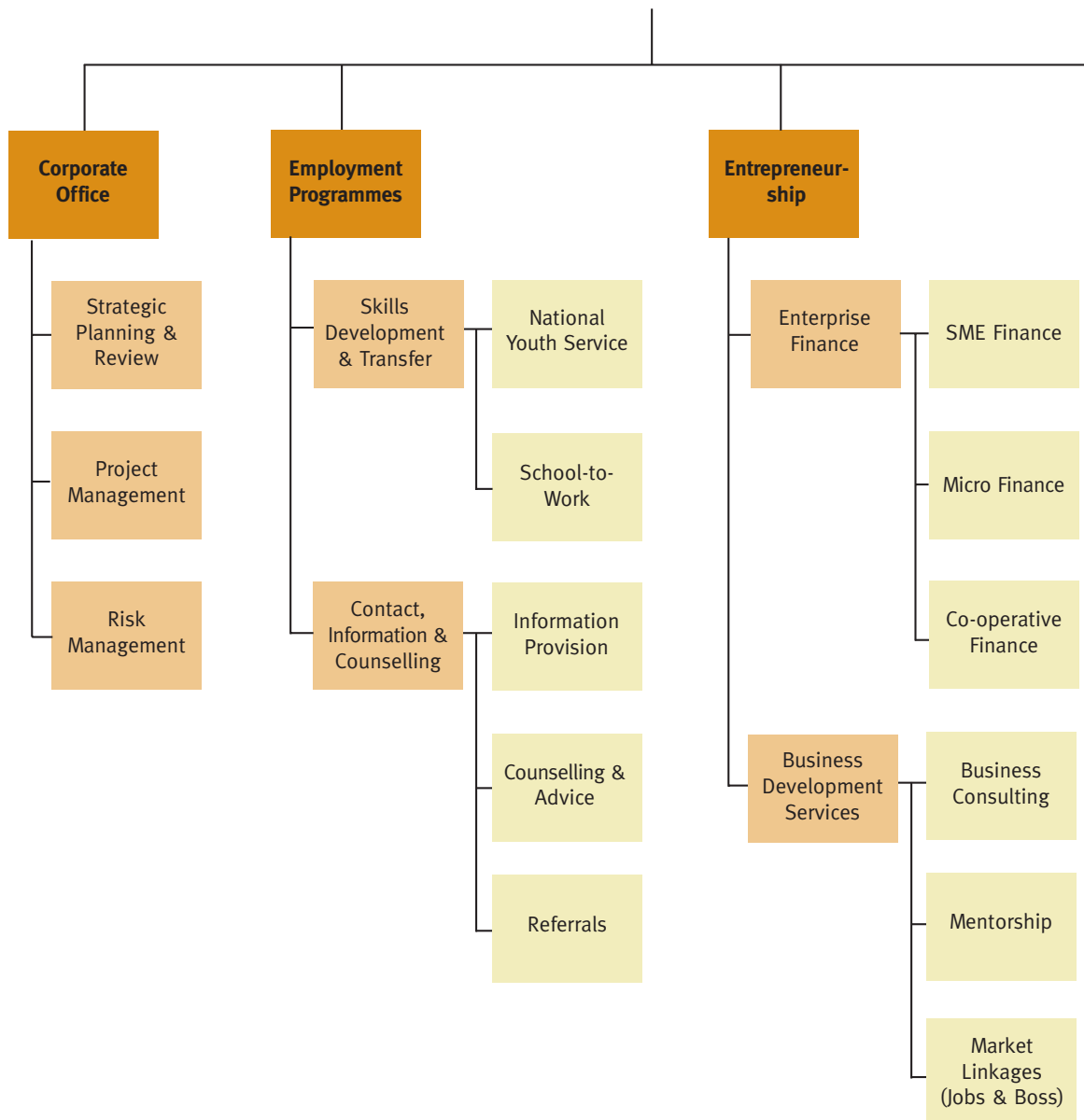
Vision-

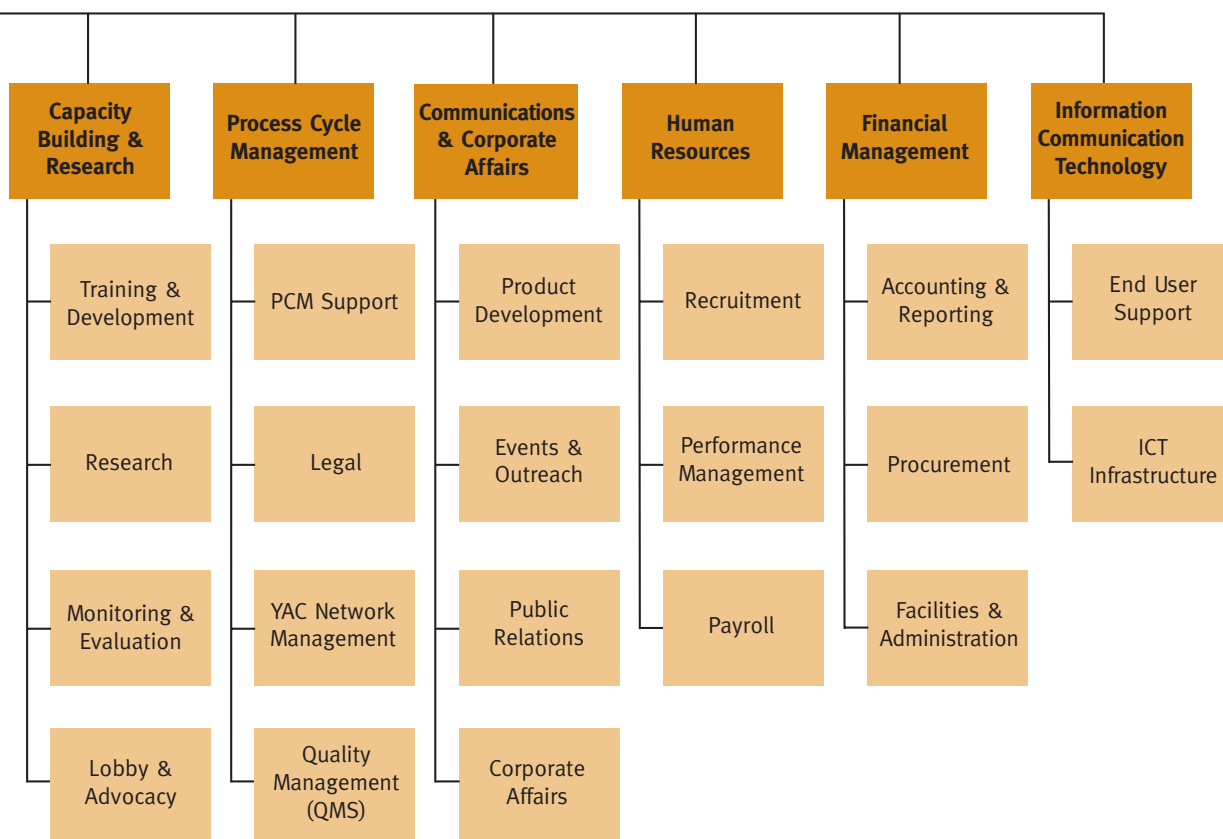
UYF's vision is to enhance the active participation of South African youth in the mainstream of the economy.

Mission-

UYF's mission is to facilitate and promote the creation of jobs and skills development for South Africa's young people.

Umsobomvu Youth Fund Chief Executive's Office





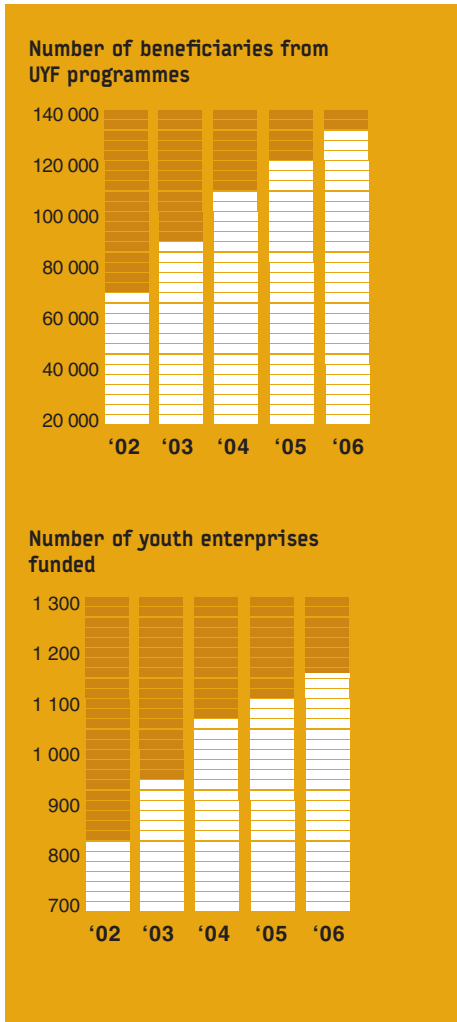
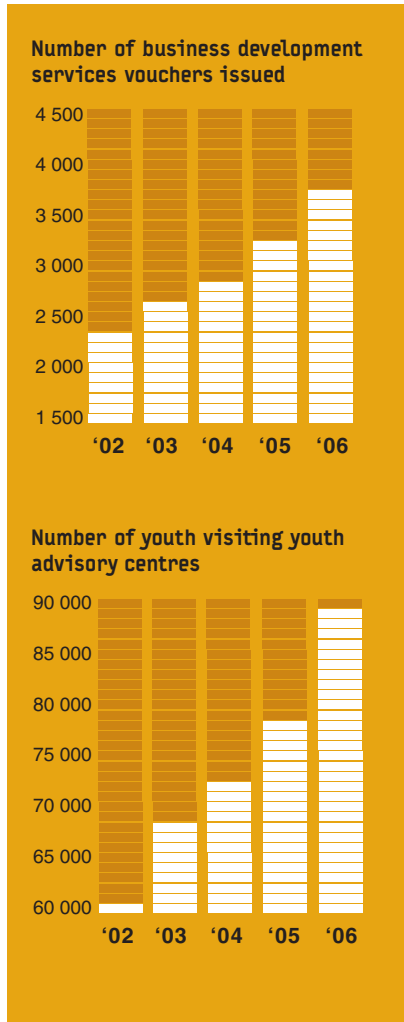
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Tshwane Youth Advisory Centre

**45 000 jobs
 created
 since
 inception**





Contact Information and Counselling (CIC) Programmes

CIC's vision is to provide access to information and support youth in making informed decisions about their employment, self-employment, skills development and sustainable livelihoods, through the following platforms/channels:

- Youth Advisory Centres (YACs), including YAC points and mobile YACs to provide access in rural areas;
- UYFs Call Centre – YouthConnect™
- Internet Portal – www.youthportal.org.za
- South African Youth Card – SAY™
- SAY™ magazine published quarterly in the *Sunday Times*.

Strategy	Impact or targets	Performance 2005/2006
Information content provision, development and management	Reaching young people: <ul style="list-style-type: none"> • YACs = 166 556 • YAC Mobiles = 75 000 (5 Mobiles) • YAC Points = 500 000 (100 YAC Points) • YouthConnect = 120 000 calls • YouthPortal = 1 440 000 hits • SAY = 65 000 members 	<ul style="list-style-type: none"> • YACs and YAC Points combined = 212 150 people serviced (variance due to YAC Points approval in March 2006) • YAC Mobiles/Outreach = 76 421 people serviced • YouthConnect = 57 276 calls • YouthPortal = 2 652 367 hits • SAY = 46 494 members
Capacity building of Infomediaries	<ul style="list-style-type: none"> • 4 interventions per group • 95% of attendance • 80%-90% pass rate (of which 50% had an excellent rate) • Annual reviews of competence • Five manuals 	All of the YAC, YAC Mobile, YAC Points and YouthConnect staff were trained. Attendance was at 100% with all undergoing training in the YAC model and approach, content, systems and customer service
Managing and leveraging existing channels	Generate R4,8m income	R88,4m co-funding of YACs and YAC Points
To lobby and advocate for the provision of information and support of youth	<ul style="list-style-type: none"> • SAIRN Entity registered with 8 co-founders 	Deferred and executed in 2006/2007
Developing new channels for information provision and support	Pilot of one Youth Channel and one SMS Channel	Deferred and executed in 2006/2007

Skills Development and Transfer (SD&T) Division

SD&T Division includes the **School-to-Work Unit** and the **National Youth Service Unit**. The vision for the Division is to facilitate access of unemployed youth to economic opportunities through SD&T Programmes in the sectors of economy that have the potential to absorb labour or to create self-employment opportunities.

Strategy	Impact or targets	Performance
Developing and implementing innovative skills development interventions that promote self-employment and formal employment in scarce skills areas (School-to-Work)	<ul style="list-style-type: none"> • 3 250 young people access the programmes and earned a livelihood 	2 889 young people access the programmes and earned a livelihood
Developing and implementing innovative skills development interventions that promote self-employment and formal employment where there is a service imperative (National Youth Service)	<ul style="list-style-type: none"> • 10 000 young people access the programmes and earned a livelihood 	5 944 young people access the programmes and earned a livelihood
Supporting the operations of the National Youth Service Unit	<ul style="list-style-type: none"> • 10 000 young people registered • 30 SPO have received UYF training 	<ul style="list-style-type: none"> • 13 087 youth registered and trained • 30 SPO's trained

Business Development Support (BDS) Programmes

BDS's vision is to develop and enhance a culture of entrepreneurship and creation of sustainable youth-owned enterprises, through two programmes – **Entrepreneurship Education** (programmes that target in-school youth) and the **Business Development Voucher Programme™** (BDVSP). The BDVSP is a world-first electronic voucher programme of its kind, providing business support services to young entrepreneurs through UYF-accredited service providers. The 2005/2006 year saw two new programmes introduced to the Youth Development Sector, the **Business Opportunities Services Support** (“BOSS”) programme and the **Youth Entrepreneurship 2010 Campaign**.

Strategy	Impact or targets	Performance
Entrepreneurship Education provides opportunities for youth to master competencies related to core entrepreneurial knowledge, skills, attitudes and practice thereby increasing entrepreneurial culture and contributing to economic development and sustainable communities.	<ul style="list-style-type: none"> • 500 delegates at Youth Conference • 1 000 business referrals to be made and 20 UYF entrepreneurs to be profiled and supported • 7 200 participated in entrepreneurship programmes • 360 trainers to be trained • 90 schools in six provinces • 360 learners at Biz camp • 123 teachers/facilitators to be trained • 1 100 businesses to be started • 1 650 jobs to be created • 1 100 successful referrals to be made to relevant business support programme • 5 NVCL colleges and 500 learners 	<ul style="list-style-type: none"> • 576 delegates attended the entrepreneurship conference • 1 100 young people participated in awareness workshops • 5 000 young people trained in entrepreneurship • 30 schools in three provinces were involved in the entrepreneurship education programme • 40 facilitators underwent a train-the-trainer course • 70 learners attended Biz camp • 123 teachers/facilitators were trained on the facilitation of entrepreneurship material • 3 FET colleges implemented NVCL with 69 learners participating
Business Development Support: Provision of business development services to potential and existing youth entrepreneurs for business creation, improvement and growth through the voucher system; facilitation of business opportunities and business mentorship	<ul style="list-style-type: none"> • 13 325 young entrepreneurs assisted – 11 800 voucher recipients – 200 BOSS clients – 1 235 Finance Mentorship clients • 1 235 jobs created through mentorship support • 230 businesses started 	<ul style="list-style-type: none"> • 5 608 voucher recipients • 4 069 enterprises started/assisted • 6 851 jobs created/sustained • R34m in loans accessed • R37,9m in tenders were awarded
Youth Entrepreneurship 2010 Campaign: A national collaborative effort of youth business organisations and other stakeholders to create awareness and increase the level of total entrepreneurship activity among South African youth by 2010.	<ul style="list-style-type: none"> • 36 entrepreneurial awareness workshops were conducted • 1 800 delegates participating in awareness workshops 	<ul style="list-style-type: none"> • 38 workshops were held • 5 910 delegates attended

Enterprise Finance Programmes

UYF's Enterprise Finance vision is to facilitate access to finance for young entrepreneurs in the SMME market.

Enterprise financing is executed directly to young, qualifying entrepreneurs through UYF's self-managed **General Fund**, or through intermediary funds such as:

- SME Financing with Business Partners (**Franchise Fund**) and First National Bank (**Progress Fund**);
- **Micro Finance Funds** with TNT, NICRO, Marang and SEF; and
- **Co-operative Funds** with Marang Financial Services, SACCOL, Land Bank and NCASA.

Strategy	Impact or targets	Performance
To deliver finance to SMEs in an integrated manner	<ul style="list-style-type: none"> • 100 SMEs funded • 1 300 jobs created • 33% represented by women • 200 youth entrepreneurs • Coverage: GP 43%; WC 23%; KZN 23%; Others 11% 	<ul style="list-style-type: none"> • 100 SMEs funded • 1 189 jobs created • 26,32% (weighted average) women representation • 128 youth entrepreneurs • Coverage: GP 59%; WC 9%; KZN 28%; Others 4%
To streamline and institutionalise Micro Finance Enterprises with a best practice model	<ul style="list-style-type: none"> • 2 SPs using Micro Finance Model • 3 SPs reaching 2 000 micro entrepreneurs • 3 500 jobs created 	<ul style="list-style-type: none"> • 4 Micro Finance SPs • 6 498 entrepreneurs funded • 8 145 jobs created • In excess of 90% women representation
To develop efficient and effective youth co-operatives capable of enhancing the mainstreaming of youth into the overall economy	<ul style="list-style-type: none"> • 75 youth accessing financing through SACCOS • 12 SACCOS established • 3 partnership agreements with DFIs • 100 youth receiving co-op support • 649 beneficiaries trained • 10 youth agricultural co-ops 	<ul style="list-style-type: none"> • 15 SACCOS supported • 136 youth accessing financing • 2 partnerships agreements with DFI's and 1 with a province

Leveraging

Division	Targets	Performance
Contact Information and Counselling	<ul style="list-style-type: none"> • Discounters and Sponsors • Co-funding of YACs 	<ul style="list-style-type: none"> • Value from SAY card discounters and sponsors cannot be ascertained • R88,4m co-funding of YACs and YAC Points
Skills Development and Transfer	<ul style="list-style-type: none"> • R50m from partners 	<ul style="list-style-type: none"> • Plus R50m
Business Development Services	<ul style="list-style-type: none"> • R6,9m from partners 	<ul style="list-style-type: none"> • R6,5m
Enterprise Finance	<ul style="list-style-type: none"> • R383m from partners 	<ul style="list-style-type: none"> • R261m

board of directors



We subscribe to a philosophy of transparency, accountability, integrity, excellence and innovation in all our business dealings.

Adv Richard Moloko

Chairperson of the Board of Directors

Chairperson and CEO of Akani Leisure Investments (Pty) Ltd, and a shareholder in Gold Reef City Casino. From 1992 to 1995 he practised as an advocate in Johannesburg and was a member of the Society of Advocates (Witwatersrand Local Division) popularly known as the Johannesburg Bar. Adv Moloko has chaired as well as being a member of a variety of inquiries and commissions, the most prominent example being the Motsuenyane Commission. He has a Bachelor of Procureas degree from the University of the North and an LLM in International Law from Harvard University.

Malose Kekana

Chief Executive Officer

Malose Kekana has worked for Standard Bank (Credit) as well as Rand Merchant Bank (Private Equity). He founded Prodigy Capital, a private equity fund and MEEG Bank Holding. He currently serves as a Council Member of the University of Limpopo, as a Member of the Council for the Support of National Defence and as Deputy Chairman of the Black Management Forum Investment (BMFI), an investment company of the Black Management Forum. He has a Bachelor of Commerce from the University of the Witwatersrand and studied for an Honours degree in Finance with the University of South Africa.

Kgomoco Diseko

Non-executive Director

Kgomoco Diseko is Grants Manager (Chemical Industries Education and Training Authority). He served the South African Students' Congress in various capacities since 1993 and was elected Deputy President in 1996. He is a founding member of the South African Youth Council, National Secretary of the South African Youth Council and during his tenure as such, led a youth delegation to the 1998 Presidential Jobs Summit which gave birth to the Umsobomvu Youth Fund. His current project is completion of the research component of his Master's degree in Management with the University of the Witwatersrand.

Willie Madisha

Non-executive Director

Willie Madisha is the President of Congress of South African Trade Unions. He qualified as a teacher at the Transvaal College of Education in Soshanguve – Pretoria North and taught in the Northern Province district of Zebediela. His previous leadership positions include being the Chair of the ANC, after its unbanning, in the Zebediela area, Lebowakgomo Branch Secretary of the SACP, member of the Provincial Executive Committee of the SACP in the



From left to right:

Jeffrey du Preez
(Non-executive Director)
Dumo Motau
(Non-executive Director)
Adv Richard Moloko
(Chairperson)
Malose Kekana
(Chief Executive Officer)
Maphomolo Tsiki
(Non-executive Director)
Kgomoco Diseko
(Non-executive Director)

Inset:

Dr Sean Phillips
(Non-executive Director)
Vuyiswa Tulelo
(Non-executive Director)
Willie Madisha
(Non-executive Director)

Northern Province and Chairperson of the Northern Transvaal Teachers' Union (the forerunner to SADTU) in Zebediela. He joined SADTU at its inception and was elected SADTU Deputy President in 1995, rising to the position of President in 1996. He was re-elected to the position in 2002.

Dumo Motau

Non-executive Director

Dumo Motau is Director of Credit Risk in the National Treasury responsible for the development and maintenance of credit risk policy and procedure manuals; developing and reviewing an enterprise-wide risk management framework; evaluation of government guarantees; and advising on risk management strategies. Her previous experience includes credit rating of banks at the company Fitch Ratings and working as an analyst at both the Reserve Bank and the Development Bank of Southern Africa. She has a Bachelor of Commerce degree from the University of South Africa.

Dr Sean Phillips

Non-executive Director

Dr Sean Phillips is the Chief Operations Officer in the National Department of Public Works. He has been involved in Community Public Works Programmes and Labour Intensive Construction Programmes since 1993 including at provincial levels. He has a Doctorate in Civil Engineering and Master's degrees in Project Management and Public Management.

Jeffrey du Preez

Non-executive Director

Jeffrey du Preez is the Chief Director of the Skills Development Funding in the Department of Labour. He was previously involved with export credit reinsurance with the Department of Trade and Industry and was Senior Deputy Chief Education Specialist for Arts, Culture, Sport and Youth Affairs in the Department of Education, Culture and Sport (Eastern Cape). He has a Bachelor of Commerce degree and a Higher Diploma in Education from the University of the Western Cape.

Maphomolo Tsiki

Non-executive Director

Maphomolo Tsiki is the Chief Executive Officer of Technology for Women in Business (TWIB) which is the Department of Trade and Industry (the dti) initiative. It is implemented in partnership with the Council for Scientific and Industrial Research (CSIR). Her current responsibilities focus on accelerating the empowerment of women and the development of women-owned enterprises through technology. Prior to joining TWIB, she served

in the dti in different capacities, mainly as Chief Director Investment Services and Incentives Administration. Maphomolo has a background in pharmacy and has served the pharmaceutical sector for 17 years. She holds a Bachelor of Science degree from the National University of Lesotho, a Bachelor of Pharmacy from the University of Nairobi, a Master of Science degree in Pharmaceutical Technology (Cum Laude) from Kings College in London and a Postgraduate Certificate in Financial Health Management (Cum Laude) from Potchefstroom University for Christian Higher Education. She serves in an advisory capacity in various organisations.

Vuyiswa Tulelo

Non-executive Director

Vuyiswa Tulelo is a Commissioner in the National Youth Commission. She has served as the Deputy Secretary General of the ANC Youth League from 2001 to date. While she was a student, she served as part of the leadership of the South African Students' Congress. She holds a Bachelor of Arts degree in Politics from the University of the Witwatersrand.

Vishwapre Suparsad

Sadly, UYF lost one of its key Board Members, Mr Vishwapre Suparsad, during the year.

executive committee



The Executive Committee (EXCOM) of UYF is led by the Chief Executive Officer, Mr Malose Kekana. Each member of EXCOM possesses the necessary qualifications, skills and expertise to head his/her respective Division.

EXCOM meets formally once a month to discuss and make strategic decisions that steer the Fund to the fulfilment of its mandate. UYF Executive Committee is currently constituted as follows:

Jennifer Law

Chief Financial Officer

Jennifer Law is a qualified Chartered Accountant, and has worked in the development finance sector since 2000, including the National Housing Finance Corporation as the CFO. Prior to joining the public sector, she held the position of Finance Director at Alexander Forbes; being appointed the youngest Executive Director in the Adcorp Holdings Group; as well as having been an entrepreneur owning small businesses.

Jennifer supports the CEO and EXCOM in strategic matters, and leads the Financial Management and ICT teams. Her academic qualifications include a Master's in Public Finance and a postgraduate degree in Corporate Governance.

Lucy Hlubi

Acting Divisional Director: Skills Development and Transfer

Lucy Hlubi joined UYF in November 2003 as Programme Manager, School-to-Work, managing a portfolio of over R100 million per annum. Her work experience includes working at the National Business Initiative's Colleges Collaboration Fund as a Project Manager, as part of the team that supported the DoE in the reconfiguration and capacitating of the FETC landscape; and also at Youth Development Trust as a Programme Co-ordinator which included projects such as the Nokia Leadership Development Programme and other skills programmes implemented by FETCs. She holds a Bachelor of Arts degree from the University of the Witwatersrand, and is currently finalising a Master's in Business Administration (MBA) with Milpark Business School.

Ncedi Hluyo

Divisional Director: Capacity Building and Research

Ncedi Hluyo holds a BA Honours degree in Industrial Social Work Specialisation from the University of the Witwatersrand, and is a trained and experienced social worker and education and training development practitioner. She worked for the then Anglo Alpha Ltd as an Employee Wellness Manager for 5 years and as a social worker for the Association for the Physically Disabled for over 2 years. In 1994, Ncedi became involved in training at Primeserv, and was later appointed as a Manager of the Siyakhula Trust founded by Primeserv. In June 2002 she joined the UYF as the Capacity Building Manager and was promoted a year later to Divisional Director.

Nombini Mehlomakulu

Divisional Director: Communications

Nombini Mehlomakulu completed her BA Honours degree at Natal University. She further completed the Management Advancement Programme with the Wits Business School and obtained her CPFA at the Wits Business School. Nombini has over nine years of experience in advertising and corporate relations. Previously she was heading up Investor Relations at Sage Group. Before that she was a Director: Corporate Affairs for the Women's Investment Portfolio Holding (WIPHOLD). Career highlights include: advising Government on the Telkom IPO and the listing of Telkom on the JSE and the New York Stock Exchange, and a capital raising exercise for the Sage Group. Nombini has prior experience in the

From left to right:

Jennifer Law (Chief Financial Officer)
Ncedi Hluyo (Divisional Director)
Godfrey Montshioagae (Divisional Director)
Nombini Mehloakulu (Divisional Director)
Roy Rajdhar (Divisional Director)

From left to right:

Lucy Hlubi (Acting Divisional Director)
Mbongeni Mtshali (Divisional Director)
Mzwabantu Ntlangeni (Divisional Director)
Derek Smith (Divisional Director)
Busani Ngcaweni* (Divisional Director)

*Picture not shown

advertising industry with a client list that included Coca Cola, SASOL, Kellogg's, Metro FM, Hollard Insurance, SAS Institute and the Department of Public Works.

Godfrey Montshioagae

Divisional Director: Human Resources

Godfrey Mothupi Montshioagae (Stukkies) completed a BA Ed degree through the University of the Witwatersrand and was recruited by Commercial Union Insurance Company (CU) where he was exposed to the Company Secretary and Human Resources Divisions. He worked for CU Insurance for eight years where he gained a solid human resources foundation. From CU Insurance Stukkies joined Deloitte & Touche Human Capital as a remuneration consultant and was later part of the team that formed an outsourcing division. He joined Unison Consulting (Human Resources Outsourcing) that was the consulting wing of MX Health Group for three years and joined Mogale Solution Providers (MSP) for a year and half before joining UYF in May 2005.

Mbongeni Mtshali

Divisional Director: Business Development Support Services

Mbongeni Mtshali is a small business sector practitioner with 15 years' experience in programme design, implementation and evaluation. Mtshali's professional experience within the small enterprise development sector is wide and varied covering programme implementation, management and policy development. Mtshali has previously worked for Ntsika Enterprise Promotion Agency which has recently been merged into Small Enterprise Development Agency. He is Director for Business Development Services at Umsobomvu Youth Fund. Mtshali's professional highlights include secondment to the IEC during South Africa's first democratic elections, launching a first business voucher scheme in South Africa and being project leader for the team that planned and established Umsobomvu Youth Fund's first UYF-operated YAC. Mtshali holds a Bachelor of Law degree.

Busani Ngcaweni

Divisional Director: Skills Development and Transfer

Busani Ngcaweni is currently seconded to the Office of the Presidency responsible for Youth Affairs. He has been with UYF since June 2002. His experience includes management

of skills development programmes at UYF; research, content development and script writing on projects like Khomanani, Constitution Hill and the SABC youth series "Gaz'lam"; and project management of the development, implementation and management of the Nokia-funded Graduate Development Programme. Busani holds a BPead and BEd (UDW), an MSc in Urban and Regional Planning (Natal), and an Advanced Project Management Programme Diploma (Unisa SBL).

Mzwabantu Ntlangeni

Divisional Director: Process Cycle Management

Mzwabantu Ntlangeni previously worked for the National Development Agency as a Programme Manager. He was involved with the Transitional Funding Institution before the formation of the National Development Agency where he held various positions including General Manager. He holds a Bachelor of Commerce degree from Rhodes University.

Roy Rajdhar

Divisional Director: Enterprise Finance

Roy Rajdhar has 20 years' working experience. He started his career by serving articles of clerkship in Fisher Hoffman. After completion of his articles in 1990 he joined Philips (South Africa), as Group Financial Accountant. Since 1994 he has been involved in developmental finance – main focus area being SME financing. He worked for the International Finance Corporation, the investment banking arm of the World Bank Group before joining Umsobomvu Youth Fund (UYF) in 2003.

Derek Smith

Divisional Director: Contact Information and Counselling

Derek Smith has been with the Fund since August 2002 and joined as a Programme Manager in the Contact Information and Counselling Division. He is currently the Director of the CIC Division. He completed his high school education at the Eldorado Park Senior Secondary School in Gauteng before studying in the USA towards a BA degree in Development Economics. He returned to South Africa in 1993 and has since worked in the youth development sector in various institutions and capacities. He has over 15 years' experience in the design, development and implementation of youth development programmes including skills development, business development and information-based programmes.

chairman's report



Adv Richard Moloko
Chairman of the Board of Directors



Accessing information through the Youth Portal

The past five years was marked by key milestones in the history of South Africa. The country is moving forward with a positive attitude and dignity as we seek to build a new society based on the noble principles of equality, dignity and democracy. The consolidation of democracy was marked by the second democratic elections with President Thabo Mbeki elected in his second term. The increased participation in the elections by youth confirmed that the future of the country is in good hands.

Government has been successful in ensuring macro-economic stability, improving trade regime and taking advantage of the country's natural resources, financial and physical infrastructure. There is an acknowledgement of the limited contribution of the SMME sector to the Gross Domestic Product and this is a clarion call to action for increased participation and support of black people in the formal economy.

Umsobomvu Youth Fund is celebrating five years of existence. It is an organisation that has captured the imagination of South African youth as a development agency that assists Government to deliver on youth development.

When Umsobomvu was launched, it focused on building sound systems and policies for delivery purposes. The management team, with the support of the Board, has ensured that the organisation is built on sound corporate governance principles.

The operational highlights of the past five years include:

- The establishment of 118 Youth Advisory Centres (YACs) offering information and support to thousands of young people throughout the country.
- To date, over 174 000 young people have called youthconnect to access information in a personal and interactive manner.
- Since the launch of the youthportal (website) in May 2004, 4 079 332 young people have visited the site.
- 45 000 jobs created since inception.
- Since the inception of the Enterprise Finance Unit in 2003, 8 800 businesses have been financed.
- UYF allocated R340 million for on-lending purposes and leveraged an additional R270 million from third parties.
- Through Business Development Support programmes, UYF has assisted young South Africans through the following interventions:
 - Issued Business Development Support Vouchers to 11 000 youth
 - Assisted 9 515 young people with business support and mentorship
 - Helped young people secure tenders to the value of R82 456 588
 - Facilitated the establishment of 4 192 youth-owned small enterprises
 - Helped young people raise capital to the value of R95 207 823 from financial intermediaries for business start-up and expansion
- Through Skills Development and Training interventions:
 - National Youth Service (NYS)
 - * Out of the 31 registered projects, 16 projects were funded by the UYF to the total value of R97 422 769.
 - * 13 087 young people have served in NYS to acquire accredited skills in construction, health environment and social development, and received certificates ranging from NQF Level 2 to Level 4.
 - * Resources leveraged to implement NYS projects run over R150 million.
 - * 90% of youth who have completed NYS have accessed livelihood opportunities.



Tshwane Youth Advisory Centre

- School-to-Work (STW)
 - * 5 944 young people have served in STW projects through skills programmes, internships and learnership projects.
 - * 90% of youth have completed STW programmes with 79% accessing livelihood opportunities.
 - * Resources leveraged to implement STW programmes run over R50 million.
- Entrepreneurship Education
 - * 576 delegates attended a Youth Conference.
 - * 1 000 business referrals were made and 20 UYF entrepreneurs were profiled and supported; 1 100 businesses were started; 1 650 jobs were created; and 1 100 successful referrals were made to the relevant business support programme.
 - * 5 000 participated in entrepreneurship programmes.
 - * 30 schools participated in three provinces.
 - * 70 learners attended a Biz camp.
 - * 123 teachers/facilitators were trained.
 - * 3 NVCL colleges participated and 69 learners were trained.

With regard to skills development, employers have cited a shortage of semi-skilled and skilled workers in fields like engineering, finance, accounting, IT and construction. There is a large number of unskilled workers who are unemployed and there is a need to retrain and focus the youth in these scarce skills courses.

As we are in the age of hope, it is important to consolidate our gains as we pursue our goal of making our country one of the best places in the world to live in.

Umsobomvu Youth Fund commissioned research on the status of youth in South Africa. The results of the research have posed key challenges that will shape our actions in the next five years.

Unemployment is a key factor that we need to address urgently but it calls on different stakeholders, including the private sector and Government, to address this challenge. Our adoption of Government's ASGISA and JIPSA programmes guides our activities to be in line with government priorities.

As Chairman of the Board of Directors of Umsobomvu Youth Fund, I would like to thank our political principals for the support and guidance they have afforded us as the Board. I would like to express my gratitude to my fellow Board members for the insight and compassion they have shown in dealing with youth unemployment and to the staff at Umsobomvu Youth Fund, I would like to say, your commitment is unparalleled and your interventions are helping to reverse the curse of apartheid.

Adv Richard Moloko
Chairman of the Board of Directors



“Our three key strategic objectives that guide our work are **effectiveness** (*doing things that work and work well*), **integration** (*ensuring partnerships for development and co-operation amongst our different programmes*) and **scale** (*ensuring access to a greater number of beneficiaries*).”

We are delighted that UYF is doing well on all three of these strategic objectives.

Malose Kekane
Chief Executive Officer

This financial year-end marks the 5th anniversary of Umsobomvu Youth Fund (UYF). During the last five years, the UYF established a solid foundation which can be taken to scale. The highlights from an institutional perspective in relation to building an effective organisation are the following:

- A clear strategic framework based on UYF's mandate and other Government priorities and strategies has been developed and reviewed annually;
- Programme models have been designed which are scalable based on clear programme inputs and outputs;
- Policies and procedures as well as accompanying processes and systems have been developed. In this regard, UYF is in the final stages of undergoing accreditation for ISO 9000:2000 which will confirm that these platforms are world class;
- Human resource capacity has been established consisting of committed men and women who share the vision of the UYF;
- A network of Youth Advisory Centres (YACs) and one managed by UYF have been established which ensure access to youth nationwide; and
- A strong brand has been created which is recognised by many South Africans.

We therefore believe that the Government of South Africa has through its investment in youth not only made significant progress towards achieving its constitutional mandate of a better life for all, but has in the process also built a strong institutional base which should be used to increase the scale of youth development interventions.

The UYF approach to Youth Development

UYF has adopted a *customer-focused and opportunity-driven approach* to developing young people. What this means is that UYF provides products and services that are informed by the need to enable young people to access sustainable livelihood opportunities.

Target market and stages of development

There are broadly three cohorts of young people based on their stages of development:

- **Category 1** – Unskilled and unemployed. These are largely young people who may have Matric or have dropped out of school but possess no vocational skills;
- **Category 2** – Skilled and unemployed; employed but unskilled; and those in skills programmes; and
- **Category 3** – Skilled and employed and those in self-employment.

The number of youth in each category decreases from category 1 to 3 based on the Labour Force Survey and the UYF Status of the Youth Report. More than 50% of the economically active youth population is unemployed and most of these are unskilled.

The interventions

To move young people from category 1 (unskilled and unemployed) to a stage where they can access sustainable livelihoods, UYF has developed certain forms of interventions which inform its products and services.

- **Identification of opportunities** – The UYF utilises the Youth in Local Economic Development (Youth in LED™) programme or the Business Opportunity Support Service (BOSS) to identify specific opportunities in the public and private sector. These can be employment or procurement opportunities for youth-owned Small,



Shaft 17 National Youth Service Programme

Medium and Micro Enterprises (SMME) and co-operatives. The Research Unit is also able to access information on trends and prospects for employment from various sources.

- *Provide training* – The one predominant factor that hinders young people from accessing opportunities is often the lack of skills and experience. UYF provides different training programmes that focus on developing vocational, life and entrepreneurship skills as well as work experience to enhance youth employability or entrepreneurship potential.
- *Link to employment or provide business support to pursue self-employment* – UYF has developed job preparation and job linking services to enhance employability and support placement. For young entrepreneurs, UYF provides business support services and support to access procurement opportunities. These employment and procurement opportunities, where possible, should not be an afterthought but should represent linkage to opportunities identified earlier as per the first step above (identification of opportunities).
- *Provide access to finance* – This is aimed mostly at young entrepreneurs who require funding to start or sustain their businesses/co-operatives.

The degree of intervention required by a young person depends on where they are at in terms of their stage of development. Youth in category 1 require all four interventions whilst youth in category 2 may require fewer and even less so for those in category 3. The type of intervention will also differ according to the stage of development of the young person. Youth in category 1 require more foundation/core skills, largely technical, and life skills whilst young people in category 2 may require job preparation and linking as well as support to pursue self-employment should that be a preferred option. Youth in category 2 may also possess skills which do not fulfil the requirements of the labour market in which case they may still require core (technical) skills. Youth in category 3 may require support to start or to sustain and grow their own enterprises but this does not rule out the need to pursue further training.

Products and services

The products and services for the benefit of young people in the three categories can be and are offered in an integrated fashion.

- *Skills Development and Training* – UYF training programmes have a bias towards preparing young people to access jobs and support to start and manage their enterprises. Whilst UYF still offers programmes to develop technical skills, the bias is towards those that link youth to opportunities.
- The skills programmes are as follows:
 - Graduate Development Programme
 - Co-operatives Training
 - Entrepreneurship Education
 - Supplier Development Training
 - Technical Skills Training (School-to-Work)
- National Youth Service Programme – The youth service programme affords young people the opportunity to acquire skills whilst they serve their communities.
- Job Opportunities Seekers Database (“Graduate Database”) – Aimed at linking unemployed graduates to job opportunities.

chief executive's report

- Youth Entrepreneurship – Business Development Support – BDS is aimed at providing non-financial business support to young entrepreneurs and enterprises. The interventions are as follows:
 - Business Consulting Service (Business Development Support Voucher Programme)
 - Business Opportunity Support Service
 - Volunteer Mentorship
- Youth Entrepreneurship – Enterprise Finance – Provides access to finance by lending and investing in youth-owned enterprises. The following finance options are available:
 - Micro Loans – up to R50 000
 - Small Loans –R50 001 up to R500 000
 - Medium Loans R500 001 to R5 million
- Information and Counselling – UYF provides young people with information through the service delivery channel it has developed. The information is in relation to career development, employment, entrepreneurship, citizenship, health and well-being.

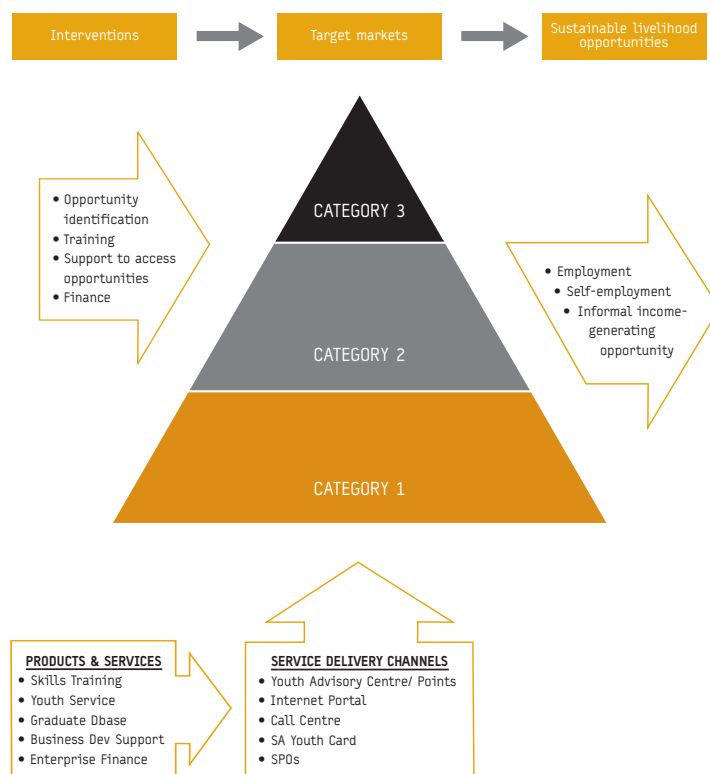
Service delivery channels for products and services

- The UYF has developed the following delivery channels for its products and services through which young people can access them:
- Youth Advisory Centres and Points
 - Internet Portal (YouthPortal)
 - Call Centre (YouthConnect)
 - SA Youth Card
 - UYF Youth Magazine
 - Independent Service Provider Organisations (SPOs)

Sustainable livelihood opportunities

- Once young people have accessed the interventions through the various products and services, they can attain sustainable livelihoods. Sustainable livelihood opportunities can be represented by one of the following opportunities:
- A full-time or part-time job in the labour market
 - Self-employment through a business or co-operative created; and
 - An informal income-generating opportunity.

UYF approach



Therefore UYF's approach to youth development is to provide key interventions through its products and services delivered using various delivery channels in order for the youth to acquire sustainable livelihood opportunities.

Key developments for the year ahead

UYF's priorities for the year ahead are the following:

- To increase its resources through the recapitalisation programme under way and to ensure it continues to play a meaningful role in the Accelerated Shared Growth Initiative of South Africa;
- To increase access to its products and services to the South African youth and thus take its programmes to scale;
- To undergo the ISO 9000:2000 accreditation;
- To continue to increase partnerships with local municipalities, Provincial and National Government departments, parastatals, SETAs and private companies to leverage resources for youth development;
- To work with the Presidency and the National Youth Commission to increase the scale of the National Youth Service Programme; and
- To ensure the success of new products and services which were introduced in the year under review.

Mr Malose Kekana
Chief Executive Officer



We believe in
empowering people,
building relationships
and improving lives.

Umsobomvu Youth Fund, as mandated by Government to mainstream young South Africans into the economy, provides young people with information and counselling to afford them better decision-making abilities in acquiring skills and/or support for self-employment with the objective of enhanced employability.

Contact Information and Counselling (CIC)

CIC provides information and counselling to youth regarding career opportunities, entrepreneurship, education and training, citizenship and health/well-being; as well as other youth-related programmes and services.

The UYF uses communication channels that exist within the Contact, Information and Counselling (CIC) Business Unit to create access to information and opportunities for youth. These channels are:

- Its Youth Advisory Centres, also known as YACs, which include Mobile Youth Advisory Centres;
- A Call Centre (YouthConnect) which can be reached via 08600 YOUTH (96884);
- An Internet Portal which can be accessed via www.youthportal.org.za;
- SAY, the South African Youth Card, a card-based loyalty programme that provides UYF with a database of young people to market its products and services to; and
- An extensive Outreach Programme that is designed to create awareness and publicity around UYF programmes and services, and also to facilitate access to information, support services and UYF programmes.

Youth Advisory Centres (YACs)

There are currently eight fully-fledged YACs (including the UYF-run Tshwane YAC) and 110 YAC Centre Points (including one based at the UYF head office) offering information and support to thousands of young people around the country. Well-trained personnel called Infomediaries provide information, support, training and referral services to young people.

Umsobomvu's existing YACs have attracted more than 212 150 young visitors in the last year and 361 106 people since inception. Ninety-three sites have been introduced through Local Government municipalities and Further Education and Training Colleges (FETCs) across all provinces.



The centres also provide outreach services to communities that are unable to access them by taking career, skills development and entrepreneurial-related information to communities in need through the mobile YACs. The Outreach service has managed to reach 76 421 people in the last year and 90 273 people to date.

UYF started collaborating with the Department of Labour regarding the use of labour centres as Youth Advisory Centres. The requirement was that the sites identified should have a rural and an urban mix and be on a national scale. Three pilot sites will be rolled out in Gauteng and then to the remaining provinces.

The Government Communications and Information System (GCIS) has also partnered with the UYF to launch YACs at all its Multi-purpose Community Centres. More counselling and information walk-in centres will be initiated with additional partners such as Local Government, community structures and youth development organisations.

Call Centre (YouthConnect 08600 YOUTH (96884))

The Call Centre called YouthConnect offers an array of services to young people who make enquiries on the activities of UYF. Young people can call youthconnect to access information in a personal and interactive manner. In the last year the call centre has fielded 57 276 calls. To date 174 737 calls have been answered through this dynamic service.

Internet Portal (youthportal.org.za)

The Umsobomvu Internet Portal allows users to access UYF programmes and services via the Internet. Access for those without connectivity at home or at school is made possible through computers available in YACs, UYF partners and other Government agencies.

The Internet Portal has a comprehensive database covering skills providers, entrepreneurship programmes, potential employers, career guidance and even other issues pertaining to the youth.

In 2005/6, 2 652 367 hits were registered on the site, bringing the total since launch in May 2004 to 4 079 332 hits.

South African Youth Card (SAY)

The South African Youth Card (SAY) offers discounts on products and services to all of SA's youth between the ages of 14 and 28 years. It also disseminates information on education and training, employment, entrepreneurship, citizenship, health and well-being and other youth-related matters through its bi-monthly magazine, SAY.

SAY is a product of UYF, in partnership with the South African Post Office, the Government Communication and Information System (GCIS), Johnnic Communications Media Ltd and other important partners.



The SAY database currently has 46 494 members.

Strategic partnerships established

The CIC Division has engaged with a number of strategic partners who have assisted it to achieve its strategic objectives. The table below provides a summary of the key partners and their role and/or contributions to date.

Partners	Collaboration
Mindset	<ul style="list-style-type: none"> • Mindset activated two streams of portal content (on employment and self-employment). These are being installed in YACs for use by the youth. The idea behind this was to take static content and to create interactive multimedia products on finding work and starting a business. • CIC is currently working on launching a livelihoods channel with Mindset. This will give us the opportunity to make use of their massive platform: reach, an extensive database of content, content development expertise, access to their and partners' sites for deployment of content.
Department of Labour	<ul style="list-style-type: none"> • Training on UYF products and services • Content provision
Department of Communications	<ul style="list-style-type: none"> • Translation of Portal content into official languages
National Students Financial Scheme	<ul style="list-style-type: none"> • Placement of inserts on Job Opportunities and Seekers Database (JOBS) (recruiting Aid unemployed graduates) • Procurement and use of key database information for JOBS (recruiting unemployed graduates)
Department of Education Government Communication and Information System (GCIS) Government Multi-purpose Community Centres The South African Post Office	<ul style="list-style-type: none"> • Information provision to young people • Information content sharing and development • Sharing of infrastructure and other resources



Companies pledging to utilise the JOBS Database at the launch

Business Development Services

Business Development Services Voucher Programme

The Business Development Services Voucher Programme (BDSVP) is a flagship business development service aimed at assisting young entrepreneurs to access quality business services thereby enhancing their participation in the mainstream of the economy. The overall BDSVP objective is to enable potential and existing entrepreneurs to acquire innovative business development services through the use of vouchers for business creation, improvement and sustainability. Young people are vetted by business development officers then assisted with vouchers which they use to pay for services provided by a network of accredited service providers. The services include business planning, tender advice, marketing support etc.

In the period under review the programme assisted about 5 600 young people nationally and led to the creation or sustenance of 6 500 jobs. The table below provides additional impact data:

Total beneficiaries	5 608
Jobs created	6 851
Businesses established	4 069
Young women	2 198
Rural entrepreneurs assisted	1 389
Young people with disability	76
Capital raised	R77 853 912
Tenders secured	R64 580 087

Business Opportunities Support Service

The Business Opportunities Support Service (BOSS) is an Umsobomvu Youth Fund initiative aimed at assisting youth entrepreneurs to access identified business opportunities through technical assistance, mentorship and funding; thereby increasing the participation of young people in the country's mainstream economy and also advancing the Government's objective of broadening economic empowerment among the historically disadvantaged individuals. The implementation of the programme is characterised by the continuous pursuance of market opportunities for the youth-owned enterprises and the linkage of such companies to those identified opportunities. Since the establishment of BOSS in mid-2005 about 1 700 retail and vending opportunities have been sourced for young people.

Job Opportunities and Seekers Database

The Job Opportunities and Seekers Database (JOBS) is aimed at linking job seekers to employment opportunities in both private and public sectors. Employers can be linked to youth from the database at no charge. The JOBS service provides full recruitment and placement services to prospective employers i.e. matching, screening, linking functions.

The highlight of the programme for the year under review was the luncheon meeting hosted by the Deputy President of the Republic, Ms Phumzile Mlambo-Ngcuka, graced by President Thabo Mbeki, with government departments, state-owned entities and private sector companies at the presidential guesthouse in December 2005. Many companies and state entities that were present at the meeting made a public pledge to utilise the JOBS service for their recruitment needs. Since its implementation in 2005, JOBS has placed almost 500 young people in jobs, learnerships and internships.

Enterprise Finance

The Enterprise Finance Unit provides finance to small, micro and medium-sized businesses which confer significant economic benefits to youth. This benefit may be in the form of active ownership and management of a business and employment of young people.

During the year under review, the Enterprise Finance Unit, together with its banking partners, approved about R150 million in funding to over 6 600 enterprises. This brings the total amount approved since the inception of the Unit in 2003 to about R250 million. More than 90% of those who received loans were women.

One of the Fund's strategies is to deliver its products and services by entering into partnerships with other institutions. The Fund has existing SME partnerships with First National Bank Limited (FNB) (R320 million SME development capital fund) and Business Partners (R125 million franchise fund). These funds are managed by FNB and Business Partners respectively and are accessible throughout the country. The partnership with FNB was piloted in 2003 with a capital contribution by FNB of R20 million. As a result of its success, with effect from 1 April 2005, FNB increased its commitment to R240 million.

During the year under review, the Fund has reached agreement for the delivery of its products to small businesses with Free State Development Corporation and Limpopo Development Corporation. In addition, it entered into a partnership with ABSA Bank Limited and Northern Cape Provincial Government for the establishment of a R15 million fund, which will provide loans to small and micro enterprises which are owned and managed by youth.

In December 2003 the Fund entered into a partnership with Marang Financial Services and Small Enterprise Foundation for the provision of micro loans to young and emerging entrepreneurs. An amount of about R14 million was provided and will be used as a limited revolving fund for the funding of youth.

In an effort to increase the pool of youth and women accessing loans in order to access franchise opportunities through the Umsobomvu Business Partner Franchise Fund, the Fund has initiated a programme to train 221 youth and women on all aspects of franchising and managing a business in general. The Fund has entered into a partnership with Sanlam, Business Partners, Gauteng Economic Propeller and Entrepreneurial Business School to implement this project. In the last quarter of the financial year UYF entered into a joint venture with Massmart Limited for the financing of 33 Hot Dog Café franchises to be owned by youth. To date 11 franchises have been established and located at Massmart-owned stores such as Makro, Builders Warehouse and Game.

Skills Development and Transfer

School-to-Work

This programme focuses specifically on assisting unemployed young men and women to transcend the barriers that currently exist for young professionals attempting to gain entry into occupations where there is both a labour market need and an imperative to achieve employment equity. The programme targets both unemployed graduates who are unable to successfully access the world of work, as well as under or unqualified young people who have an interest in entering a particular profession. The School-to-Work Programme is based on a model that acknowledges that technical skills are not sufficient to break the barriers to the world of work and that young people need exposure to the workplace, as well as the development of a series of life skills for professional and personal development.

The School-to-Work Programme has, in the past year, enabled more young people to become entrepreneurs, by integrating Entrepreneurship Education and a job development component into its programmes.

The STW Further Education and Training (FET) Colleges Programme

The STW FET Colleges Programme was designed to "improve the employability of youth in high-growth sectors through the development of high and intermediate-level technical skills and the acquisition of credible work experience." The programme is implemented in partnership with the Department of Education, and was informed by UYF's previous experience in youth skills development in general, as well as on its previous involvement with the Further Education and Training Colleges in particular. The programme is a unique intervention that has been designed to contribute to the transformation of the FET sector. In addition, the programme endeavours to build the capacity of colleges to design and implement training programmes for young women and men that lead to meaningful employment outcomes. Through this programme, UYF



has partnered with 30 FET Colleges to deliver training to 2 500 young people in learnerships and skills programmes in the demand-driven sectors of the economy.

From 2007 onwards, phase two of the FET Colleges Programme will be implemented, with the main focus being the capacity building of colleges to become the centres of technical and vocational excellence. The model will take the shape of a “twinning” programme between the South African and their United Kingdom counterparts in the form of an exchange programme. In addition to accessing the UK colleges to provide mentorship to the local colleges, UYF will partner with private service providers, some of whom are in partnership with the UYF already, to build the capacity of the FET Colleges. This partnership with the private providers will also result in the management of the underutilised training facilities nationally that will result in more young people accessing quality training programmes. It is envisaged that through this arrangement, 5 000 young people will be trained per annum in both the FET Colleges and the underutilised training facilities in the country.

The Graduate Development Programme (GDP)

The School-to-Work Programme launched the Graduate Development Programme aimed at preparing unemployed graduates for successful integration into mainstream societal activities and to enhance their ability to secure and retain employment in their specific areas of expertise. The programme is currently implemented by Further Education and Training Colleges, and will be extended to higher education institutions going forward.

National Youth Service

The National Youth Service Unit (the Unit), managed by UYF on behalf of the Presidency, has been fully operational and has registered 30 projects with more than 13 000 young people who are in National Youth Service (NYS) programmes across the country. The Unit has funded 16 of these projects, which have provided opportunities to just over 7 000 young people. In addition, the Unit has published and released an annual progress report, which bears testimony to the good progress that the Unit has made in the delivery of National Youth Service. As part of taking NYS to scale, the Unit has expanded the programme to include service by adults aimed at benefiting young people. This has been achieved through the launch of the Big Brother Big Sister Programme in March 2006 by the Deputy President, Ms Phumzile Mlambo-Ngcuka, to encourage adults to provide one-on-one mentorship to vulnerable children and youth at risk who are in these circumstances due to socio-economic factors such as poverty and HIV/AIDS.

Some of the achievements of National Youth Service are as follows:

- Out of the 31 projects registered, 16 were funded by the UYF to the total value of R97 422 769 between 2002 and 2006;
- Resources leveraged to implement NYS projects run over R150 million;
- 90% of youth who have completed NYS have accessed livelihood opportunities
- Cost benefit analysis: NYS is not expensive compared to similar programmes (range R6 000 – R26 000); and
- NYS is being mainstreamed and aligned with EPWP especially within the Social Sector.

On the basis of this track record, the Unit will be submitting a business plan to Cabinet to take NYS to scale to benefit more young people. Going forward, NYS will include service by young people who are in tertiary institutions so that they can give back to their communities as part of the training that they are receiving.

Capacity Building and Research

The Capacity Building and Research (CBR) Division provides strategic programme development and implementation information that guides the UYF's youth development agenda. The CBR mandate includes facilitating UYF's role as a catalyst and advocate of best practice in the South African youth development sector. This role comes with the realisation that UYF has to create an ideal environment in which its funded programmes can be sustained and supported beyond its direct involvement.

CBR's main functions are to regularly research and disseminate information and knowledge on the socio-economic needs; circumstances and opportunities of youth that enable the UYF's development and implementation of relevant, effective and impact-driven interventions, as well as to develop and implement skills development programmes for youth development practitioners. The undertaking of these functions is informed and guided by the Umsobomvu Standards of Effective Practice (USEP) that UYF developed when it was established.

Youth affairs research

The Research and Evaluation Unit located within CBR has conducted strategic research studies aimed at tracking and assessing the status of youth in various aspects as follows:

- As part of the UYF's contribution to the Joint Initiative on Priority Skills (JIPSA) process, the study looked at the institutional readiness of the training facilities, including the former Industrial Training Boards facilities (ITBs) to undertake training on critical/scarc skills on a massive scale.
- The other study is looking at the Job Prospects and Sectoral Forecast. The main objective of the study is to assess prospects for job creation and entrepreneurship opportunities that exist for young people in the key economic sectors. A study on the employment and livelihood potential of co-operatives was conducted in 2003. Based on the research findings, UYF in partnership with the Department of Labour, piloted a capacity-building programme for eight co-operatives.
- A study on the status of youth in the country was done with the Human Sciences Research Council (HSRC) in 2004. This study looked at the current economic and social status of youth, but also reviewed policy and programmatic developments which have taken place over the last ten years of democracy.
- Youth development indicators were developed for a statistical analysis of the economic status of young people in all nine provinces and all district municipalities. Data was drawn from the Census 2001 in determining the economic status and participation of youth in district municipalities, while provincial data was drawn from the Labour Force Surveys of September 2001 and 2004.
- A study on Youth in Conflict with the Law was undertaken between the Department of Social Development and the UYF Research Unit. The study seeks to understand the socio-economic status of youth who have come into conflict with the law, as well as to understand the programmes that are being implemented by Government and civil society in the rehabilitation of young offenders and the diversion of vulnerable youth.

The above studies directed UYF in terms of its programme conceptualisation and implementation, and have been shared with others in the related fields of interest.

Monitoring and Evaluation

All UYF projects get regularly monitored and evaluated at the end of a funding cycle. In this regard, the UYF Research Unit has been assisting the UYF's programme evaluations. Evaluations have been conducted on the Micro Finance Project, the Co-operatives Programme and the Youth Advisory Centres. Other evaluations that have been facilitated are the School-to-Work projects and Entrepreneurship Education. The

findings thereof are used to improve the structure and content of UYF programmes and products.

Lobby and Advocacy

- In partnership with three Youth Development Organisations a policy submission was made during the review of the National Small Business Development and Support Strategy. The Youth Enterprise Strategy policy submission was submitted to the Department of Trade and Industry and is currently being shared with the public for comments.
- Together with the South African Youth Chamber of Commerce and NAFCOOC Youth, UYF is undertaking an initiative, 2010 Campaign, which seeks to promote entrepreneurial activity among youth and to lobby for the creation and accessibility of business opportunities for young people in South Africa.
- Together with Umalusi ETQA, UYF is investigating an introduction of a FET (Matric) Certificate for out-of-school youth. This will enable young people to pursue and obtain academic recognition outside the formal schooling system.

Knowledge Management

As a learning organisation, UYF is keen to learn from its experience of implementing Youth Development Programmes. The Knowledge Management Programme of UYF is in its early stages; to date exercises that have been undertaken include:

- Evaluations of the Request for Proposal mechanism issued by UYF. These enabled UYF to regularly improve its presentation of such requests.
- Special Edition of Youth Development Network Journal was published in April 2005. This special edition journal sought to capture and document the lessons of UYF programme formulation in the past three years.
- The First Knowledge Network seminar on vulnerable groups is to be held in April 2006. This will attract researchers and practitioners working with and informing youth development practice in the country.
- The First Knowledge Management newsletter and journal will be published in June 2006.
- A youth development resource centre has been established and is accessible to the public.



This year Umsobomvu launched 83 Youth Advisory Points

Materials Development

The development and dissemination of self-help guides and training materials to youth development organisations is one mechanism that UYF uses to communicate knowledge generated from the implementation of projects, to build the capacity of these organisations and to enable UYF to scale up its delivery. Through materials, knowledge is shared with many organisations, even those that are not funded by UYF. To date, UYF has been able to:

- Develop a curriculum framework to guide providers in developing learning materials for the National Youth Service (NYS) programme;
- Develop a manual for training providers which guides them on how to design outcomes-based programmes and how to get these accredited;
- Standardise product content of the Contact, Information and Counselling programme;
- Develop a manual and guides on UYF programmes; and
- Design training materials on youth development and life skills development.

Education and Training Programme

Through this Programme, UYF is able to formally build and increase the skills set of its staff and delivery agents. The development of interventions is informed by USEP as well as national human resource development policies.

In the past 3 years, the Programme's main focus was on developing and enhancing the competencies of its SPOs. Programmes delivered in this period include:

- Provision of on-site technical advice to UYF SPOs;
- Orientation programmes for newly appointed SPOs – this is done before commencement of project delivery;
- A formal induction programme for UYF staff has been developed and is being implemented;
- The UYF internship programme has been implemented – 13 interns accepted this year;
- Training of UYF and SPO staff in youth development practice – a new training programme has been designed by UYF and has been used by the Development Practice SGB to generate standards for the Youth Worker Qualifications which will be registered in June 2006;
- Training of information providers in UYF youth advisory centres in guiding, assessing and referring young people;
- Training of technical advisors (TAs) and programme and institutional assessors (PIAs) for the NYS Unit located at and supported by UYF; and
- Learning forums for all UYF programmes, wherein SPOs share experiences and learn from their peers.

UYF has also been active and leading in, as well as financially supported the process of developing a youth worker qualification.



Process Cycle Management

The core business of the Process Cycle Management (PCM) Division is the creation of an effective and efficient operational platform for the successful implementation management of youth programmes.

Key activities and achievements to date

With the growth in the scale of operations since inception, the Fund has had to prioritise the enhancement of its policies, procedures and processes. The last five years thus saw a focus on strengthening of the back-office support functions. In line with this, the Division has, among other things, formalised funding approval processes and tools, strengthened its public response capability and formalised its compliance monitoring activities. Importantly, a Monitoring and Evaluation framework has been adopted that provides structure for how monitoring activities and functions are carried out.

Quality Management Systems

The Fund is in line for ISO 9001:2000 Quality Management Certification. This follows a careful and intense process of defining key business processes for improvement of efficiency and effectiveness.

Provincial Co-ordination

The Division played a leading role in the establishment of provincial offices of UYF. This process has enabled UYF to have structured working relationships with key provincial stakeholders, some of which to date have co-financing arrangements and joint programmes with the Fund. Such stakeholders include the local municipalities and provincially based development corporations. To date, the Fund has in its employ staff in all provinces.

The Provincial Co-ordination portfolio has now been merged with the Corporate Affairs function of the Fund.

Solidarity Youth Trust

The Unit has on behalf of the Fund established and registered a Trust Fund that seeks to provide financial assistance (in scarce skills) in pursuit of JIPSA/ASGISA objectives. The PCM Division is responsible for the establishment and the management of the Trust. The affairs of the Trust will be overseen by Trustees.

Communications

The Communications Department has been tasked with positioning the Fund as a recognised leader in youth development and to ensure that the programmes and services of the Fund are well understood and accepted by young people.

Early in 2004 the organisation conducted an awareness survey which indicated that only 10% of our target market knew about the programmes and services of the Fund. Marketing and communicating the Fund and its service offerings became a key organisational objective and at the end of the period under review, the combined marketing and communication efforts had reached in excess of 10 million young people in both rural and urban areas.

operational review



The Division continues to partner with the institutions:

- Youth organisations (including National Youth Commission)
- The three tiers of Government (National, Provincial and Local)
- Community structures
- Political stakeholders (including Parliament and trade unions)
- Civil society
- Private sector
- Media (broadcast and print)

The focus of the Marketing and Communications Division was generic awareness campaigns that aimed to provide information on the Fund, how to access the Fund, the programmes and services of UYF and to showcase, as motivation, some of the young people who have benefited from the variety of UYF offerings.

Outreach initiatives

2005/2006 has been an exciting year in outreach initiatives – the outreach strategy is two pronged, where the Fund initiates its own awareness and information-giving outreach initiatives, and the alternate strategy is a partnership strategy that aims to maximise resources and reach,

thereby informing and empowering more young people. UYF has partnered with National, Provincial and Local Government.

Outreach initiatives have resulted in direct contact with over five million young South Africans, in all nine provinces, in the urban, peri-urban and rural areas. On average there have been 12 outreach initiatives per province, per month.

Media

2005/2006 saw the organisation intensify its efforts to solidify relationships with the media. This in turn elevated the awareness of UYF. The strategic approach was to continue to position the CEO as the voice of the organisation in addition to utilising the beneficiaries of UYF's products and services as "brand ambassadors" and getting the message (and faces) across that UYF was empowering young people of South Africa to have sustainable livelihoods.

On average, UYF received 65 articles, mentions and interviews per month, resulting in free media coverage in excess of R22 million. 80% of this coverage was positive, with 15% being neutral and 5% negative.

Human Resources

UYF's Human Resources Division is a strategic partner in ensuring that the organisation achieves its goals through people, thus acting as the lifeblood of the organisation through human resources practices ranging from attracting talent and retention thereof, keeping a high morale through a Performance Management System and making UYF a "best organisation" to work for.

During the period under review the organisation has grown from 80 to 146 staff members indicating that our business strategy had to move current operations to scale. The retail outlet set up in terms of the UYF strategy implies that the numbers of human capital will be increasing in the next financial year. Much as the organisation will be growing, it has launched a values charter that makes staff members accountable to South African society, shareholders, clients and fellow employees.



UYF hosted girls from Sharpeville take a girl child to work



Moving operations to scale poses an opportunity for the organisation to learn new things including career growth for staff as we roll out the Retail Outlets or Youth Advisory Centres.

The implementation of the HR IT System has been a major project that has helped the HR Division to work smarter in terms of leveraging UYF's service delivery and efficiency. The system integrates data on strategy, performance management, payroll and training.

The human resources scorecard was intended to link people, strategy and organisational performance.

Information and Communication Technology (ICT)

The focus of the ICT Division has been on alignment and implementation of the UYF ICT strategy with business.

The core function of the ICT Division is to provide support to the UYF ICT Infrastructure and its end users. This includes overall security management and fire control of the UYF.

Major achievements for the year were the development of the information security policies and business continuity in accordance with good corporate governance and the redevelopment of the business continuity plan and the disaster recovery that has been initiated in the current year.

Part of the ICT strategy focused on aligning technology with business requirements. The strategy included integration with programmes in respect of ICT support. All targets with respect to the above were met; i.e. successful implementation of an electronic financial system upgrade, documentation of the ICT processes for the Quality Management System (QMS), improvement of general support and procurement (ensuring adherence to the procurement policy) of services and technology and the introduction of Osizweni helpdesk, affording users mobile computing and improving remote access to the UYF infrastructure.

Financial Management

The Financial Management Division remained unchanged, consisting of the following support units:

- Finance and Reporting
- Risk
- Procurement
- Facilities and Administration

The Chief Financial Officer is accountable for this Division, and each support unit is led by a Manager who is responsible for the strategic planning and day-to-day operations.

Finance and Reporting Unit

The Finance Unit, led by the Finance Manager, is responsible for the traditional accounting, cash management and financial reporting.

During the year under review, this Unit improved its system and processes to align itself with the Fund's business requirements. Capacity has been increased to meet the Fund's growth trajectory.

Together with the Procurement Unit, it implemented the electronic Purchase Order System to automate the requisition, authorisation and payment of purchases.

operational review



Youth Advisory Centre

The Management reporting team successfully developed the linkage of financial budgets to strategic objectives for all the Fund's Divisions. The production of actual financial reports by strategy will be completed in the 2006/2007 financial year, as the general ledger system will be enhanced to accommodate these feature reports.

Risk

The Risk Unit was established with the appointment of a Risk Manager in the second quarter of the financial year.

The core function of the Risk Unit is to ensure that all enterprise-wide risks and weaknesses inherent in the Fund are identified and appropriately dealt with. The Risk Manager has direct access to the Chief Executive Officer and co-ordinates the Internal Audit function.

The Risk Unit is the custodian of all approved policies and charters, and monitors the fraud hotline.

During the year under review, the Business Continuity and Disaster Recovery Plan was completed and implemented and a number of policies and charters were submitted to the Board for approval.

Ongoing risk assessment of the Fund was conducted and will continue on a regular basis on a programme of identified areas.

The Fund's Risk Management principles are further detailed in the Risk Management section of the Statement of Corporate Governance.

Procurement

The establishment of the Procurement Unit was completed and it was functioning during the year under review.

The Procurement Unit is responsible for fundamental compliance with Procurement policies and procedures. It is the central custodian of tenders and co-ordinates the approval of preferred service providers and suppliers.

The Procurement Officer is the custodian of the Purchase Order Processing system and reports exceptions and non-compliance to Management.

An open invitation to a broad base for the application for accreditation onto the Fund's preferred supplier database was conducted during the year under review.

The Fund became a member of the State-Owned Enterprises Procurement Forum (SOEPF) in January 2006.

Strategically, the Fund will use the SOEPF as one of the channels to promote the Fund's Graduates Database (JOBS™) and Business Opportunity Support Services (BOSS™) as well as for lobbying for, amongst other things, a national centralised preferred supplier database for public entities.

Facilities and Administration

The Facilities and Administration Unit continues to ensure that the Midrand office is maintained and administered efficiently to promote a safe and comfortable work environment for the Fund's head office employees.

This unit also assists in the establishment of UYF offices and outlets located around the country.



Regulatory Environment and Statutory Compliance

Umsobomvu Youth Fund, being a public entity, is subject to the applicable provisions of the Public Finance Management Act of 1999 (PFMA), amongst others, and is also obliged to adopt the principles of the King Code of Corporate Practice and the Protocol on Corporate Governance for the Public Sector, much of which underpins the fundamentals of the King II Report.

The Fund is an Association (not for gain) incorporated under Section 21 of the Companies Act. It is also classified as a National Public Entity under Part B of Schedule 3 of the PFMA.

The Board of Directors is proud to report that in June 2005 it approved and implemented the Umsobomvu Youth Fund's Corporate Governance Manual, supporting Board Charter and Board Committee Charters, which aims to provide a comprehensive set of governance, policy directives and guidelines to promote the highest standards of corporate governance.

The UYF Corporate Governance Manual has been developed on the principles

and guidelines of the Code of Corporate Practice and Conduct as set out in the King II Report on Corporate Governance and supplemented by the Protocol on Governance in the Public Sector. The Fund has complied with the provisions of the Corporate Governance Manual during the year under review.

Corporate governance is an important element of the management and operations of the Fund, and is supported by the Board and Management of Umsobomvu Youth Fund to meet the need for accountability, integrity and transparency. In this regard, the Board will continue to develop and improve its corporate governance practices to ensure that it meets with best practices.

Governance principles

Code of Conduct and Corporate Values Statement

During the year under review, the Fund reviewed its Code of Conduct and Corporate Values Statement to bring the Fund's growing business landscape and human resource base in line with corporate best practices and regulatory developments.

The Code of Conduct and Corporate Values Statement commits the Fund's Management and staff to the highest standard of ethical and professional behaviour, including a fundamental respect for the law, and requires all employees to act in utmost good faith and integrity in all transactions and with all stakeholders with whom they interact.

Systems and procedures have been implemented to ensure that the Code of Conduct and Corporate Values Statement is communicated and adhered to by all employees. Code of Conduct, together with the Human Resource Policy, clearly articulates how the provisions contained therein should be adhered to and dealt with in instances of non-compliance.

Good Corporate Citizenship

The Fund adopts a set of characteristics of Good Corporate Citizenship, as described in its Corporate Governance Manual, which have been based from international best practices.



Risk Management

The Fund’s Risk Management Unit, reporting to the Office of the CEO, monitors the Fund’s entire risk profile, ensuring that major risks are identified and reported upwards, and provides and maintains the risk management infrastructure to assist Management in fulfilling its responsibilities. The Risk Manager assists in the execution of the risk management process but the primary responsibility to the Board, which is ultimately accountable, remains with Management.

The Fund’s approach to risk management is to identify as many of its business risks as possible, to formulate and implement policies to counter, manage, control, reduce or eliminate these risks. Risk policies are developed and reviewed from time to time to take account of new business imperatives.

UYF’s policy, approach to and management of risk is documented in the UYF Risk Management Strategy, approved by the Board of Directors in June 2005, and distinguishes between the following identified areas of risk:

- Business and Operational Risks (Corporate Governance, Sustainability, Programmes, Support);

- Credit and Market Risks;
- Human Resources Risks;
- Information and Technological Risks;
- Business Continuity and Disaster Recovery;
- Physical, Health and Safety Risks; and
- Political, Social and Economic Risks

Enterprise-wide risks, risk management policies and the management of and control over these risks will change over time. The Fund views risk management as an ongoing process and, during the year under review, it continued to review its enterprise-wide risks, risk management policies and procedures at regular intervals in order to ensure that its management of business risk is progressive and adjusted to changing circumstances. A business continuity strategic plan and disaster recovery plan was also developed and implemented by 31 March 2006.

The Risk Manager, under the supervision of the Chief Financial Officer, reports directly to the Chief Executive Officer and has a standing invitation to attend the Board Audit Committee. The Risk Manager convenes the quarterly Risk Management Committee meetings, which are chaired by the Chief Executive Officer.

Internal control

The Fund’s internal controls and systems are designed to provide cost-effective, reasonable, but not absolute assurance as to the integrity and reliability of the annual financial statements, that assets are adequately safeguarded against material loss or unauthorised loss and transactions are properly authorised and recorded. Such controls are based on established written policies, procedures, structures and approval frameworks which are monitored throughout the Fund and are applied by trained, skilled personnel with appropriate segregation of duties through clearly defined lines of accountability and delegation of authority. The control system includes comprehensive reporting of critical risk areas which are identified by operational risk management and confirmed by Executive Management. Both Management and internal auditors closely monitor the controls and ensure actions are taken to correct deficiencies as they are identified.



Western Cape Nature Conservation Project

The Fund has implemented a quality assurance system and has documented most of its operational processes and procedures to meet the ISO9002 Standards and is confident that this has enhanced its effectiveness of sound, auditable internal controls.

Internal Audit

Internal Audit is an integral part of the Fund and is prescribed by the King II Report, the PFMA and the Protocol on Corporate Governance. It is responsible to the Board and the Executive Management of UYF in providing reasonable assurance on the effectiveness of the Fund's corporate governance, risk management processes and the system of internal control.

Internal audit has been outsourced to SizweNtsaluba VSP to independently appraise the Fund's activities, processes and business risks. The internal auditors have unrestricted access to members of the Audit Committee, and have a standing invitation to attend every Audit Committee meeting.

Internal Audit is used as a tool by Management to:

- Assist UYF to achieve its mandated objectives;
- Recommend improvements to UYF's operations;
- Mitigate losses, illegality and damage to reputation; and
- Serve to address enterprise-wide risks, audit common business functions and be responsive to the needs of the business.

Fraud Prevention and Whistle-Blowing

Umsobomvu Youth Fund has adopted and implemented a Fraud Prevention and Whistle-Blowing Policy, which has been approved by its Board of Directors.

Fraud, or fraudulent activities, in any form as defined in the Policy, is not tolerated by the Fund and is investigated and followed up by the application of all remedies available to the Fund within the full extent of the law.

The Fund maintains a fraud hotline, which is outsourced to an independent external service provider. Employees, service providers and beneficiaries of the Fund are encouraged to



report any suspected fraudulent, corrupt or unethical activities and the policies of the Fund enable and protect those to report these offences within their rights as afforded through legislation such as the Protected Disclosures Act 27 of 2000.

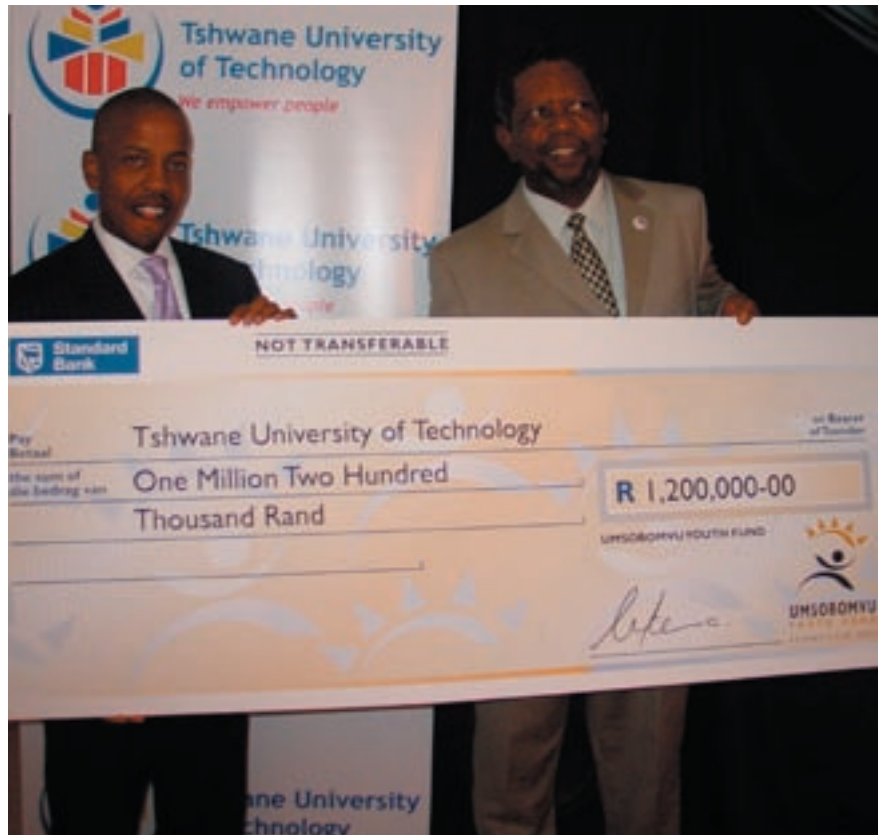
The Risk Management Unit receives and follows up on every report received and updates the Risk Management Committee on the status or progress of reported incidences. The Board Audit Committee receives a summary report of these incidences.

Financial Intelligence Centre Act

The Fund is fully compliant with the Financial Intelligence Centre Act, 38 of 2001 (FICA), and all employees receive compulsory training as to the awareness and obligations of the Fund in respect of FICA to support the international combat against money-laundering activities.

Employment practices

The Fund has employment policies and practices that it believes are appropriate to the business and the market in which it operates in line with the Employment Equity Act. They are designed to attract, motivate and retain quality staff at all levels. Equal employment opportunities are offered, without discrimination, to



all employees. An Employment Equity Committee has been established to ensure that the Fund is compliant with legislation and meets the legislated employment targets and objectives. During the year under review, the Fund met the requisite employment targets and in some areas exceeded these, particularly in respect to the employment of previously disadvantaged individuals, youth and women, at all levels including Senior and Executive Management.

The Fund has implemented a performance management system which is aligned to the strategic objectives approved by the Board annually. Each employee is appraised and rewarded in accordance with this system.

Employee participation is encouraged in decision-making forums from all employees in the organisation, through their involvement in operational meetings that include staff from all levels, not only Executive and Senior Managers. Strategic decisions advance out of consultative process with all levels of Management.

UYF has implemented an internal web-based intranet system which is a primary source of information and interaction between all UYF employees.

Monthly staff meetings are held with the Chief Executive Officer who communicates the latest developments and news relating to the Fund. Interaction and dialogue is encouraged in this forum.

An independently operated Employee Wellness Programme is available to all permanent staff who may require some form of assistance to cope with any personal challenge that could impact on their performance in the workplace.

Appropriate policies and practices of the Fund are in place to ensure the provisions of the Occupational Health and Safety Act, 85 of 1993 have been complied with, to ensure the well-being of all employees and contractors employed by the Fund.

Communication

UYF enters into dialogue with institutional stakeholders for constructive engagement to form mutual partnerships to achieve the objectives of youth development. Due regard must be taken in respect of statutory, regulatory and other directives that regulate the dissemination of information by UYF Directors and Officers.

Directors and Officers of UYF must take cognisance that society demands greater transparency and accountability regarding reports and communication.

UYF makes every effort in ensuring that information is distributed to its stakeholders via a broad range of communication channels, and this includes its Internet website (www.youthportal.org.za), the UYF Call Centre (0860YOUTH), the national network of Youth Advisory Centres, its service providers and directly to staff of UYF.

UYF's Manual of Information issued in terms of the Promotion of Access to Information Act is available from the UYF website.

Governance structures

Board of Directors

Since the appointment of the Board of Directors by the Minister of Labour on 1 June 2004, there have been no resignations or new appointments. Sadly, non-executive

Director, Mr Vishwaprea Suparsad, passed away suddenly in February 2006. Nominations are currently being considered for recommendation to the shareholders to replace Mr Suparsad on the Board of Directors. The composition of the Board at 31 March 2006 is listed in the Report of the Directors on page 44.

The Charter of the Board of Directors sets out the responsibilities of the Board.

The Board, in carrying out its tasks under its Charter's terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties pursuant to the UYF. The selection and appointment of professional advisors shall be in accordance with the Fund's standard procurement policies and processes.

The Charter of the Board of Directors is inclusive of guidelines on the selection and appointment of Directors and Director Evaluation and Board Effectiveness. The Company Secretary ensures that the Board members receive adequate induction and Director training. The Directors have a duty to become fully acquainted with all the operational issues of the Fund to allow them to properly discharge their duties.

The Board of Directors delegates specific authorities to the Committees of the Board and to the Chief Executive Officer. Delegating authorities to Board Committees or Management does not in any way mitigate or dissipate the Directors' duties and responsibilities.

The following matters are specifically not delegated:

- All matters prescribed by law and the memorandum and articles of association;
- The appointment of the Chief Executive Officer; and
- Accountability of Risk Management.

The Board has established a number of standing committees to efficiently advance the business of the Board, and to adequately and properly discharge Directors' responsibilities. However, the Board is ultimately accountable and responsible for the performance and affairs of UYF.

The Board will appoint the Chairpersons of the Committees of the Board and determine the composition of the Committees. The mandates of the Committees of the Board will be approved by the Board.

In terms of Section 49 of the PFMA, the Board is the accounting authority of UYF. The fiduciary and general duties of accounting authorities are listed in Section 50. These duties have been annexed to the Charter of the Board of Directors.

The following Board Committees operate within written Board Committee Charters:

- Investment Committee
- Audit Committee
- Remuneration Committee
- Youth Advisory Committee (non-fiduciary committee)

Investment Committee

The Investment Committee met twice during the year ended 31 March 2006. This Committee, as at 31 March 2006, under the Chairmanship of Mr Kgomoco Diseko, has a mandate to approve projects proposed by the Management Committee with a total exposure in excess of R5m but less than R15m per project, and ensures that the investments/projects adhere to the objectives and criteria of the Fund.

Projects with exposures in excess of R15m are recommended to the main Board for approval.

The Committee, in the year under review, approved a total of R34 million (2005: R21 million) in grant funding and investments.

Audit Committee

The Audit Committee is chaired by Ms Dumo Motau, a non-executive Board member of UYF, and its members consist of the Chief Executive Officer, other non-executive Directors and an independent specialist.

The Audit Committee meetings are also attended (by invitation) by the Chief Financial Officer, the Risk Manager, certain Management and senior staff, and the Fund's internal and external auditors.

The Committee is responsible for the ensuring that UYF's audit, financial and risk areas address appropriate policies, internal control, internal and external audit matters and other issues that may be referred by the Fund. The Committee meets quarterly throughout the year with Management as well as the internal and external auditors. The auditors have unrestricted access to the Chairperson of the Committee.

The Audit Committee reviews the annual financial statements and ensures that these have been properly prepared by Management and reviewed by the external auditors before recommendation to the Board of Directors for approval.

The Charter of the UYF Audit Committee describes the Committee's terms of reference, roles and responsibilities, and is reviewed annually and approved by the Board.

The Audit Committee is supported by the Risk Management Committee.

Furthermore, the Treasury Regulations give the Audit Committee the explicit authority to investigate matters within its powers, as identified in the written terms of reference. The Audit Committee must be provided with the resources it needs to investigate such matters and shall have full access to information. The Audit Committee must safeguard all information supplied to it within the ambit of the law.

Remuneration Committee

The Remuneration Committee of the Board, chaired by Adv Richard Moloko, a non-executive Director, and comprising an independent non-executive specialist and other Directors, is responsible for facilitating the determination of all the essential components of remuneration and establishing remuneration credibility with key stakeholders. The financial reward offered by the Fund should be sufficient to attract people of the required calibre. Failure to attract the right people will have a negative impact on the achievement of the mandated objectives of the Fund. The Committee can and does have access to independent surveys and



consultants to consider market-related remuneration and related benefits.

The Committee met once during the financial year under review.

The full terms of reference of this Committee, contained in the Charter of the UYF Remuneration Committee, has been approved by the Board of Directors.

Youth Advisory Committee

This is non-fiduciary Committee and its membership is to be reconstituted since the appointment of the new Board in 2004. The Committee is chaired by the Executive Director and assists the Board in providing advice on youth affairs, suitability and effectiveness of programmes, and providing support and advice with respect to policy advocacy with stakeholders.

Record of Attendance of Board Committee Meetings for the year ended 31 March 2006:

Directors	Board	Investment Committee	Audit Committee	Remuneration Committee
Chairman	Adv Richard Moloko	Mr Kgomoco Diseko	Ms Dumo Motau	Adv Richard Moloko
Number of meetings held	4	2	2	1
Adv Richard Moloko	3	1	1	1
Mr Malose Kekana	4	2	2	1
Mr Kgomoco Diseko	2	2	N/A	N/A
Mr Jeffrey du Preez	1	N/A	1	N/A
Mr Willie Madisha	1	N/A	0	N/A
Ms Dumo Motau	4	N/A	2	N/A
Dr Sean Phillips	0	2	N/A	N/A
Mr Vishwaprea Suparsad ¹	3	N/A	N/A	N/A
Ms Maphomolo Tsiki	4	2	N/A	N/A
Ms Vuyiswa Tulelo	1	1	N/A	N/A
Mr Tom Wixley*	N/A	N/A	2	N/A
Mr John Mansfield*	N/A	N/A	N/A	1

¹Deceased February 2006.

*Independent non-executive specialist and Committee Member.



National Youth Service Programme

Committees Led by the CEO

The following non-Board Committees led by the Chief Executive Officer have been delegated with the day-to-day operations and decisions of the Fund:

- Executive Management Committee
- Management Committee
- Risk Management Committee
- Procurement and Tender Committee

Executive Management Committee

The Executive Management Committee (EXCOM) of the Umsobomvu Youth Fund is constituted to assist the Chief Executive to manage the Fund. The Chief Executive's authority in managing the Fund is unrestricted. The Board of Directors (Board) takes regular cognisance of authorities delegated to the Chief Executive by means of resolutions. The EXCOM assists the Chief Executive in acting for the Board in managing the business of the Fund when the Board is not in session, subject to the statutory limits and the Board's limitations on delegation of authority to the Chief Executive. The EXCOM assists the Chief Executive to guide and control the overall direction of the business of the Fund and acts as a medium of communication and co-ordination between business units, Fund companies and the Board.

As at 31 March 2006, the Executive Committee consisted of:

- Mr Malose Kekana (Chairman) – Chief Executive Officer
- Ms Jennifer Law – Chief Financial Officer
- Ms Lucy Hlubi – Acting Divisional Director – Skills Development and Transfer (promoted 1 August 2005)
- Mrs Ncedi Hluyo – Divisional Director – Capacity Building and Research
- Ms Nombini Mehlomakulu – Divisional Director – Corporate Communications (appointed 1 October 2005)
- Mr Godfrey Montshioagae – Divisional Director – Human Resources (appointed 30 May 2005)
- Mr Mbongeni Mtshali – Divisional Director – Business Development Services
- Mr Busani Ngcaweni – Divisional Director – Skills Development and Transfer (promoted 1 July 2005 and subsequently seconded to the Office of the State Presidency)

- Mr Mzwabantu Ntlangeni – Divisional Director – Process Cycle Management
- Mr Roy Rajdhar – Divisional Director – Enterprise Finance
- Mr Derek Smith – Divisional Director – Contact Information and Counselling (promoted 1 July 2005).

The following managers have a standing invitation to attend Executive Committee meetings:

- Mr Sanjay Hargovan – Risk Manager
- Mr Edgar Mahura – Manager – Project Office: Office of the CEO
- Ms Lebo Modiba – Manager – Business Strategy: Office of the CEO (appointed 3 March 2006)
- Mr Vincent Zwane – Manager – Information Communication and Technology

The Executive Committee meets at least once a month and holds strategic planning workshops at least twice annually.



Photograph supplied by Marie Claire

Johannesburg International Airport Camelot Spa funded by UYF

Management Committee

The Management Committee comprises the Chief Executive Officer, as Committee Chairman, the Chief Financial Officer and Executive Managers of the Fund.

This Committee has decision-making authority in respect of project grants with a value of less than R5m, subject to prior recommendation of the **Quality Assurance Committee**². The Committee is responsible for ensuring that the programmes adhere to the goals and strategies of the Fund through the monitoring and evaluation process. Relating to entrepreneurship investments of less than R5m, the Management Committee is supplemented by the Fund's Manager – Enterprise Finance.

The Management Committee met 36 times during the year under review (2005: 21 meetings) to evaluate grant-funded programmes, and met an additional 9 times during the year under review (2005: 8 meetings) to appraise entrepreneurship investments.

Risk Management Committee

The monitoring of the quality, integrity and reliability of the Fund's risk management is delegated to the Risk Management Committee, a Management Committee led

by the Chief Executive Officer, reporting to the UYF Board Audit Committee. The objective of the Committee is to assist the Board Audit Committee in the discharge of its duties relating to corporate accountability and the associated risk in terms of management, assurance and reporting. The Committee will review and assess the integrity of the risk control system and ensure that the risk policies and strategies are effectively managed. The Committee will set out the Fund's practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts. The Committee provides a review of management information on corporate accountability and specifically associated risk to the Audit Committee on financial, operational and strategic risk.

The Risk Manager has a standing invitation to attend Risk Management Committee meetings.

Procurement and Tender Committee

The Procurement and Tender Committee (PTC) is chaired by the Chief Executive Officer and the members consist of the Chief Financial Officer and one Executive Manager.

The PTC is responsible for the development and implementation of a sound and fair Procurement Policy and to ensure that proper procedures and processes are in place to give effect to the Procurement Policy.

The effectiveness and compliance of procurement and tendering management is monitored through formal reporting of the Procurement Manager, which includes the achievement of best quality, cost-effectiveness and optimum delivery of products and services to UYF and its programmes. Emphasis on Black Economic Empowerment and Youth-Owned SMMEs is a key objective of UYF's preferential procurement strategy.

The PTC is responsible for the approval of service providers and suppliers that will be included in UYF's Preferred Supplier Database.

PTC Sub-Committees are established with a limited mandate to support the PTC in procurement for programme or project specific requirements. Every PTC Sub-Committee is chaired by a PTC member.

²The Quality Assurance Committee is a Management sub-committee, chaired by the Manager: Project Office in the office of the CEO, and comprising Senior Managers, has delegated authority to approve supplementary grants to existing projects of not more than R300 000. This Committee also reviews all new proposals for recommendation to the Management Committee for approval.

group annual financial statements

for the year ended
31 March 2006

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statement of responsibilities and approval

The Directors of the Umsobomvu Youth Fund (“the Fund”) are required by the South African Companies Act, 61 of 1973, as amended and Public Finance Management Act, 1 of 1999 as amended (“PFMA”), to ensure that the Fund keeps full and proper records of its financial affairs to prepare annual financial statements, which fairly present the state of affairs of the Fund, its financial results, and its financial position at the end of the year in terms of International Financial Reporting Standards (IFRS).

The Group annual financial statements are the responsibility of the Directors. The external auditors are responsible for independently auditing and reporting on the financial statements. Their report on the annual financial statements appears on page 41.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the annual financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business for the foreseeable future.

The Group annual financial statements and annual financial statements of the Fund have been prepared in terms of International Financial Reporting Standards and the Companies Act in South Africa. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates and are prepared on the going concern basis. The Directors have every reason to believe that the Group will be a going concern in the year ahead.

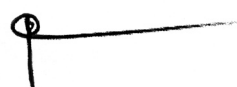
The Directors are of the opinion that they have discharged their responsibility for keeping fair accounting records that disclose, with reasonable accuracy, the financial position of the Fund.

The Directors are of the opinion, based on the information and assurance given by Management and internal auditors, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the Group annual financial statements and accountability for assets and liabilities is maintained.

The Audit Committee has reviewed the effectiveness of the internal controls and nothing has come to their attention, other than the significant matters referred to in the Directors’ report and reported to the Executive Authority, to indicate that there has been any material breakdown in the functioning of these controls, procedures and systems during the year under review and considers the systems appropriate. The Audit Committee has reviewed the Group annual financial statements and annual financial statements of the Fund and has recommended their approval to the Board of Directors.

In the opinion of the Directors, based on the information available to date, the Company and Group annual financial statements fairly present the financial position of the Fund as at 31 March 2006, and the results of its operations and cash flow information for the year then ended in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 61 of 1973 and Public Finance Management Act, 1 of 1999.

The Group annual financial statements and annual financial statements of the Fund for the year ended 31 March 2006, set out on page 42 to 81, have been approved by the Board of Directors on 31 July 2006.

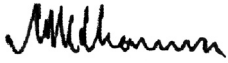


Adv Richard Moloko
Chairman



Mr Malose Kekana
Chief Executive Officer

In terms of Section 268G(d) of the Companies Act, 61 of 1973,
I confirm that the Company has lodged with the Registrar of
Companies all such returns required by the Companies Act and
that such returns are true, correct and up to date.



Mr Cyprian Chama Kamukwamba
Company Secretary

31 July 2006

report of the audit committee

Report of the Audit Committee in terms of regulation 27.1.8 of the Public Finance Management Act, 1 of 1999, as amended

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee charter, and has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained therein.

In the conduct of its duties, the Audit Committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems, based on the reports of Management, internal and external audit.
- The effectiveness of internal audit.
- The risk areas of the entity's operations to be covered in the scope of internal and external audits.
- The adequacy, reliability and accuracy of financial information provided to Management and other users of such information.
- Any accounting and auditing concerns identified as a result of internal and external audits.
- The entity's compliance with legal and regulatory provisions.
- The activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of Management to specific recommendations; and
- Where relevant, the independence and objectivity of the external auditors.

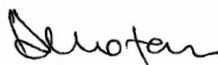
Nothing has come to the attention of the Audit Committee, other than the significant matters referred to in the Directors' report, to indicate that a material breakdown in the functioning of the internal controls, procedures and systems has occurred during the year under review.

In the opinion of the Audit Committee, and based on work done by internal audit, the internal controls and laid-down procedures of the Umsobomvu Youth Fund (the Fund) are considered to be appropriate in all material respects to:

- Meet the business's objectives of the Fund;
- Ensure the Group's assets are adequately safeguarded and

- Ensure that transactions undertaken are recorded in the Group's records.

The Audit Committee has evaluated the Company and Group financial statements of the Fund for the year ended 31 March 2006 and based on the information provided to the Audit Committee, considered that they comply, in all material respects, with the requirements of the Companies Act, 61 of 1973, as amended, and the Public Finance Management Act, 1 of 1999, as amended, Public Audit Act and International Financial Reporting Standards. The Audit Committee concurs that the adoption of the going concern assumption in framing the annual financial statements is appropriate. The Audit Committee, at a duly constituted Board Audit Committee Meeting held on 17 July 2006, has therefore recommended the adoption of the annual financial statements and Group financial statements by the Board of Directors.



Ms Dumo Motau
Chairperson

31 July 2006

Report of the Independent Auditors to the Minister of Labour

We have audited the annual financial statements of Umsobomvu Youth Fund and the Group set out on pages 42 to 81 for the year ended 31 March 2006. The annual financial statements of Umsobomvu Youth Fund and the Group are the responsibility of the accounting authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. The audit was also planned and performed to obtain reasonable assurance that our duties in terms of sections 27 and 28 of the Public Audit Act, 25 of 2004 read with General Notice 544 of 2006, issued in Government Gazette no. 28723 on 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no. 28954 on 23 June 2006 have been complied with.

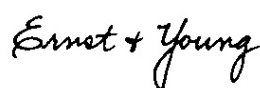
An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements, assessing the accounting principles used and significant estimates made by Management and evaluating the overall financial statement presentation.

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

In our opinion the financial statements fairly present, in all material respects, the financial position of Umsobomvu Youth Fund and the Group at 31 March 2006, and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 61 of 1973 in South Africa and the Public Finance Management Act, 1 of 1999, as amended.

Without qualifying our audit opinion we draw your attention to the following:

- The transactions of Umsobomvu Youth Fund and the Group that came to our attention during the audit, were in all material respects in accordance with the mandatory functions of Umsobomvu Youth Fund, as determined by law or otherwise, except for the matter detailed in the Directors' report on page 42, relating to the investment in Hi-Tech Transformer Maintenance (Pty) Ltd.
- The above matter may constitute non-compliance with Section 54(2) of the Public Finance Management Act and we have, in terms of Sections 44(2) and 44(3) of the Auditing Profession Act, reported the matter to the Management of Umsobomvu Youth Fund and to the Independent Regulatory Board for Auditors.



Ernst & Young
Registered Auditors

Johannesburg
31 July 2006

report of the directors

The Directors of the Umsobomvu Youth Fund (“UYF” or “the Fund”) Board are pleased to submit their report together with the Fund’s audited financial statements for the year ended 31 March 2006.

Nature of business and operations

The Umsobomvu Youth Fund was established by the South African Government to address the unemployment challenges facing South African youth. It is incorporated as an association not for gain under Section 21 of the Companies Act, 61 of 1973, as amended.

The Fund focuses on the facilitation and promotion of job creation as well as skills development and transfer among young South Africans between the pages of 42 and 81 by making strategic investments that facilitate opportunities for young people to acquire skills, access job opportunities or pursue meaningful self-employment opportunities through various enterprise initiatives.

Corporate governance

The Board and Management of Umsobomvu Youth Fund have adopted and endorsed the Code of Corporate Practice and Conduct as set out in the King II Report on Corporate Governance and supplemented by the Protocol on Governance in the Public Sector. The Corporate Governance Manual and the supporting Charters were approved by the Board of Directors in June 2005.

Public Finance Management Act (PFMA)

Umsobomvu Youth Fund has implemented governance structures, policies and processes to support its compliance with the provisions of the PFMA. In addition, Management has prepared a materiality framework which was duly reviewed and approved by the Board of Directors in June 2005. This framework has recently been amended for review and approval by the Board, and will be forwarded to the Fund’s executive authority.

Whilst every effort is made to manage and monitor compliance, the Fund has identified instances in its operations that are non-compliant with the PFMA, and has fully documented and disclosed these matters to the Board and these will be forwarded to the Executive Authority. Details of these instances of non-compliance are as follows:

- Sec 29 Treasury Regulations: Shareholder’s compact awaiting the Minister’s approval;

- Sec 54(2): A specific transaction occurred in 2005, in terms of which UYF acquired “significant shareholding” in Hi-Tech Transformer Maintenance (Pty) Ltd, in the ordinary course of UYF’s lending business, as a result of which it became a subsidiary. The Fund did not inform National Treasury in writing or request the Minister of Labour to approve the acquisition of this significant shareholding prior to the conclusion of this transaction as the Directors were of the opinion the transaction was in the ordinary course of UYF’s lending business. The Fund has applied to the Minister of Labour requesting exemption from S54(2)(a)-(d) of the PFMA and is awaiting the Minister’s response on this matter.
- The auditors have reported the above matter to the Independent Regulatory Board for Auditors as this matter may constitute a reportable irregularity in terms of the Auditing Profession Act.
- Sec 55(2)(b)(i) PFMA: Two isolated cases of irregular expenditure in respect of overpayments amounting to R389 312 and R346 319, respectively, to approved projects were detected;
- Sec 55(2)(b)(iii) PFMA: One incident of fruitless and wasteful expenditure in respect of an insurance write-off of R79 169 had been incurred; and
- Sec 55(1)(c): The Fund was unable to supply draft annual financial statements to its auditors within two months of the financial year-end.

International Financial Reporting Standards (IFRS)

In the current year under review, the Fund elected to adopt and comply with International Financial Reporting Standards (IFRS) and to prepare its annual financial statements in accordance with these standards. These financial statements are the first financial statements to be prepared in accordance with IFRS, and note 1 to the annual financial statements on page 50 details the accounting policies adopted by the Fund.

The Fund is following international best practice by adopting the International Financial Reporting Standards, and its annual financial statements will be internationally comparable. The majority of financial and development finance institutions have adopted IFRS.

Umsobomvu Youth Fund met the requirements of the South African Venture Capital Association (SAVCA) and has been admitted as a full member from the year 2006. As an accredited venture capital organisation, the Fund qualifies for certain exemptions in IFRS from consolidating underlying investments in its Group annual financial statements.

Group annual financial statements

Group annual financial statements have been prepared in accordance with accounting policies of the Fund.

The Fund adopted the IFRS and specifically the exemption in terms of venture capital organisations in the year under review, which provides investors with the flexibility to prepare Group annual financial statements in respect of investments in associates and joint ventures, or to reflect these investments at fair value in the Company annual financial statements.

Financial results and financial position

The financial results and position of the Fund for the year under review are set out on pages 42 to 81 of these financial statements.

The salient results of youth development funding are as follows:

	Since inception to 31 March 2006	2006	2005
	Rand	Rand	Rand
Disbursements			
Youth Development and Related Projects	355 070 854	117 876 112	104 501 507
Project-related operating expenses	141 363 731	47 512 946	42 989 746
Grant Utilised	496 434 585	165 389 058	147 491 253
Investment in Small and Medium Enterprises	110 355 246	40 593 917	19 539 447
Micro Finance Loans and Co-operatives	23 652 963	14 423 844	5 929 119
Amounts disbursed	630 442 794	220 406 819	172 959 819

	Total commitment since Fund's inception to 31 March 2006	Balance of committed and contracted funds as at 31 March	
	Rand	2006	2005
Commitments		Rand	Rand
Youth Development and Related Projects	475 619 058	120 549 105	138 100 456
Investments in Small and Medium Enterprises	231 445 223	121 089 976	140 040 000
Micro Finance Loans and Co-operatives	24 064 000	411 038	2 166 234
	731 128 281	242 050 119	280 306 690
Project-related operating expenses	141 363 731		
	872 492 012	242 050 119	280 306 690

Acquisition of a subsidiary

During the year under review, the Fund acquired a subsidiary in Hi-Tech Transformer Maintenance (Pty) Ltd, in the ordinary course of its lending business. The Fund, as at 31 March 2006, held 55 shares or 55% of the issued share capital in the subsidiary. The results of the subsidiary have been consolidated into the annual financial statements of the Fund.

The Fund disposed of 6% of the abovementioned shareholding subsequent to 31 March 2006, resulting in this subsidiary becoming an associate company.

Capitalisation and going concern

The initial capitalisation of the Fund was by way of a 2,5% levy imposed on the proceeds of the demutualisation of Sanlam and Old Mutual (Demutualisation Levy Act, 50 of 1998) and has been treated as deferred income.

No new funding has since been obtained, however UYF has successfully leveraged funding from strategic partnerships, to contribute towards the sustainability of UYF-initiated and/or funded projects.

The Fund has been authorised by its Board to utilise its Accumulated Reserves to continue its grant making and investment operations.

The Fund has submitted its application for recapitalisation to its Shareholder in May 2006, and awaits a decision from the National Cabinet.

Notwithstanding the confirmation of the recapitalisation of the Fund, the Directors have evaluated Management's forecasts and approved contingency plans, and consider that, as at date of the approval of the financial statements, the Fund has adequate resources to operate as a going concern at least until 30 September 2007. For this reason, the Fund continues to adopt the going concern basis for the preparation of the financial statements.

Directors

The following persons served as Directors of the Fund at the financial year-end 31 March 2006:

Non-executive Directors

Adv Richard Moloko (Chairman) – CEO of Akani Leisure Investments and a shareholder in Gold Reef City Casino.

Mr Kgomoco Diseko – CHIETA Project Specialist representing the Nedlac Community constituency.

Mr Jeffrey du Preez – Chief Director from the Department of Labour.

Mr Willy Madisha – President of COSATU and SADTU representing the Nedlac Labour constituency.

Ms Dumo Motau – Director from the National Treasury.

Dr Sean Phillips – Chief Operations Officer from the Department of Public Works.

Ms Maphomolo Tsiki – Chief Director from the Department of Trade and Industry.

Ms Vuyiswa Tulelo – Commissioner from the National Youth Commission.

Executive Director

Mr Malose Kekana – Chief Executive Officer of Umsobomvu Youth Fund.

Mr Vishwapre Suparsad, General Manager from the Banking Council representing the Nedlac Business constituency, served on the Board of Directors, until his untimely passing in February 2006.

The term of the current Board is with effect from 1 June 2004 until 31 May 2007.

Subsequent events

The Directors are not aware of any matter or circumstance arising since 31 March 2006 and to date of this report, not dealt with in the annual financial statements that would significantly affect the operations or the results of the Fund, other than the following:

• Project funding commitments

From the period 1 April 2006 to 30 June 2006, the Fund's project commitments, after following internal governance processes, are stated as follows:

	2006 Rand	2005 Rand
Approved and contracted	14 304 718	30 417 981
Approved, but not yet contracted	18 729 628	23 599 065
	33 034 346	54 017 046

• **Micro Finance integration**

Post financial year-end, the Fund was implementing measures to integrate the loan books of its Micro Finance intermediaries, namely The Nations Trust and the NICRO Enterprise Finance, into the normal lending operations of UYF.

The gross values of the loan books as at 1 April 2006 were as follows:

	2006	2005
	Rand	Rand
The Nations Trust	9 320 000	5 400 000
NICRO Enterprise Finance	2 425 000	2 356 766
	11 745 000	7 756 766

The disclosure required by IFRS 3, for business combinations after the balance sheet date and before the financial statements were authorised for issue, has not been disclosed. It is not practical to provide for such disclosure as the legal agreements have not yet been concluded.

Bankers

Standard Bank of Southern Africa

Auditors

Ernst & Young

Company secretary

Mr Cyprian Chama Kamukwamba

Company registration number

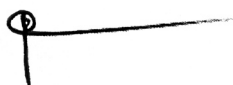
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Registered Office

Umsobomvu House
11 Broadwalk Avenue
Halfway House
Midrand
South Africa

Postal address

PO Box 982
Halfway House
1685



Adv Richard Moloko
Chairman



Mr Malose Kekana
Chief Executive Officer

31 July 2006

income statement

for the year ended
31 March 2006

	Notes	GROUP		COMPANY	
		2006 Rand	2005 (Restated) Rand	2006 Rand	2005 (Restated) Rand
Income		216 927 705	218 710 446	213 749 249	221 212 317
Interest income	3	52 133 678	68 971 739	52 574 535	69 783 319
Fees for services rendered		3 749 783	–	–	–
Administration fees ¹		1 833 766	1 098 538	1 964 236	1 098 538
Profit from sale of investments	3	100 000	–	100 000	1 690 291
Profit/(loss) from disposal of vehicles		(31)	15 436	(31)	15 436
Grant utilised	14	158 091 847	147 491 253	158 091 847	147 491 253
Repayment of management fee	3	–	(434 133)	–	(434 133)
Fair value adjustment	9	842 629	1 562 086	842 629	1 562 086
Other income		176 033	5 527	176 033	5 527
Expenses		(209 855 060)	(177 609 352)	(206 571 088)	(177 609 352)
Operating expenses		(44 466 002)	(30 118 099)	(41 182 030)	(30 118 099)
Project disbursements	19	(165 389 058)	(147 491 253)	(165 389 058)	(147 491 253)
Surplus from operations		7 072 645	41 101 094	7 178 161	43 602 965
Share of profits from joint venture		–	4 925 499	–	–
Surplus for the year	3	7 072 645	46 026 593	7 178 161	43 602 965
Attributable to outside shareholders		(105 571)	–	–	–
Attributable to member		7 178 216	46 026 593	7 178 161	43 602 965
Total		7 072 645	46 026 593	7 178 161	43 602 965

¹ The administration fee includes voucher income and management fees.

balance sheet

at 31 March 2006

		GROUP		COMPANY	
	Notes	2006 Rand	2005 (Restated) Rand	2006 Rand	2005 (Restated) Rand
Assets					
Non-current assets					
		106 519 180	64 313 537	105 635 189	64 313 537
Property, plant and equipment	5	13 571 345	9 277 962	12 488 876	9 277 962
Intangible assets	6	3 829 748	2 050 923	3 829 748	2 050 923
Goodwill	7	2 971 000	–	–	–
Loan debtors	8	21 018 717	8 998 947	24 188 195	8 998 947
Investment in associates	9	65 128 370	43 985 705	65 128 370	43 985 705
Investment in subsidiary	10	–	–	–	–
Current assets					
		679 433 912	851 383 397	679 382 598	851 383 397
Short-term portion of loan debtors	8	13 994 469	10 478 743	14 944 521	10 478 743
Trade and other receivables	11	4 289 787	1 502 257	3 905 590	1 502 257
Bank balance and cash	12	40 338 189	31 264 521	39 721 020	31 264 521
Cash on call	13	620 811 467	808 137 876	620 811 467	808 137 876
Total assets					
		785 953 092	915 696 934	785 017 787	915 696 934
Reserves and liabilities					
Reserves					
Accumulated reserves		376 909 328	369 731 112	376 909 273	369 731 112
Outside shareholders' interest					
		(105 526)	–	–	–
Total reserves					
		376 803 802	369 731 112	376 909 273	369 731 112
Non-current liabilities					
		366 306 578	524 398 425	366 306 578	524 398 425
Committed funds		242 050 119	280 306 690	242 050 119	280 306 690
Uncommitted funds – restricted		124 256 459	74 623 454	124 256 459	74 623 454
Uncommitted funds – unrestricted		–	169 468 281	–	169 468 281
Deferred grant income	14	366 306 578	524 398 425	366 306 578	524 398 425
Current liabilities					
		42 842 712	21 567 397	41 801 936	21 567 397
Outside shareholders' loans	15	550 000	–	–	–
Accounts payable and accruals	16	28 870 054	12 699 520	28 379 278	12 699 520
Provisions	17	8 863 765	6 545 815	8 863 765	6 545 815
Deferred income	18	4 558 893	2 322 062	4 558 893	2 322 062
Total equity and liabilities					
		785 953 092	915 696 934	785 017 787	915 696 934

statement of changes in reserves

for the year ended
31 March 2006

	Accumulated reserves Rand
Company	
Balance at 1 April 2004	326 128 147
Surplus for the year	43 602 965
Balance at 31 March 2005	369 731 112
Surplus for the year	7 178 161
Balance at 31 March 2006	376 909 273
Group	
Balance at 1 April 2004	323 704 519
Surplus for the year	46 026 593
Balance at 31 March 2005	369 731 112
Surplus for the year	7 072 645
Outside shareholders' interest	105 571
Balance at 31 March 2006	376 909 328

cash flow statement

for the year ended
31 March 2006

	Notes	GROUP		COMPANY	
		2006 Rand	2005 Rand	2006 Rand	2005 Rand
Cash receipts		58 396 873	71 189 749	55 218 417	71 189 749
Interest received	20.1	51 744 268	68 905 494	52 185 125	68 905 494
Other income		176 033	5 527	176 033	5 527
Fees for services rendered		3 749 783	–	–	–
Administration fees		2 723 871	2 023 770	2 854 341	2 023 770
Deferred income		–	252 165	–	252 165
Interest on staff loans		2 918	2 793	2 918	2 793
Cash payments		(180 880 223)	(166 947 692)	(177 781 724)	(166 947 692)
Operating expenditure	20.2	(34 020 098)	(25 827 225)	(30 815 020)	(25 827 225)
Decrease in working capital	20.3	17 695 002	3 916 991	17 588 423	3 916 991
Disbursement to projects	20.4	(117 665 522)	(104 151 299)	(117 665 522)	(104 151 299)
Projects-related operating expenses	20.5	(46 889 605)	(40 886 159)	(46 889 605)	(40 886 159)
Net cash outflow from operating activities		(122 483 350)	(95 757 943)	(122 563 307)	(95 757 943)
Cash outflow from investing activities		(56 319 436)	(26 591 801)	(56 306 603)	(26 591 801)
Additions to equipment – expansion	20.6	(7 823 531)	(5 873 625)	(6 533 081)	(5 873 625)
Additions to intangible assets	20.7	(2 520 772)	(1 679 175)	(2 520 772)	(1 679 175)
Goodwill		(2 971 000)	–	–	–
Proceeds from disposal of vehicles		366 828	16 533	366 828	16 533
Investments in subsidiary		–	–	(55)	–
Investments in associates		(20 300 000)	(20 000 000)	(20 300 000)	(20 000 000)
Proceeds from disposal of investments		–	9 261 975	–	9 261 975
Loans	20.8	(23 070 961)	(8 317 509)	(27 319 523)	(8 317 509)
Cash inflow from financing activities		550 045	–	–	–
Shareholders loans		550 000	–	–	–
Shares issued		45	–	–	–
Net cash outflow for the year		(178 252 741)	(122 349 744)	(178 869 910)	(122 349 744)
Cash and cash equivalent at the beginning of the year		839 402 397	961 752 141	839 402 397	961 752 141
Cash and cash equivalent at the end of the year		661 149 656	839 402 397	660 532 487	839 402 397
Represented by:					
Current accounts		30 801 040	21 570 055	30 183 871	21 570 055
UYF/Business Partner Mentors Trust Account		9 537 149	9 694 466	9 537 149	9 694 466
Bank balance and cash		40 338 189	31 264 521	39 721 020	31 264 521
Cash on call		620 811 467	808 137 876	620 811 467	808 137 876
		661 149 656	839 402 397	660 532 487	839 402 397

notes to the financial statements

for the year ended
31 March 2006

1 Accounting policies

1.1 Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied in preparing these financial statements. These financial statements are the first financial statements to be prepared in accordance with IFRS. The financial statements are prepared on the historical cost basis with the exception of certain financial instruments which are measured at fair value.

IFRS 1 grants certain exemptions from some requirements of other IFRS's in the transition period. The Fund elected exemption contained in paragraph 25A in IFRS 1 which permits an entity to designate at fair value through profit or loss any financial asset or financial liability that qualifies for such designation at the start of its first IFRS reporting period.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at balance sheet date and reported amounts of revenues and expenses during the reporting period, based on Management's best estimates of current events and transactions.

Reconciliations and descriptions of the effect of the transition from SA GAAP to IFRS on the Fund's reserves and its surplus are provided in note 2.

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous year, except for changes made as a result of the adoption of IFRS. The revised IFRS policies have been consistently applied to both years.

1.2 Critical accounting estimates and judgements

Critical accounting estimates are those that involve complex or subjective judgements or assessments. The areas of the Fund's business that typically require such estimates are the determination of fair value for financial assets and financial liabilities as well as impairment charges on the Fund's assets.

The fair values of the financial assets and liabilities are classified and accounted for in accordance with the policies set out below. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The valuation methodologies applied in arriving at fair value are consistent with those valuation methodologies recommended by various international private equity organisations, and endorsed by the South African Venture Capital Association (SAVCA).

1.3 Adoption of IFRS's during the year

The Fund has adopted the following revised statements during the year and comparative information has been restated as required. The effect of IFRS adoption has been detailed in note 2.

IAS 1 Presentation of Financial Statements;
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
IAS 10 Events after Balance Sheet Date;
IAS 16 Property, Plant and Equipment;
IAS 17 Leases;
IAS 24 Related Party Disclosure;
IAS 28 Investments in Associates;
IAS 31 Interests in Joint Ventures;
IAS 32 Financial Instruments: Presentation; and
IAS 39 Financial Instruments: Recognition and Measurement.

Early adoption

The Fund has not early adopted any standard.

IFRS's and IFRIC interpretation and International Accounting Standards amendments not yet effective

The Fund has not applied the following IFRS's and IFRIC interpretations that have been issued but are not yet effective: IFRS 7 – Financial Instruments: Disclosure – effective 1 January 2007

IFRIC 4 – Determining whether an Arrangement Contains a Lease – effective 1 January 2006

IFRIC 9 – Reassessment of Embedded Derivatives – effective 1 June 2006

The fund has not yet applied the following amendments to IAS's that are not yet effective:

IAS 1 – Amendment – Capital Disclosures – effective 1 January 2006

IAS 19 – Amendment – Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosure – effective 1 January 2006

IAS 39 – Amendment – The Fair Value Option – effective 1 January 2006

IAS 39 – Amendment – Financial Guarantee Contracts – effective 1 January 2006

1.4 Investments in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Fund has opted to elect the venture capital organisation exemption and account for investments in associates at fair value through profit and loss in terms of IAS 39. Fair value adjustments are recognised in the income statement.

1.5 Investments in jointly controlled assets

Jointly controlled assets involve the joint control by the venturers of one or more assets contributed to, or acquired for the purpose of the joint venture and dedicated to the purpose

of the joint venture. These joint ventures do not involve the establishment of a corporation, partnership or other entity or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefit through its share of the jointly controlled asset.

The Fund recognises in its financial statements:

- Its share of the jointly controlled assets and liabilities, classified according to the nature of the assets and liabilities;
- Any income from the sale or use of its share of the output of the jointly controlled asset; and
- Its share of any expenses incurred by the joint venture and any expense that it has incurred in respect of its interest in the jointly controlled assets.

1.6 Investments in jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of an entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. The interest in such an entity is accounted for by the equity method of accounting.

1.7 Group accounts

The consolidated financial statements comprise the financial statements of Umsobomvu Youth Fund, its subsidiaries and joint ventures. Subsidiary companies are those in which the Fund, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations. Subsidiary companies are consolidated from the date on which effective control is transferred to the Group and cease to be consolidated when the investment is disposed of or the Fund no longer has control as described above. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. The investment in subsidiary is measured at cost.

1.8 Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Property, plant and equipment are depreciated over their expected useful lives on a straight line basis at rates estimated to write each asset down to estimated residual value over the term of its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised. The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

The ranges of rates used are as follows:

Computer hardware	20% – 33% per annum
Computer software	20% – 33% per annum
Office equipment	20% – 33% per annum
Furniture	17% – 25% per annum
Motor vehicles	17% – 20% per annum
Leasehold improvements	Over the remaining term of the lease

1.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The internally generated and externally acquired intangible assets are capitalised and have finite useful lives. The useful life and the amortisation method for an intangible asset are reviewed at least at each financial year-end.

Internally developed intangible assets are capitalised only when it is technically feasible to complete the intangible asset so that it will be available for use, and the intention to complete and ability to use can be demonstrated taking into account how the asset will generate future economic benefits, the availability of resources to complete, and the ability to reliably measure expenditure during development.

The Fund amortises its intangible assets at a rate of between 20% – 33% per annum. Software under development is amortised when the software becomes available for use.

1.10 Impairment of assets

The Fund regularly reviews its assets for indications of impairment, and accounts for impairment or reversals of prior impairment in accordance with the provisions of IAS 36: Impairment of Assets. Where the carrying amount is greater than its recoverable amount it is written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. In assessing value in use, the estimated future cash flow is discounted to its present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

1.11 Government grants

On initial recognition, Government grants are presented as deferred income in line with the requirements of IAS 20: Accounting for Government Grants and Disclosure of Government Assistance. Subsequent to initial recognition, Government grants are recognised as income on a systematic and rational basis over the periods necessary to match them with the related costs, being the project disbursement costs.

Government grants not yet disbursed are allocated between committed and uncommitted, restricted and unrestricted funds. Committed funds represent the portion of the deferred grant income that has been contractually committed to projects, but not yet drawn or disbursed as at balance sheet date. Uncommitted and restricted funds are reserves that cannot be

notes to the financial statements

for the year ended
31 March 2006

committed until investments and loan debtors are converted into cash. Uncommitted unrestricted funds are funds that are available to commit to projects.

1.12 Provisions

Provisions are recognised where the Fund has a present legal or constructive obligation as a result of a past event, where a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

1.13 Revenue recognition

Revenue is recognised in the financial statements on the following basis:

- Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held;
- Voucher income, when services are rendered on a stage of completion basis;
- Administration, fees for services and management fees are recognised as services rendered on a stage of completion basis; and
- Grant utilised – see note 1.11.

1.14 Project disbursements

Disbursements to projects are categorised and disclosed as follows:

- **External project disbursements** are approved grant funding made to third party service providers who plan, implement and manage youth development projects.
- **Internal project disbursements** are payments relating to youth development projects that are planned, implemented and managed internally by the Fund using its own capacity.
- **Project-related operating expenses:**
 - **Direct project support costs** are costs incurred by the Fund, directly related to a project that is planned, implemented and managed by a third party service provider; but do not form part of the main project disbursements.
 - **Indirect project support costs** are costs related to a programme, business unit or division which cannot be allocated to a specific project.
 - **Share of overhead costs** relates to costs incurred by the Fund to support its activities and cannot be allocated to any specific division. These costs are apportioned to programmes based on headcount.

1.15 Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

1.16 Financial instruments

Financial instruments are recognised when the Fund becomes party to the contractual provisions of the instrument. All financial instruments are initially recorded at fair value plus, in the case of the financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

Subsequent measurement of financial instruments carried on the balance sheet is on the following basis:

- **Investments** in equity instruments, other than group companies, are classified as either available for sale or fair value through profit and loss depending on the intention at the date of acquiring the investment. All changes in fair value are recognised directly in the income statement.
- **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.
- **Trade and other short-term loan receivables and payables** are classified as loans and receivables originated by the enterprise. These financial instruments are subsequently measured at amortised cost using the effective interest rate method or at cost when no maturity date is established.

Trade receivables and trade payables, where the effect of imputing interest is considered to be insignificant, are recognised and carried at original invoice amount.

- **Cash and cash equivalents** comprise demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash.
- **Derivatives**, including separated embedded derivatives, are classified as at fair value through profit and loss unless designated as hedging instruments. Embedded derivatives are separated from their host contracts and accounted for separately when:
 - The economic characteristics of the derivative are not closely related to the host contract;
 - The separated embedded derivative meets the definition of a derivative; and
 - The hybrid instrument is not carried at fair value.

When designated as at fair value through profit and loss, derivatives are carried at fair value, with all changes in fair value being recognised in the income statement.

Where objective evidence of impairment exists, and the carrying value of a financial asset is above its estimated recoverable amount, an impairment of the financial asset to its estimated recoverable amount is recognised. The estimated recoverable amount of financial assets carried at amortised cost is the present value of future expected cash flows at the effective interest rate of the instrument.

Derecognition

A financial asset is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- The Fund has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Fund 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 Fund’s continuing involvement of the asset. Continuing involvement that takes a 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 Fund could be required to repay.

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the 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 profit or loss.

1.17 Post employee benefits

The Fund provides a defined contribution plan for the benefit of all employees in the form of a provident fund. The plan is funded by the Fund and is charged to the income statement in the same period that the related service is provided. The Provident Fund is governed by the Pension Funds Act, 24 of 1956.

1.18 Goodwill

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the cost of acquisition over the Company’s interest fair value of the identifiable assets, liabilities and contingent liabilities, of the business at the date of acquisition.

Goodwill is recognised as an asset, stated at cost less impairment and is not amortised.

2 Implementation of IFRS

For the year ended 31 March 2005 the Fund prepared the financial statements in accordance with SA GAAP. With effect from 1 April 2005 the Fund has adopted IFRS. As the Fund publishes comparatives for one year in its financial statements, the date of transition to IFRS is effectively 1 April 2004, which represents the start of the earliest period of comparative information presented. The opening balance sheets at 1 April 2004 and 1 April 2005 have been restated accordingly.

The transition from SA GAAP to IFRS has resulted in the following change in the financial statements:

Error in estimates

During the year, the Fund reviewed its useful lives and residual value in respect of property, plant and equipment and its amortisation period in respect of intangible assets under SA GAAP which resulted in an error in estimates in the prior periods. The effect of the error in estimate has been detailed in note 2.1.

Effect of transition to IFRS

During the year, the Fund registered as a venture capital organisation. This led to the Fund changing its accounting treatment in respect of investments in associates from being equity accounted to being accounted for at fair value through profit and loss in accordance with IAS 39 as required by IAS 28.

The application of IFRS had no material effect on the cash flow statement. The effect on reserves resulted in the retrospective restatement of the prior year amounts to account for the error in estimates and the fair value adjustment as mentioned above.

notes to the financial statements

for the year ended
31 March 2006

COMPANY

	SA GAAP Rand	Effect of error in estimates Rand	Effect of transition to IFRS Rand	IFRS Rand
2 Implementation of IFRS (continued)				
2.1 Reconciliation of reserves at 1 April 2004 (Date of transition to IFRS)				
Balance sheet				
Assets				
Non-current assets	41 881 989	1 561 374	2 423 618	45 866 981
Property, plant and equipment	4 612 740	1 073 716	–	5 686 456
Intangible assets	267 028	487 658	–	754 686
Loan debtors	10 233 806	–	–	10 233 806
Investment in joint ventures	6 568 415	–	–	6 568 415
Investment in associates	20 200 000	–	2 423 618	22 623 618
Current assets	968 989 457	–	–	968 989 457
Short-term portion of loan debtors	3 590 765	–	–	3 590 765
Trade and other receivables	3 646 551	–	–	3 646 551
Bank balance and cash	12 771 858	–	–	12 771 858
Cash on call	948 980 283	–	–	948 980 283
Total assets	1 010 871 446	1 561 374	2 423 618	1 014 856 438
Reserves and liabilities				
Accumulated reserves	322 405 507	1 299 022²	2 423 618	326 128 147
Non-current liabilities	671 627 326	262 352²	–	671 889 678
Committed funds	294 212 498	–	–	294 212 498
Uncommitted funds – restricted	52 715 579	–	–	52 715 579
Uncommitted funds – unrestricted	324 699 249	262 352	–	324 961 601
Deferred grant income	671 627 326	262 352	–	671 889 678
Current liabilities	16 838 613	–	–	16 838 613
Accounts payable and accruals	11 803 809	–	–	11 803 809
Provisions	3 920 659	–	–	3 920 659
Deferred income	1 114 145	–	–	1 114 145
Total equity and liabilities	1 010 871 446	1 561 374	2 423 618	1 014 856 438

²This adjustment relates to previously recognised depreciation, as well as deferred grant income recognised on depreciation relating to project costs.

GROUP

	SA GAAP Rand	Effect of error in estimates Rand	Effect of transition to IFRS Rand	IFRS Rand
2.1 Reconciliation of reserves at 1 April 2004 (Date of transaction to IFRS) (continued)				
Balance sheet				
Assets				
Non-current assets	41 881 979	1 561 374	–	43 443 353
Property, plant and equipment	4 612 740	1 073 716	–	5 686 456
Intangible assets	267 028	487 658	–	754 686
Loan debtors	10 233 806	–	–	10 233 806
Investment in joint ventures	4 144 787	–	–	4 144 787
Investment in associates	22 623 618	–	–	22 623 618
Current assets	968 989 457	–	–	968 989 457
Short-term portion of loan debtors	3 590 765	–	–	3 590 765
Trade and other receivables	3 646 551	–	–	3 646 551
Bank balance and cash	12 771 858	–	–	12 771 858
Cash on call	948 980 283	–	–	948 980 283
Total assets	1 010 871 436	1 561 374	–	1 012 432 810
Reserves and liabilities				
Accumulated reserves	322 405 497	1 299 022 ³	–	323 704 519
Non-current liabilities	671 627 326	262 352 ³	–	671 889 678
Committed funds	294 212 498	–	–	294 212 498
Uncommitted funds – restricted	52 715 579	–	–	52 715 579
Uncommitted funds – unrestricted	324 699 249	262 352	–	324 961 601
Deferred grant income	671 627 326	262 352	–	671 889 678
Current liabilities	16 838 613	–	–	16 838 613
Accounts payable and accruals	11 803 809	–	–	11 803 809
Provisions	3 920 659	–	–	3 920 659
Deferred income	1 114 145	–	–	1 114 145
Total equity and liabilities	1 010 871 436	1 561 374	–	1 012 432 810

³This adjustment relates to previously recognised depreciation, as well as deferred grant income recognised on depreciation relating to project costs.

notes to the financial statements

for the year ended
31 March 2006

COMPANY

	As previously reported Rand	Effect of error in estimates Rand	Effect of transition to IFRS Rand	As restated Rand
2 Implementation of IFRS (continued)				
2.2 Reconciliation of reserves at 1 April 2005				
Balance sheet – 31 March 2005				
Assets				
Non-current assets	58 020 544	2 307 288	3 985 705	64 313 537
Property, plant and equipment	7 674 477	1 603 485	–	9 277 962
Intangible assets	1 347 120	703 803	–	2 050 923
Loan debtors	8 998 947	–	–	8 998 947
Investment in associates	40 000 000	–	3 985 705	43 985 705
Current assets	851 383 397	–	–	851 383 397
Short-term portion of loan debtors	10 478 743	–	–	10 478 743
Trade and other receivables	1 502 257	–	–	1 502 257
Bank balance and cash	31 264 521	–	–	31 264 521
Cash on call	808 137 876	–	–	808 137 876
Total assets	909 403 941	2 307 288	3 985 705	915 696 934
Reserves and liabilities				
Accumulated reserves	363 813 884	1 931 523 ⁴	3 985 705	369 731 112
Non-current liabilities	524 022 660	375 765 ⁴	–	524 398 425
Committed funds	280 306 690	–	–	280 306 690
Uncommitted funds – restricted	74 623 454	–	–	74 623 454
Uncommitted funds – unrestricted	169 092 516	375 765	–	169 468 281
Deferred grant income	524 022 660	375 765	–	524 398 425
Current liabilities	21 567 397	–	–	21 567 397
Accounts payable and accruals	12 699 520	–	–	12 699 520
Provisions	6 545 815	–	–	6 545 815
Deferred income	2 322 062	–	–	2 322 062
Total equity and liabilities	909 403 941	2 307 288	3 985 705	915 696 934

⁴This adjustment relates to previously recognised depreciation, as well as deferred grant income recognised on depreciation relating to project costs.

COMPANY

	As previously reported Rand	Effect of error in estimates Rand	Effect of transition to IFRS Rand	As restated Rand
2.2 Reconciliation of reserves at 1 April 2005 (continued)				
Income statement – 31 March 2005				
Income	219 763 643	(113 412)	1 562 086	221 212 317
Interest received	69 783 319	–	–	69 783 319
Administration fees	1 098 538	–	–	1 098 538
Profit from sale of investments	1 690 291	–	–	1 690 291
Profit from disposal of property, plant and equipment	15 436	–	–	15 436
Grant utilised	147 604 665	(113 412)	–	147 491 253
Fair value adjustment to associate	–	–	1 562 086	1 562 086
Repayment of management fee	(434 133)	–	–	(434 133)
Other income	5 527	–	–	5 527
Expenses	(178 355 266)	745 914	–	(177 609 352)
Operating expenses	(30 750 601)	632 502	–	(30 118 099)
Project disbursements	(147 604 665)	113 412	–	(147 491 253)
Surplus from operations	41 408 377	632 502	1 562 086	43 602 965
Share of profits/(loss) from joint venture	–	–	–	–
Share of profits from associates	–	–	–	–
Surplus for the year	41 408 377	632 502	1 562 086	43 602 965

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for the year ended
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GROUP

	As previously reported Rand	Effect of error in estimates Rand	Effect of transition to IFRS Rand	As restated Rand
2 Implementation of IFRS (continued)				
2.2 Reconciliation of reserves at 1 April 2005 (continued)				
Balance sheet – 31 March 2005				
Assets				
Non-current assets	62 978 250	2 307 288	(972 001)	64 313 537
Property, plant and equipment	7 674 477	1 603 485	–	9 277 962
Intangible assets	1 347 120	703 803	–	2 050 923
Loan debtors	8 998 947	–	–	8 998 947
Investment in associates	44 957 706	–	(972 001)	43 985 705
Current assets	851 383 397	–	–	851 383 397
Short-term portion of loan debtors	10 478 743	–	–	10 478 743
Trade and other receivables	1 502 257	–	–	1 502 257
Bank balance and cash	31 264 521	–	–	31 264 521
Cash on call	808 137 876	–	–	808 137 876
Total assets	914 361 647	2 307 288	(972 001)	915 696 934
Reserves and liabilities				
Accumulated reserves	368 771 590	1 931 523	(972 001)	369 731 112
Non-current liabilities	524 022 660	375 765	–	524 398 425
Committed funds	280 306 690	–	–	280 306 690
Uncommitted funds – restricted	74 623 454	–	–	74 623 454
Uncommitted funds – unrestricted	169 092 516	375 765	–	169 468 281
Deferred grant income	524 022 660	375 765	–	524 398 425
Current liabilities	21 567 397	–	–	21 567 397
Accounts payable and accruals	12 699 520	–	–	12 699 520
Provisions	6 545 815	–	–	6 545 815
Deferred income	2 322 062	–	–	2 322 062
Total equity and liabilities	914 361 647	2 307 288	(972 001)	915 696 934

GROUP

	As previously reported Rand	Effect of error in estimates Rand	Effect of transition to IFRS to IFRS Rand	As restated Rand
2.2 Reconciliation of reserves at 1 April 2005 (continued)				
Income statement – 31 March 2005				
Income	217 261 772	(113 412)	1 562 086	218 710 446
Interest received	68 971 739	–	–	68 971 739
Administration fees	1 098 538	–	–	1 098 538
Profit from disposal of property, plant and equipment	15 436	–	–	15 436
Grant utilised	147 604 665	(113 412)	–	147 491 253
Fair value adjustment to associate	–	–	1 562 086	1 562 086
Repayment of management fee	(434 133)	–	–	(434 133)
Other income	5 527	–	–	5 527
Expenses	(178 355 266)	745 914	–	(177 609 352)
Operating expenses	(30 750 601)	632 502	–	(30 118 099)
Project disbursements	(147 604 665)	113 412	–	(147 491 253)
Surplus from operations	38 906 506	632 502	1 562 086	41 101 094
Share of profits from joint venture	4 925 499	–	–	4 925 499
Share of profits from associates	2 534 088	–	(2 534 088)	–
Surplus for the year	46 366 093	632 502	(972 002)	46 026 593

notes to the financial statements

for the year ended
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	GROUP		COMPANY	
	2006 Rand	2005 Rand	2006 Rand	2005 Rand
3 Surplus for the year				
Surplus for the year is stated after taking the following into account:				
Income				
Profit from sale of investment	100 000 ⁵	–	100 000	1 690 291
Repayment of management fees	–	(434 133)	–	(434 133)
Expenses				
Auditors' remuneration	1 837 440	1 146 840	1 819 440	1 146 840
Audit fees	1 546 740	900 600	1 528 740	900 600
Prior year under provision	290 700	246 240	290 700	246 240
Depreciation	3 163 250	2 054 773	2 955 269	2 054 773
Computer hardware	872 041	790 951	864 670	790 951
Computer software	175 568	166 227	170 457	166 227
Office equipment	434 387	308 362	434 387	308 362
Furniture	592 104	414 836	589 950	414 836
Leasehold improvements	796 011	269 675	769 799	269 675
Jacking equipment	47 518	–	–	–
Tools	27 767	–	–	–
Motor vehicles	217 854	104 722	126 006	104 722
Depreciation included above attributable to programmes	(833 932)	(541 703)	(833 932)	(541 703)
	2 329 318	1 513 070	2 121 337	1 513 070
Amortisation of intangible assets	741 948	382 956	741 948	382 956
Employee costs	46 274 387	31 520 353	44 418 130	31 520 353
Salaries and allowances	44 361 767	30 291 337	42 505 510	30 291 337
Provident fund	1 819 035	1 229 016	1 819 035	1 229 016
Termination benefits	93 585	–	93 585	–
Less: Attributable to programmes	(32 416 172)	(22 061 245)	(32 416 172)	(22 061 245)
	13 858 215	9 459 108	12 001 958	9 459 108
Project-related operating expenses⁶	7 297 211	–	7 297 211	–

⁵Accrual of profit on sale of 10% shareholding in Paperrolls 4 Africa (Pty) Ltd disposed of during the year under review.

⁶Direct, indirect costs and share of overhead costs written off against accumulated reserves as deferred grant income becomes fully committed to projects and investments.

	GROUP		COMPANY	
	2006 Rand	2005 Rand	2006 Rand	2005 Rand
3 Surplus for the year (continued)				
Impairment expenses				
Loans and receivables originated by enterprise				
Co-operatives	1 507 962	–	1 507 962	–
Progress Fund	405 612	–	405 612	–
Micro Finance	3 813 855	476 302	3 813 855	476 302
General Fund – Capital	2 085 950	2 706 112	2 169 760	2 706 112
General Fund – Interest	108 578	301 419	153 800	301 419
Equity investments measured at fair value through profit and loss				
Investment in associate	–	200 000	–	200 000
Equity investments measured at cost				
Investment in subsidiary	–	–	55	–
	7 921 957	3 683 833	8 051 044	3 683 833

The specific impairment is regarding loans advanced in respect of Micro Finance and the General Fund. The impairment loss is recognised for amounts that are outstanding in excess of 90 days.

	GROUP		COMPANY	
	2006 Rand	2005 Rand	2006 Rand	2005 Rand
Operating lease expenses	3 625 060	4 004 887	3 538 372	4 004 887
Building	3 215 602	4 004 887	3 186 884	4 004 887
Motor vehicles	103 621	–	103 621	–
Vending machines	17 280	–	17 280	–
Office equipment	288 557	–	230 587	–
Less: Portion attributable to programmes	(2 417 170)	(2 669 696)	(2 417 170)	(2 669 696)
	1 207 890	1 335 191	1 121 202	1 335 191

notes to the financial statements

for the year ended
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GROUP AND COMPANY

	Buildings ⁷ Rand	Vehicles ⁸ Rand	Office equipment Rand	Vending machines Rand
3 Surplus for the year (continued)				
Future minimum rentals under non-cancellable operating leases				
2006				
Within one year	3 896 443	259 063	395 292	17 280
After one year, but not more than five years	8 812 940	414 505	494 115	11 520
2005				
Within one year	3 514 941	–	395 292	–
After one year, but not more than five years	10 738 347	–	494 115	–

⁷The significant lease agreement period ranges from 3 to 5 years with option to renew and escalation clause in respect of building only.

⁸The lease of vehicles relates to a sale and lease-back with Nedbank Ltd trading as Nedlease for a period of 36 months.

	GROUP		COMPANY	
	2006 Rand	2005 Rand	2006 Rand	2005 Rand
Interest income	52 133 678	68 971 739	52 574 535	69 783 319
Interest income	52 023 854	68 229 887	52 018 602	69 041 467
Interest income from impaired investments	109 824	741 852	555 933	741 852
Income from subsidiary	–	–	576 579	–
Interest income	–	–	446 109	–
Administration fees	–	–	130 470	–

4 Taxation

Company

No provision has been made for taxation as the Fund is exempt from Income Tax in terms of Section 7A of the Demutualisation Levy Act, 50 of 1998.

COMPANY

	Computer hardware Rand	Computer software Rand	Office equipment Rand	Furniture Rand	Leasehold improvements Rand	Motor vehicle Rand	Total Rand
5 Property, plant and equipment							
31 March 2006							
Balance at beginning of year	1 944 593	497 764	1 278 934	2 473 882	2 563 699	519 089	9 277 961
Current period movements							
Additions at cost	1 501 274	14 065	772 937	1 564 437	1 612 899	1 067 470	6 533 082
Disposals	–	–	–	–	–	(366 900)	(366 900)
Depreciation	(864 670)	(170 457)	(434 388)	(589 950)	(769 799)	(126 003)	(2 955 267)
Balance at end of year	2 581 197	341 372	1 617 483	3 448 369	3 406 799	1 093 656	12 488 876
Reconciliation:							
Assets at cost	5 271 435	857 625	2 777 194	4 863 226	5 202 139	1 359 684	20 331 303
Accumulated depreciation	(2 690 238)	(516 253)	(1 159 711)	(1 414 857)	(1 795 340)	(266 028)	(7 842 427)
Carrying amount	2 581 197	341 372	1 617 483	3 448 369	3 406 799	1 093 656	12 488 876
31 March 2005							
Balance at beginning of year	1 458 581	421 435	746 136	1 315 504	124 941	546 123	4 612 720
Current period movements							
Additions at cost	874 555	34 664	613 568	1 440 309	2 858 078	52 451	5 873 625
Disposals	(63 504)	–	(14 177)	–	–	–	(77 681)
Depreciation	(909 608)	(257 322)	(453 413)	(555 044)	(419 320)	(139 481)	(2 734 188)
Error in estimates adjustment – 2004	465 913	207 892	241 770	132 906	–	25 236	1 073 717
Error in estimates adjustment – 2005	118 656	91 095	145 051	140 208	–	34 759	529 769
Balance at end of year	1 944 593	497 764	1 278 935	2 473 883	2 563 699	519 088	9 277 962
Reconciliation:							
Assets at cost	3 770 161	843 561	2 004 258	3 298 789	3 589 238	699 854	14 205 861
Accumulated depreciation	(1 825 568)	(345 797)	(725 323)	(824 906)	(1 025 539)	(180 766)	(4 927 899)
Carrying amount	1 944 593	497 764	1 278 935	2 473 883	2 563 699	519 088	9 277 962

notes to the financial statements

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GROUP

	Computer hardware Rand	Computer software Rand	Office equipment Rand	Furniture Rand	Motor vehicles Rand	Leasehold improvements Rand	Jacking Equipment Rand	Tools Rand	Total Rand
5 Property, plant and equipment (continued)									
31 March 2006									
Balance at beginning of year	1 944 593	497 764	1 278 934	2 473 883	519 089	2 563 699	–	–	9 277 962
Current period movements									
Additions at cost	1 501 274	14 063	772 937	1 564 437	1 067 471	1 612 899	–	–	6 533 081
Acquisition on business combinations	41 930	25 475	–	19 626	614 000	34 950	320 000	234 469	1 290 450
Disposals	–	–	–	–	(366 900)	–	–	–	(366 900)
Depreciation	(872 041)	(175 568)	(434 387)	(592 104)	(217 852)	(796 011)	(47 518)	(27 767)	(3 163 248)
Balance at end of year	2 615 756	361 734	1 617 484	3 465 842	1 615 808	3 415 537	272 482	206 702	13 571 345
Reconciliation:									
Assets at cost	5 313 365	883 099	2 777 195	4 882 852	1 973 684	5 237 089	320 000	234 469	21 621 753
Accumulated depreciation	(2 697 609)	(521 365)	(1 159 711)	(1 417 010)	(357 876)	(1 821 552)	(47 518)	(27 767)	(8 050 408)
Carrying amount	2 615 756	361 734	1 617 484	3 465 842	1 615 808	3 415 537	272 482	206 702	13 571 345
31 March 2005									
Balance at beginning of year	1 458 581	421 435	746 136	1 315 504	546 123	124 941	–	–	4 612 720
Current period movements									
Additions at cost	874 555	34 664	613 568	1 440 309	52 451	2 858 078	–	–	5 873 625
Disposals	(63 504)	–	(14 177)	–	–	–	–	–	(77 681)
Depreciation	(909 608)	(257 322)	(453 413)	(555 044)	(139 481)	(419 320)	–	–	(2 734 188)
Error in estimates adjustment – 2004	465 913	207 892	241 770	132 906	25 236	–	–	–	1 073 717
Error in estimates adjustment – 2005	118 656	91 095	145 051	140 208	34 759	–	–	–	529 769
Balance at end of year	1 944 593	497 764	1 278 935	2 473 883	519 088	2 563 699	–	–	9 277 962
Reconciliation:									
Assets at cost	3 770 161	843 561	2 004 258	3 298 789	699 854	3 589 238	–	–	14 205 861
Accumulated depreciation	(1 825 568)	(345 797)	(725 323)	(824 906)	(180 766)	(1 025 539)	–	–	(4 927 899)
Carrying amount	1 944 593	497 764	1 278 935	2 473 883	519 088	2 563 699	–	–	9 277 962

COMPANY AND GROUP

	Software purchased Rand	Software developed in-house Rand	Software under development Rand	Total Rand
6 Intangible assets				
31 March 2006				
Balance at beginning of year	836 657	1 214 266	–	2 050 923
Current period movements				
Additions at cost	801 653	581 400	1 137 720	2 520 773
Amortisation	(382 957)	(358 991)	–	(741 948)
Balance at end of year	1 255 353	1 436 675	1 137 720	3 829 748
Reconciliation:				
Assets at cost	2 260 311	1 915 200	1 137 720	5 313 231
Accumulated amortisation	(1 004 958)	(478 525)	–	(1 483 483)
Carrying amount	1 255 353	1 436 675	1 137 720	3 829 748
31 March 2005				
Balance at beginning of year	267 048	–	–	267 048
Current period movements				
Additions at cost	345 375	1 333 800	–	1 679 175
Amortisation	(300 266)	(298 836)	–	(599 102)
Error in estimates adjustment – 2004	487 657	–	–	487 657
Error in estimates adjustment – 2005	36 843	179 302	–	216 145
Balance at end of year	836 657	1 214 266	–	2 050 923
Reconciliation:				
Assets at cost	1 458 658	1 333 800	–	2 792 458
Accumulated amortisation	(622 001)	(119 534)	–	(741 535)
Carrying amount	836 657	1 214 266	–	2 050 923
GROUP				
	2006 Rand	2005 Rand		
7 Goodwill				
Goodwill on acquisition of business by subsidiary	2 971 000	–		

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	GROUP		COMPANY	
	2006 Rand	2005 Rand	2006 Rand	2005 Rand
8 Loan debtors				
Gross advances ⁹	57 912 789	28 389 821	62 330 254	28 389 821
At arm's length	57 912 789	–	57 885 522	–
Related party – subsidiary	–	–	4 444 732	–
Add: Interest receivable	1 122 468	781 197	1 167 689	781 197
Less: Capital repayments	(10 773 778)	(4 366 992)	(10 987 902)	(4 366 992)
Less: Impairment	(13 248 293)	(5 326 336)	(13 377 325)	(5 326 336)
Micro Finance	(5 311 015)	(1 497 160)	(5 311 015)	(1 497 160)
General Fund	(5 795 410)	(3 600 882)	(5 924 442)	(3 600 882)
Co-operatives	(1 507 962)	–	(1 507 962)	–
Progress Fund	(405 612)	–	(405 612)	–
Royalties	(228 294)	(228 294)	(228 294)	(228 294)
Net loan debtors	35 013 186	19 477 690	39 132 716	19 477 690
Current portion	13 994 469	10 478 743	14 944 521	10 478 743
Long-term portion (due from 2007 to 2010)	21 018 717	8 998 947	24 188 195	8 998 947
Total loan debtors	35 013 186	19 477 690	39 132 716	19 477 690

Loans made to date are as follows:

Description	Total Rand	Range of loan amounts	Range of interest rates	Terms of loans	Type of securities held
General Fund	31 254 333 (2005: 19 160 704)	R80k to R4,8m (2005: R80k to R4,8m)	Prime less 1% up to a maximum of 18% p.a. calculated daily, compounded monthly	24 to 60 months	<ul style="list-style-type: none"> • General and special notarial bond • Cession of key man policy • Personal suretyship • Pledge of shares • Cession of receivables • Mortgage bond
Micro Finance intermediaries	22 145 000 (2005: 7 756 764)	R2,7m to R5,4m (2005: R2,7m to R 5,4m)	Varying from 0% to 6,5%	12 to 60 months	<ul style="list-style-type: none"> • Cession of receivables
Co-operatives	1 507 964 (2005: 1 472 353)	R1,4m to R5m (2005: R1,4m)	0%	12 to 30 months	<ul style="list-style-type: none"> • Cession of receivables
Progress Fund	7 251 957	R100k to R3,2m	Prime to prime +5%	12 to 60 months	<ul style="list-style-type: none"> • General and special notarial bond • Cession of key man policy • Personal suretyship • Pledge of shares • Cession of receivables • Mortgage bond
Massmart SME Fund	171 000	Loans up to R150k	Prime rate	12 to 36 months	The franchisor (third party) guarantees 35% of the fund's exposure
Total	62 330 254				

⁹Included in loan debtors is the Fund's share of loans from a joint venture between the Fund and First National Bank. The Fund has contractually committed R80 million (equal to 33% of its share in the joint venture over a period of five years). This joint venture is in the form of a jointly controlled asset and the Fund recognises its interest in the jointly controlled asset in its financial statements.

9 Investments in associates (Unlisted investments)

COMPANY AND GROUP

Name	Nature of enterprise	Country of incorporation	% Share holding	Investment at cost	Investment at cost	Fair value adjustment to associates	Fair value adjustment to associates	Carrying value	Carrying value
				2006 Rand	2005 Rand	2006 Rand	2005 Rand	2006 Rand	2005 Rand
Franchise ¹⁰ Fund	Private equity investments	RSA	–	60 000 000	40 000 000	842 629	1 562 086	64 828 334	43 985 705
Chicken Kwasa (Pty) Ltd	Fast food	RSA	26	300 000	–	–	–	300 000	–
Serokolo Health Solutions (Pty) Ltd	Medical health care	RSA	26	26	–	–	–	26	–
Soundrite Sound (Pty) Ltd	Entertainment	RSA	10	10	–	–	–	10	–
Paperrolls 4 Africa (Pty) Ltd	Manufacturing	RSA	–	–	–	–	–	–	–
Total				60 300 036	40 000 000	842 629	1 562 086	65 128 370	43 985 705

¹⁰The nature of the investment in Franchise Fund, an en-commandite partnership whereby the Fund has a contractual commitment of R100 million (equal to 80% of the total contract of the associate) over a period of 5 years which commenced on 10 March 2003. As at year-end the associate had drawn R60 million (2005: R40 million) from the total commitment. The investment is stated at fair value.

10 Investments in subsidiary (Unlisted investments)

COMPANY AND GROUP

Name	Nature of enterprise	Country of incorporation	% Share holding	Investment at cost	Investment at cost	Provision for impairment	Provision for impairment	Carrying value	Carrying value
				2006 Rand	2005 Rand	2006 Rand	2005 Rand	2006 Rand	2005 Rand
Hi-Tech Transformer Maintenance (Pty) Ltd	Specialises in maintenance and rigging of power transformers	RSA	55	55	–	55	–	–	–

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10 Investments in subsidiary (Unlisted investments) (continued)

Business combinations

Acquisition of Hi-Tech Transformer Maintenance (Pty) Ltd

On 1 June 2005, the Fund acquired 55% shareholding in Hi-Tech Transformer Maintenance (Pty) Ltd, an unlisted company specialising in maintenance and rigging of old and new power transformers. During the year under review, the Fund acquired 55 ordinary shares of par value R1,00 for a consideration of R55,00. The underlying assets of the subsidiary were R100,00, therefore, no goodwill arose on acquisition of the shares.

	Rand
Assets of subsidiary	100
Less: Minority share	45
Cash paid for shares	55

	GROUP		COMPANY	
	2006 Rand	2005 Rand	2006 Rand	2005 Rand

11 Trade and other receivables

Staff and study loans	167 263	142 965	149 601	142 965
Prepaid expenses	153 785	403 407	153 785	403 407
Interest receivable – Banks	135 225	–	135 225	–
Sundry debtors	3 688 816	528 244	3 372 281	528 244
Deposits	144 698	427 641	94 698	427 641
	4 289 787	1 502 257	3 905 590	1 502 257

12 Bank balance and cash	40 338 189	31 264 521	39 721 020	31 264 521
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	GROUP AND COMPANY	
	2006 Rand	2005 Rand
Restricted funds included in the above:		
Business Partners (Pty) Ltd	9 537 149	9 694 466
Massmart Holdings Ltd	1 658 000	–
FNB Technical Assistance Fund	999 900	–
UYF/FNB – Outgoing Investments	565 382	–
	12 760 431	9 694 466

These funds are earmarked for business development support to qualifying borrowers in respect of the Franchise Fund and the Progress Fund to assist and/or enable youth entrepreneurs to acquire entry-level franchise opportunities. The restricted funds also include the Fund's share of cash and bank in the jointly controlled asset.

GROUP AND COMPANY

	2006	2005
	Rand	Rand

13 Cash on call

Cash deposited with the Corporation
for Public Deposits (CPD)

620 811 467 808 137 876

Interest is computed daily. The average interest rate
for the 12 months ended 31 March 2006 was
6,67% per annum (2005: 7,27%).

14 Deferred grant income

Balance at beginning of year
Released to income:

524 398 425 671 889 678
(158 091 847) (147 491 253)

External project disbursements
Internal project disbursements
Project-related operating expenses

(90 490 862)	(91 951 329)
(27 385 250)	(12 550 178)
(40 215 735)	(42 989 746)

Direct, indirect costs and share of overheads
Written off to accumulated reserves

(47 512 946)	(42 989 746)
(7 297 211)	-

Balance at end of year

366 306 578 524 398 425

Made up as follows:

Committed
Uncommitted – Restricted
Uncommitted – Unrestricted

242 050 119 280 306 690
124 256 459 74 623 454
- 169 468 281

Balance at end of year

366 306 578 524 398 425

Deferred grant income represents the balance of unexpended amounts previously received from the proceeds of the demutualisation levy.

Analysis of balance of committed funds, by Division

Skills Development and Transfer
Process Cycle Management
Contact, Information and Counselling
Entrepreneurship Financing
Business Development Services
Communications
Research and Development

20 165 677 20 077 298
3 944 201 7 067 852
2 672 277 4 568 686
188 561 164 222 922 617
26 517 502 25 507 816
49 912 23 035
139 386 139 386

242 050 119 280 306 690

Included in the Entrepreneurship Financing commitments, is the balance of the committed funds in the Progress Fund of R109,2 million (2005: R118,1 million) and Franchise Fund of R66,4 million (2005: R92,7 million).

notes to the financial statements

for the year ended
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	GROUP		COMPANY	
	2006 Rand	2005 Rand	2006 Rand	2005 Rand
15 Outside shareholders' loans				
Z Ntombela	50 000	–	–	–
Mvuma Investments	500 000	–	–	–
	550 000	–	–	–

Outside shareholders' loans are unsecured, interest free and have no fixed terms of repayment. These loans have been subordinated in favour of other creditors.

16 Accounts payable

Trade creditors and accruals	27 993 679	9 954 895	27 502 903	9 954 895
Loan debtors accruals ¹¹	–	1 611 750	–	1 611 750
Leasehold allowances ¹²	876 375	1 132 875	876 375	1 132 875
	28 870 054	12 699 520	28 379 278	12 699 520

GROUP AND COMPANY

	Leave pay Rand	Staff incentive bonuses Rand	External audit fees Rand	Internal audit fees Rand	Total Rand
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17 Provisions

31 March 2006

Balance at beginning of year	865 961	4 095 254	900 600	684 000	6 545 815
Prior year under/(over) provision	–	30 214	313 500	(115 121)	205 793
Utilisation of prior year provision	(865 961)	(4 125 468)	(1 214 100)	(568 879)	(6 751 608)
Current year adjustments	447 326	–	–	–	447 326
Current year provision	1 511 885	4 548 651	1 528 740	827 163	8 416 439
Balance at end of year	1 959 211	4 548 651	1 528 740	827 163	8 863 765

31 March 2005

Balance at beginning of year	478 675	2 231 364	570 000	550 620	3 920 659
Prior year under provision	–	512 886	246 240	–	759 126
Utilisation of prior year provision	(478 675)	(2 834 250)	(816 240)	(550 620)	(4 679 785)
Current year provision	865 961	4 095 254	900 600	684 000	6 545 815
Balance at end of year	865 961	4 095 254	900 600	684 000	6 545 815

It is expected that the resulting outflow of the economic benefits from the provisions will materialise in the first quarter of the new financial year except for leave pay which is expected to materialise as and when leave is taken. The adjustment during year under review in respect of leave relates to leave forfeited by staff but adjusted back after case-by-case consideration by Management.

¹¹ Loan debtors accruals are raised in respect of loan debtors who met the suspensive conditions of the loan agreements at year-end, but to whom the loans had not been disbursed.

¹² Leasehold allowance has been received from the lessor in respect of improvements made at the UYF head offices in Midrand (Umsobomvu House), and is amortised over the lease term against capitalised leasehold expenses.

GROUP AND COMPANY

	2006 Rand	2005 Rand
18 Deferred income		
Joint Education Trust	623 890	252 165
Voucher Programme – for services yet to be provided	2 960 003	2 069 897
Western Cape Provincial Government	975 000	–
	4 558 893	2 322 062

The Fund has been contracted by the Joint Education Trust to identify processes and systems to support and coordinate the implementation of New Venture Creation Leadership. As at 31 March 2006 the Fund had received an additional advance of R406 500 (2005: R252 000) to cover the expenses to be incurred in achieving the objectives as set out in the agreement.

19 Project disbursements

The respective disbursements are as follows:

External project disbursements	90 490 862	91 951 329
Contact, Information and Counselling	7 319 258	11 769 291
Skills Development and Transfer	24 310 362	39 642 541
Process Cycle Management	3 123 651	2 601 799
Entrepreneurship	55 737 591	33 468 331
Communications	–	3 091 587
Research and Development	–	1 377 780
Internal project disbursements	27 385 250	12 550 178
Contact, Information and Counselling	12 386 325	8 160 637
Retail Outlet	2 250 411	–
Entrepreneurship	6 358 748	963 767
Skills Development and Transfer	4 455 988	3 425 774
Research and Development	1 933 778	–
Project-related operating expenses	47 512 946	42 989 746
Direct project support costs	6 033 836	3 601 025
Indirect project support costs	37 591 264	32 467 419
Share of overheads costs	3 887 846	6 921 302
Total disbursements	165 389 058	147 491 253

notes to the financial statements

for the year ended
31 March 2006

	GROUP		COMPANY	
	2006 Rand	2005 Rand	2006 Rand	2005 Rand
20 Notes to the cash flow statement				
20.1 Reconciliation of interest income				
Interest income	52 133 678	69 783 319	52 574 535	69 783 319
Adjusted for non-cash flow items:				
Interest receivable loans	(386 492)	(875 032)	(386 492)	(875 032)
Less: Item disclosed separately				
Interest on staff loans	(2 918)	(2 793)	(2 918)	(2 793)
	51 744 268	68 905 494	52 185 125	68 905 494
20.2 Reconciliation of operating expenditure				
Operating expenses	44 466 002	30 118 099	41 182 030	30 118 099
Adjusted for non-cash flow items:				
Depreciation and amortisation	(3 071 266)	(417 291)	(2 863 285)	(417 291)
Specific impairment – Progress Fund	(405 612)	–	(405 612)	–
Specific impairment – Micro Finance	(5 321 817)	(476 302)	(5 321 817)	(476 302)
Specific impairment – General Fund	(2 194 528)	(3 207 531)	(2 323 615)	(3 207 531)
Deferred expenses	547 319	(189 750)	547 319	(189 750)
	34 020 098	25 827 225	30 815 020	25 827 225
20.3 Changes in working capital				
Adjusted for changes in working capital:				
Increase in trade and other receivables	2 687 530	(1 374 947)	2 303 333	(1 374 947)
Increase in current liabilities	(20 382 532)	(2 542 044)	(19 891 756)	(2 542 044)
	(17 695 002)	(3 916 991)	(17 588 423)	(3 916 991)
20.4 Disbursements to projects				
Disbursements to projects	117 876 112	104 501 507	117 876 112	104 501 507
Adjusted for non-cash flow items:				
Depreciation	(210 590)	(350 208)	(210 590)	(350 208)
	117 665 522	104 151 299	117 665 522	104 151 299

	GROUP		COMPANY	
	2006 Rand	2005 Rand	2006 Rand	2005 Rand
20.5 Direct, indirect costs and share of overheads				
Direct, indirect costs and share of overheads	47 512 946	42 989 746	47 512 946	42 989 746
Adjusted for non-cash flow items:				
Depreciation	(623 341)	(1 718 337)	(623 341)	(1 718 337)
Deferred expenses	–	(385 250)	–	(385 250)
	46 889 605	40 886 159	46 889 605	40 886 159
20.6 Additions to property, plant and equipment				
Computer equipment	1 543 204	874 555	1 501 274	874 555
Computer software	39 538	34 664	14 063	34 664
Office equipment	772 937	613 568	772 937	613 568
Furniture	1 584 063	1 440 309	1 564 437	1 440 309
Leasehold improvements	1 647 849	2 858 078	1 612 899	2 858 078
Jacking equipment	320 000	–	–	–
Tools	234 469	–	–	–
Motor vehicle	1 681 471	52 451	1 067 471	52 451
	7 823 531	5 873 625	6 533 081	5 873 625
20.7 Additions to intangible assets				
Software purchased	801 652	345 375	801 652	345 375
Software developed in-house	581 400	1 333 800	581 400	1 333 800
Software under development	1 137 720	–	1 137 720	–
	2 520 772	1 679 175	2 520 772	1 679 175
20.8 Loans				
Loans to SME's	15 026 586	6 826 124	19 516 586	6 826 124
Loans to Micro Finance intermediaries	14 423 847	5 579 119	14 423 847	5 579 119
Capital repayments				
From SME's	(4 309 345)	(2 033 759)	(4 550 783)	(2 033 759)
Loans to Micro Finance intermediaries	(2 070 127)	(2 053 975)	(2 070 127)	(2 053 975)
	23 070 961	8 317 509	27 319 523	8 317 509

notes to the financial statements

for the year ended
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GROUP AND COMPANY

	2006	2005
	Rand	Rand
21 Related parties		
Directors' emoluments		
Executive Director – Malose Kekana		
Salary for managerial services to the Fund	707 603	648 393
Allowances	172 900	172 900
Performance bonus – prior year	25 000	89 402
Performance bonus – current year	225 000	200 000
<hr/>		
Total short-term employee benefits	1 130 503	1 110 695
Provident fund	52 830	48 052
<hr/>		
Total: Executive Director	1 183 333	1 158 747
<hr/>		
Non-executive Directors' fees		
Adv Richard Moloko – Fees	25 500	11 500
– Travel allowance	3 942	–
Kgomoco Diseko – Fees	12 000	4 000
– Travel allowance	5 050	–
<hr/>		
	46 492	15 500

The remaining non-executive Directors are State employees and do not receive Directors' fees in terms of the Charter of the Board of Directors.

COMPANY

	Short-term employee benefits 2006 Rand	Provident fund con- tributions¹³ 2006 Rand	Total 2006 Rand	Total 2005 Rand
21 Related parties (continued)				
Other key Management personnel				
Executive and senior Management reporting directly to the Chief Executive Officer:				
Chief Financial Officer	745 441	116 504	861 945	659 005
Divisional Directors				
Process Cycle Management	563 799	29 597	593 396	423 243
Business Development Services	581 951	30 444	612 395	586 074
Programmes (resigned March 2005)	–	–	–	423 243
Communications (appointed October 2005)	396 474	9 764	406 238	–
Entrepreneurship Finance (promoted 1 March 2006)	999 113	–	999 113	–
Capacity Building and Research	534 695	55 033	589 728	561 875
Skills Development and Transfer (Acting; Promoted August 2005)	413 237	24 020	495 437	–
Skills Development and Transfer (Promoted July 2005, seconded to Office of the State Presidency)	467 647	27 830	491 667	525 600
Contact Information and Counselling (Promoted July 2005)	520 628	27 452	548 080	503 457
Human Resources (Appointed May 2005)	514 532	–	514 532	–
Project Manager – Office of the CEO	603 921	–	603 921	581 251
Communications Officer (now reports to Divisional Director: Communications)	–	–	–	293 789

¹³ Employees elect to contribute 6%, 12% or 18% of annual pensionable earnings to a defined contribution provident fund.

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for the year ended
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21 Related parties (continued)

Company and Group

Type	Related parties	Percentage share-holding	Nature of transaction	Loans and investments granted	Terms and conditions
Joint ventures	1. Jointly controlled asset with FNB Enterprise Solutions (FES)	33%	UYF has invested R8m with FES with a commitment to invest R80m.	R8,6m (2005: R7,4m)	FNB will lend funds to SME's and remit collections to UYF as and when received.
	2. Jointly controlled asset with Massmart Holdings Ltd	50%	UYF undertook to invest up to R1m of its own funds and R1m of Massmart Funds in franchises costing less than R150k.	R171k (2005: Nil)	FNB will lend funds to SME's and remit collections to UYF as and when received.
Associates	1. Franchise Fund [en-commandite partnership between UYF and Business Partners (Pty) Ltd]	80%	UYF has invested R60m of its R100m commitment in the Franchise Fund in order to assist young, black entrepreneurs to start franchises.	R20m (2005: R20m)	Business Partners will lend funds to SME's and remit collections as from April 2008 to UYF.
	2. Chicken Kwasa (Pty) Ltd	26%	UYF has entered into a loan agreement with Chicken Kwasa (Pty) Ltd for an approved amount of R1,75m.	R446k (2005: Nil)	The interest rate on this loan is prime less 2%. Participation fees (royalties) are charged at a rate of the greater of 1,25% of actual gross monthly revenue or R9 100 per month. The loan period is from March 2005 to March 2010.
	3. Serokolo Health Solutions (Pty) Ltd	26%	UYF has entered into a loan agreement with Serokolo Health Solutions (Pty) Ltd for an approved amount of R1,2m.	R560k (2005: Nil)	The interest rate on this loan is prime. Participation fees (royalties) are charged at a rate of the greater of 2,5% of actual gross monthly revenue or R7 500 per month. The loan period is from October 2005 to October 2010.

	Guarantees	Loan balances with related party before impairment	Liability balances	Interest income	Royalty income	Front-end fees	Other expenses with related parties	Impairment on loans with related party
	None	None (2005: Nil)	None	R619k (2005: R811k)	None (2005: Nil)	None	R5m (2005: R1,8m)	R405k (2005: R947k)
	None	R171k (2005: Nil)	None	None	None	None	None	None
	None	None	None	None	None	None	R5,7m (2005: R5,7m)	None
	Note 1	R1,2m (2005: R850k)	None	R101k (2005: R3k)	R109k (2005: R9k)	None (2005: R35k)	None	None
	Note 2	R575k (2005: Nil)	None	R15k (2005: Nil)	Nil – royalty charges only commences on 31 March 2007.	R30k (2005: Nil)	None	R590k (2005: Nil)

notes to the financial statements

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21 Related parties (continued)

Company and Group

Type	Related parties	Percentage share-holding	Nature of transaction	Loans and investments granted	Terms and conditions
Associates	4. Soundrite Sound (Pty) Ltd	10%	UYF has entered into a loan agreement with Soundrite Sound (Pty) Ltd for an approved amount of R2,2m.	R810k (2005: R1,4m)	The interest rate on this loan is prime less 1,5%. Participation fees (royalties) are charged at a rate of the greater of 2,5% of actual gross monthly revenue or 2,5% of R550 000 per month. The loan period terminates on 30 September 2009.
	5. ETS Holding (Pty) Ltd	10%	UYF has entered into a loan agreement with ETS Holding (Pty) Ltd for an approved amount of R2,1m for an income note loan agreement and a senior debt loan of R1,9m.	None	The interest rate on this loan is prime. Participation fees (royalties) are charged at a rate of 3,25% of actual gross monthly revenue in respect of income note loan. Both loan periods terminate on 31 March 2009.
	6. Paperrolls 4 Africa (Pty) Ltd	10%	UYF has entered into a loan agreement with Paperrolls 4 Africa (Pty) Ltd for an approved amount of R1m. The investment was sold during the year under review.	None	The interest rate on this loan is prime less 2%. Participation fees (royalties) are charged at a rate of the greater of 2,3% of actual gross monthly revenue or R9 200 per month. The loan period is from March 2005 to March 2010.
Subsidiaries	Biz Trader 101 (Pty) Ltd (Hi-Tech)	55%	UYF has entered into a loan agreement with Hi-Tech Transformer Maintenance (Pty) Ltd for an approved amount of R5m.	R4,4m	The interest rate on this loan is prime less 2%. Participation fees (royalties) are charged at a rate of the greater of 3% of actual gross monthly revenue or R15 000 per month. The loan period is from June 2005 to June 2010.

	Guarantees	Loan balances with related party before impairment	Liability balances	Interest income	Royalty income	Front-end fees	Other expenses with related parties	Impairment on loans with related party
Note 3		R1,6m (2005: R1,3m)	None	R114k (2005: R102k)	R90k (2005: R25k)	R24k (2005: R70k)	None	None
Note 4		R3,2m (2005: R3,3m)	None	None (2005: R341k)	None (2005: R244k)	None (2005: R200k)	None	R3,2m (2005: R2,5m)
Note 3		R1m (2005: R1m)	None	R86k (2005: R5k)	R101k (2005: Nil)	Nil (2005: R20k)	None	None
Note 3		R4,2m (2005: Nil)	None	R296k (2005: Nil)	R150k (2005: Nil)	R130k (2005: Nil)	None	R129k ¹⁴ (2005: Nil)

m = million k = thousand

Note 1 – Cession of debtors and favourable bank balance – Personal surety – Pledge in session of shares and loans – Cession of insurances – Mortgage over property – General/Special Notarial Bond.

Note 2 – Cession of debtors and favourable bank balance – Personal surety – Pledge in session of shares and loans – Cession of insurances.

Note 3 – Cession of debtors and favourable bank balance – Personal surety – Pledge in session of shares and loans – Cession of insurances – General/Special Notarial Bond.

Note 4 – Cession of insurance policies, receivables and favourable bank accounts and General Notarial Bond.

¹⁴This relates to the impairment of the investment and the loan to the subsidiary in company financial statements.

notes to the financial statements

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22 Financial instruments

The primary risk arising from the Fund's financial instruments is credit risk, re-investment risk, liquidity risk and management risk.

Credit risk

One of the Group's core business activities is to invest in small and medium enterprises. As a result it is exposed to credit risk. The credit risk at the investment stage of any potential investment is thoroughly researched and assessed in the due diligence process where the entrepreneur is evaluated, the viability of the enterprise is considered and various other indications are established and verified. In addition, credit risk is managed by attaching various covenants and security to a loan made. For as long as the Group has an exposure to a borrower or investee company, the Group conducts an ongoing evaluation of the business.

Re-investment risk

This will arise out of early settlement of loans or divestiture from equity investments with the resultant risk being that the proceeds are re-invested at a lower rate of return. This risk is managed by attaching risk premiums to the investment instruments in the event of early settlement.

Liquidity risk

The Fund has adopted a conservative cash flow management policy, to manage the risk of investments made in instruments which are not readily realisable, in order to keep a healthy liquidity position.

Management risk

Since the Fund has contracted external institutions to manage its projects it has been exposed to the risk of these external parties no longer having the institutional capacity to satisfactorily execute the management of the Fund-sponsored projects. The risk is mitigated by ongoing monitoring and evaluation of these institutions.

Interest rate risk

The Fund is exposed to cash flow interest rate risk and fair value interest rate risk on its loans advanced, attracting variable and fixed interest rates respectively. The details regarding which loans advanced attract variable or fixed interest rates are detailed in note 8.

	FAIR VALUE		CARRYING AMOUNT	
	2006 Rand	2005 Rand	2006 Rand	2005 Rand

22 Financial instruments (continued)

Set out below is the comparison by category of carrying amounts and fair value of all of the Fund's financial instruments that are carried in the financial statements.

Company

	764 169 705	902 865 792	764 793 573	902 865 792
Financial assets				
Loan debtors	38 508 848	19 477 690	39 132 716	19 477 690
Investment in associates	65 128 370	43 985 705	65 128 370	43 985 705
Cash	660 532 487	839 402 397	660 532 487	839 402 397
Investment in subsidiary	–	–	–	–
Financial liabilities	41 801 936	21 567 397	41 801 936	21 567 397
Accounts payable and accruals	28 379 278	12 699 520	28 379 278	12 699 520
Provisions	8 863 765	6 545 815	8 863 765	6 545 815
Deferred income	4 558 893	2 322 062	4 558 893	2 322 062

Group

	760 667 344	902 865 792	761 291 212	902 865 792
Financial assets				
Loan debtors	34 389 318	19 477 690	35 013 186	19 477 690
Investment in associates	65 128 370	43 985 705	65 128 370	43 985 705
Cash	661 149 656	839 402 397	661 149 656	839 402 397
Financial liabilities	42 842 712	21 567 397	42 842 712	21 567 397
Accounts payable and accruals	28 870 054	12 699 520	28 870 054	12 699 520
Provisions	8 863 765	6 545 815	8 863 765	6 545 815
Deferred income	4 558 893	2 322 062	4 558 893	2 322 062
Shareholders loans	550 000	–	550 000	–

The fair value of Loan debtors and investment in associates has been calculated by discounting the estimated future cash flows at market rates.

23 Post-balance sheet events

All post-balance sheet events are detailed in the report of the Directors on page 42.

contact information

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