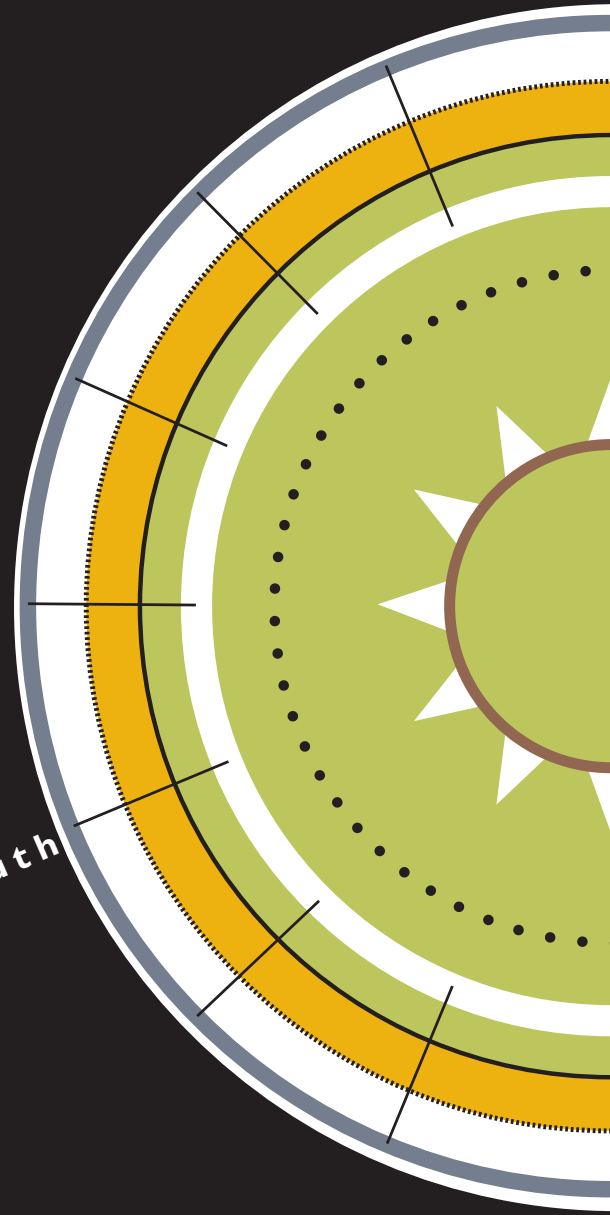




UMSOBOMVU
YOUTH FUND
ESTABLISHED 2001

annual report 2007

UNLEASHING the potential of youth



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Umsobomvu Youth Fund
Registration number 1999/02809/08
(Association incorporated under
Section 21 of the Companies Act, No. 61 of 1973)



labour
Department:
Labour
REPUBLIC OF SOUTH AFRICA

purpose

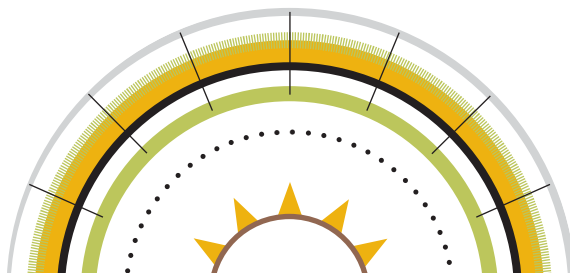
Umsobomvu Youth Fund's (UYF) purpose is to enable the implementation of effective youth development programmes and mainstreaming of youth development for young people to have sustainable livelihoods.

vision

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

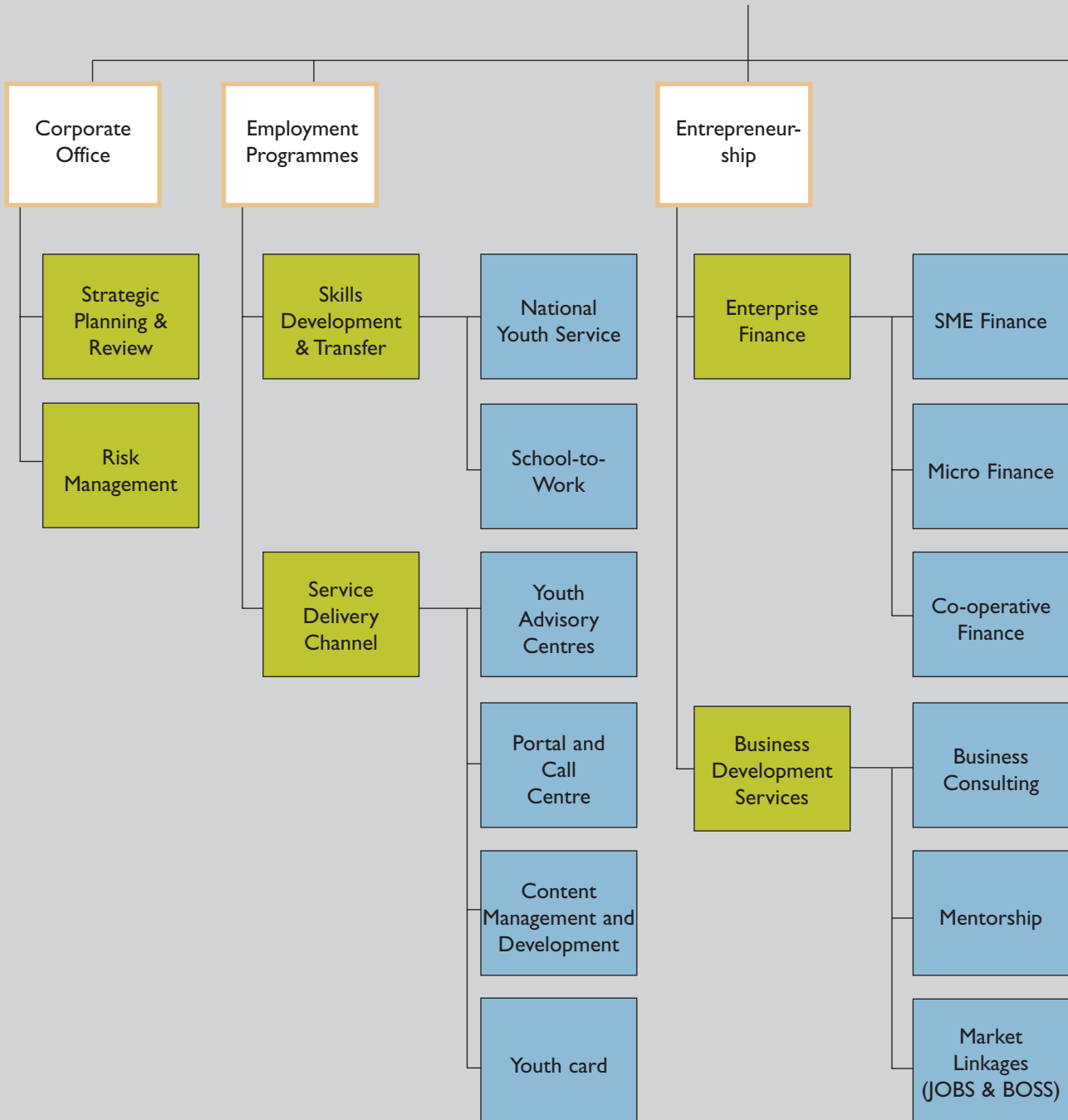
mission

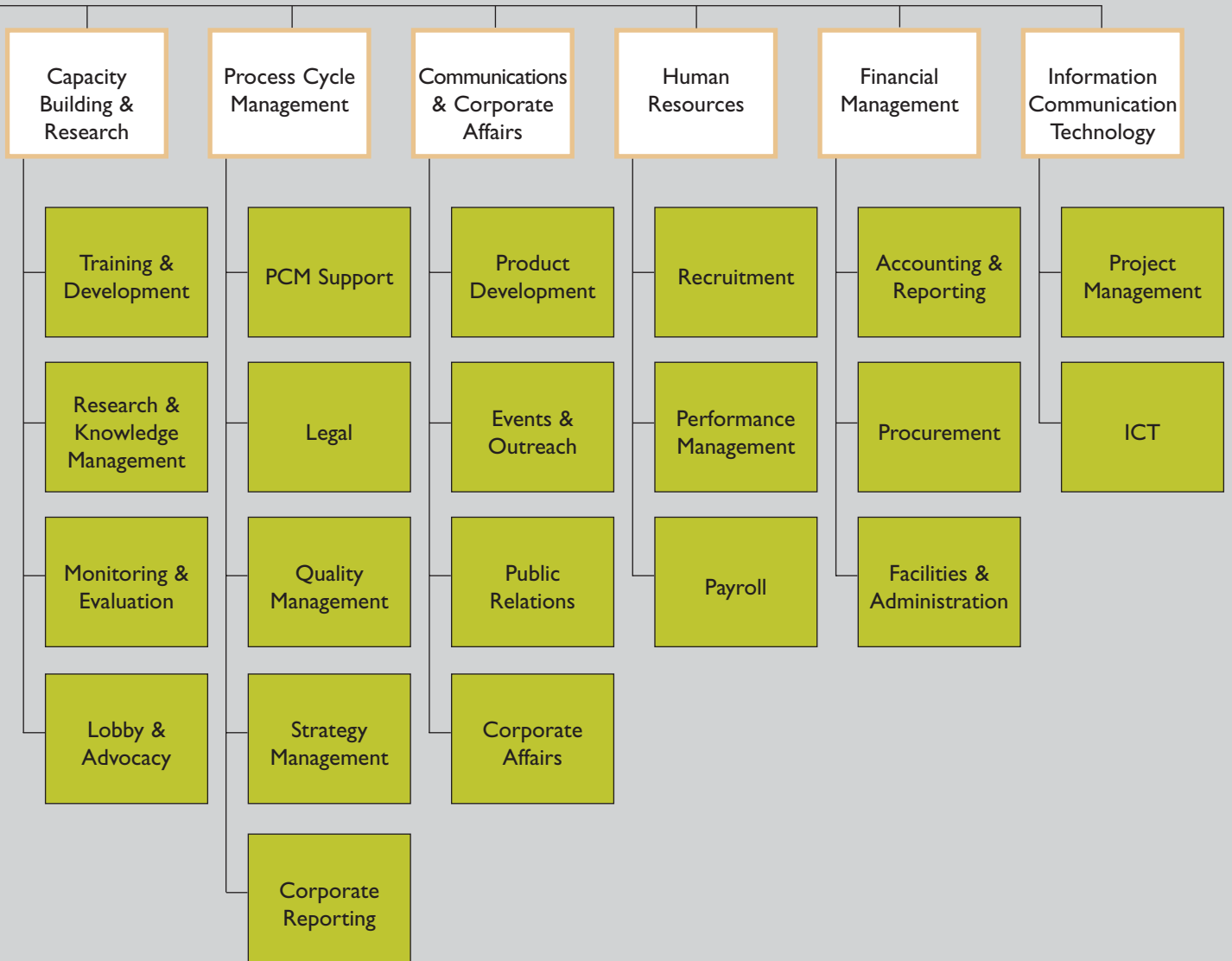
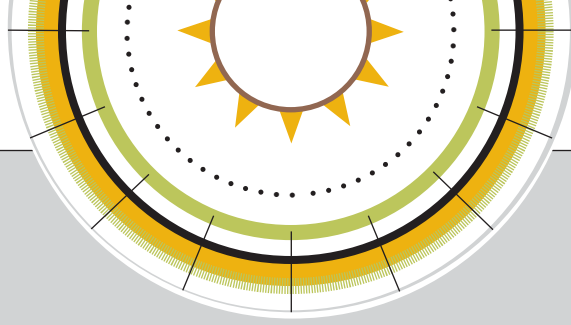
UYF's mission is to facilitate and promote the creation of jobs and skills development for South Africa's young people.



operating structure

Umsobomvu Youth Fund Chief Executive's Office



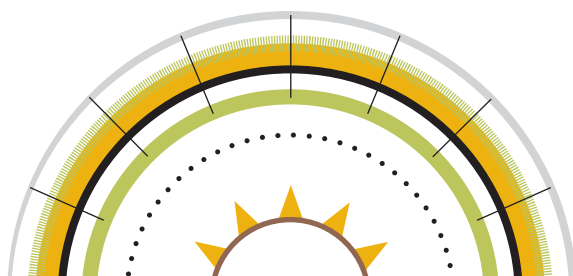


highlights for the 2006/7 financial year include:

- Receiving the **ISO 9001:2000 certification**
- Completing the **integration** of The Nations Trust Youth Enterprise Finance and Nicro Enterprise Finance Youth Fund into Umsobomvu Youth Fund
- Year on year **growth percentage**

Programme	2005/6 Performance	2006/7 Performance	Percentage of growth
Number of beneficiaries for the National Youth Service Programme	13 087	15 139	16%
Number of SMME Finance Loans issued	6 600	21 383	224%
Number of Business Consultancy Vouchers issued	5 608	9 470	41%
Value of business opportunities secured through the Business Opportunities Support Service since inception in 2005	—	R183,7 million	—
Number of the South African Youth Card members	46 494	73 512	58%
Number of youth visiting Youth Advisory Centres (YAC) and YAC Points	212 150	428 391	102%
Income from loans and investments	3 620 559	8 255 636	128%

the **BUSINESS** of success



performance for year under review

Due to Umsobomvu Youth Fund having exhausted its initial capital allocated, a number of initiatives were deferred to be revisited when funding becomes available.

I. BUSINESS DEVELOPMENT SERVICES (BDS) DIVISION

The Business Development Services division's vision is to develop and enhance a culture of entrepreneurship, create sustainable youth owned enterprises, and link youth job seekers to job opportunities. These are offered through the Business Consultancy Services Voucher Programme (formerly the Business Development Services Voucher Programme), the Jobs and Opportunities Seekers' Database (JOBS), Business Opportunities Support Service (BOSS) and the Volunteers in Action Youth Enterprise Mentorship Programme. The Business Consultancy Services Voucher Programme (BCSVP) is an electronic voucher programme, which provides business consultancy services such as business planning and web based marketing to young and female entrepreneurs through UYF accredited services providers. The Business Opportunities Support Programme aims at linking youth owned enterprises to identified business opportunities. The Jobs and Opportunities Seekers' Database is aimed at linking young people to job opportunities. The 2006/7 financial year saw the Volunteers in Action Youth Enterprise Mentorship Programme, an initiative adopted from The Nations Trust Youth Enterprise Finance and integrated into Umsobomvu Youth Fund on 1 April 2006. The programme is aimed at providing mentorship to youth owned enterprises.

Strategy	Impact or targets	Performance
Provision of business development services to potential and existing youth entrepreneurs for business creation, improvement and growth through the voucher system	<ul style="list-style-type: none"> ● 7 000 BCS vouchers issued 	<ul style="list-style-type: none"> ● 9 470 BCS vouchers worth R67 246 000 issued ● 2 318 enterprises supported ● 8 410 jobs created ● R35 140 000 worth of loans accessed by BCS voucher recipients ● R37 180 000 worth of tenders accessed by BCS voucher recipients
Facilitation of market linkages for youth enterprises (BOSS)	<ul style="list-style-type: none"> ● 450 youth enterprises registered under BOSS ● 120 business linkages made through BOSS 	<ul style="list-style-type: none"> ● 942 entrepreneurs to benefit from business opportunities that have been sourced ● 452 enterprises (opportunity seekers) approved and registered ● 114 enterprises (opportunity seekers) linked and operational ● R183,7 million worth of opportunities facilitated since inception in 2005
Facilitation of market linkages for unemployed youth (JOBS)	<ul style="list-style-type: none"> ● 120 000 CVs registered on the JOBS database ● 2 000 placements made 	<ul style="list-style-type: none"> ● 117 436 CVs registered on the database ● 5 966 CVs submitted to employers ● 329 employment placements recorded ● 2 467 indirect placements made via other organisations
Young people assisted to acquire mentorship support and technical assistance from experienced mentor volunteers	<ul style="list-style-type: none"> ● 594 young entrepreneurs receive mentoring support ● 200 volunteer mentors recruited 	<ul style="list-style-type: none"> ● 133 youth (mentees) registered on the programme ● 146 mentors registered to support the programme ● 127 mentor and mentee matches made

2. SKILLS DEVELOPMENT AND TRANSFER (SD&T) DIVISION

The Skills Development and Transfer (SD&T) division includes the **School to Work** and the **National Youth Service Units**. 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. The division aims to develop and implement innovative skills development interventions that promote patriotism, self-employment and to respond to the economic imperatives of the country including the Accelerated Shared Growth Initiative of South Africa (ASGISA).

Strategy	Impact or targets	Performance
Developing and implementing innovative interventions that promote the culture of patriotism and service to communities through voluntarism. (National Youth Service (NYS) Programme)	<ul style="list-style-type: none"> 18 300 young people access the NYS programme 	<ul style="list-style-type: none"> 15 139 young people access the NYS programme
Implement the Graduate Development Programme (GDP)	<ul style="list-style-type: none"> 1 000 young people access the GDP programme 	<ul style="list-style-type: none"> 1 250 young people access the GDP programme
Implement the Entrepreneurship Education Programme	<ul style="list-style-type: none"> 16 350 learners access the programme 	<ul style="list-style-type: none"> 29 106 learners access the programme 780 teachers are trained
Provide project management support services for youth to access economic opportunities (School-to-Work)	<ul style="list-style-type: none"> 5 000 youth access the School-to-Work programme 	<ul style="list-style-type: none"> 2 558 youth access the School-to-Work programme

3. SERVICE DELIVERY CHANNEL DIVISION

The Service Delivery Channel Division's (formerly Contact Information and Counselling) vision is to provide access to information and support youth in making informed decisions about their employment, self-employment and skills development and sustainable livelihoods. Information is provided through the following service delivery channels:

- **Youth Advisory Centres (YACs)**, including YAC points and Mobile YACs to provide access in rural areas:
- Call centre – **youthconnect**
- Website portal – **www.youthportal.org.za**
- South African Youth Card – **SAY**

Strategy	Impact or targets	Performance
Information provision and provision of support and linking services through existing channels	Reaching young people through: <ul style="list-style-type: none"> ● YACs including YAC points = 660 000 ● Youthconnect = 240 000 ● YouthPortal = 1 700 000 ● SAY = 50 000 	<ul style="list-style-type: none"> ● YACs and YAC points combined = 428 391 people serviced ● YAC Mobiles/Outreach = 138 066 people serviced ● Youthconnect = 59 211 calls ● YouthPortal = 4 108 405 hits ● SAY = 73 512 members

4. ENTERPRISE FINANCE DIVISION

The Enterprise Finance division's vision is to increase the number of sustainable youth-owned, empowered and controlled medium enterprises through the provision of finance and facilitation of support services. The division provides loan finance through UYF's self-managed **General Fund and Micro Finance Fund** and through intermediary funds such as:

- SME Financing with Business Partners (**Franchise Fund**) and First National Bank (**Progress Fund**);
- **Micro-finance Funds** with Marang Financial Services and Small Enterprise Foundation; and
- **Co-operative Funds** with Marang Financial Services and SACCOL.

Strategy	Impact or targets	Performance
To deliver SMME finance to entrepreneurs	<ul style="list-style-type: none"> ● Support 9 000 enterprises (micro, small and medium-sized enterprises) 	<ul style="list-style-type: none"> ● 21 383 loans issued ● Value of loans at R175,5 million ● 5 796 enterprises funded ● 8 103 jobs created

5. CAPACITY BUILDING DIVISION

The objective of the Capacity Building and Research (CBR) programme is to develop and enhance human resource and institutional competencies of Umsobomvu Youth Fund and its partners in the design, development and implementation of effective youth development interventions. The programme also seeks to advocate for the mainstreaming and support of youth development programmes, thereby creating an enabling environment for youth development work in the country.

Strategy	Impact or targets	Performance
Lobby and advocacy	<ul style="list-style-type: none"> ● Publish a lobby and advocacy framework ● Support the Youth Entrepreneurship Campaign 2010 	<ul style="list-style-type: none"> ● The Youth Enterprise Strategy (YES) was successfully launched and implementation thereof has begun ● The 2010 campaign conducted various roadshows showcasing the work it is doing in several provinces including the Eastern Cape and Limpopo. About 1 000 young people attended each of the roadshows conducted. The roadshows were coupled with presentations on the Youth Entrepreneurship Campaign 2010 to stakeholders in government and private sector

Strategy	Impact or targets	Performance
Education and training	<ul style="list-style-type: none"> ● 500 Entrepreneurship Development Conference delegates ● Youth Awards held ● 24 entrepreneurs profiled ● 80% Human Resource Development requirements met and accreditation of UYF as technical service provider 	<ul style="list-style-type: none"> ● Over 500 delegates attended the 3rd annual Entrepreneurship Development Conference held in Port Elizabeth in June 2006 ● The Youth Awards were postponed to the following year due to other organisational imperatives ● A total of 182 staff members participated in UYF's Learning and Development Programme. This equates to 70% of HRD requirements being met ● 778 SPOs staff and 259 NYS implementers were trained ● The application for accreditation was submitted to SETA and material submitted and awaiting feedback from SETA
Knowledge Management	<ul style="list-style-type: none"> ● Four knowledge management tools developed and platforms instituted ● Launch of the UYF 5-year Book 	<ul style="list-style-type: none"> ● Three Knowledge Essentials Newsletters were published (electronic newsletter) ● A knowledge management Framework was developed and is currently being used to guide the implementation of knowledge management in the organisation. ● Three Best Practice Reports were developed. These include the following topics: <ul style="list-style-type: none"> • National Youth Service • Business Development Service • Integration Models within UYF ● A UYF book was developed and is currently being revised. The book covers the journey of UYF and its programme implementation practices

Strategy	Impact or targets	Performance
Youth affairs research	<ul style="list-style-type: none"> • Conduct eight research studies that will inform and enhance the design and implementation of youth development programmes by UYF • Involve 100 young people in research 	<ul style="list-style-type: none"> • In 2006/7 the following research studies were initiated by the UYF Research Unit: <ol style="list-style-type: none"> 1. Youth in conflict with the law 2. Sectoral and youth job prospects analysis 3. Modelling youth development approaches 4. Assessment of common areas of work between UYF and government departments 5. Development of a disability framework 6. Youth unemployment/employment trend analysis 7. Private sector support for youth development 8. Assessment of unutilised/underutilised training facilities 9. A research capacity building programme for provincial youth commissions <p>An estimated 370 youth were involved in the abovementioned studies</p>

6. COMMUNICATIONS AND CORPORATE AFFAIRS DIVISION

The Communications and Corporate Affairs division's vision is to build and maintain positive perceptions about Umsobomvu Youth Fund and South Africa's youth. The division communicates UYF's vision and programmes to its stakeholders and the nation in order to create access into UYF programmes.

Strategy	Impact or Targets	Performance
Umsobomvu Youth Magazine (bi-monthly magazine)	<ul style="list-style-type: none"> • Develop and distribute the UYF bi-monthly magazine 	<ul style="list-style-type: none"> • The Umsobomvu Youth Magazine was published and distributed bi-monthly in the following publications: The Sunday Times, Sowetan, Sowetan Sunday World and Daily Dispatch. The magazine is also distributed via Umsobomvu Youth Advisory Centres and service providers, Thusong Service Centres, municipalities and at outreach events
Corporate social investment/ sponsorship	<ul style="list-style-type: none"> • Support youth development projects across South Africa 	<ul style="list-style-type: none"> • Umsobomvu Youth Fund sponsored various events and projects by youth in the 2006/7 financial year across the country. These include the ICC Young Community Shapers Awards, the Nelson Mandela Bay Career Expo and Sekhukhune FET College Youth Conference

Strategy	Impact or targets	Performance
Source and service partnerships to support UYF programmes and activities (provincial co-ordination)	<ul style="list-style-type: none"> ● Source partnerships to develop partnership projects at provincial level 	<ul style="list-style-type: none"> ● Provincial managers are responsible for partnership development, stakeholder and relationship management, communications and information provision services in the various provinces. The provincial managers initiated numerous partnerships for the organisation during the 2006/7 financial year including with Old Mutual and Protea Hotels for job opportunities, the Mpumalanga Economic Growth Agency for a joint provincial fund and the Western Cape Department of Public Works for the National Youth Service Programme. The provincial managers also facilitated discussions with an average of three district municipalities per province for youth development support
Youth month	<ul style="list-style-type: none"> ● Support Youth Month activities and projects across South Africa 	<ul style="list-style-type: none"> ● Umsobomvu Youth Fund increased the marketing of its products during Youth Month. The organisation participated and sponsored a number of Youth Month activities including the official Youth Month celebrations organised by the National Youth Commission, the Future Leaders Conference in Durban, the roadshow on Supply Chain Management for the MEC for Economic Development and Planning. Provincial managers were involved in the planning for and participated in the Provincial Youth Month celebrations

REPORT OF FACTUAL FINDINGS TO THE MINISTER OF LABOUR IN CONNECTION WITH THE PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2007

We have performed the procedures agreed with you and enumerated below with respect to the key performance indicators (KPIs) of the Umsobomvu Youth Fund for the year ended 31 March 2007 set forth on pages 5 to 11 of the performance report. The directors are responsible in terms of section 55(2)(a) of the Public Finance Management Act, 1 of 1999 to report on the performance of the public entity against predetermined objectives. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the validity of the performance report of the directors on the KPIs contracted and achieved by UYF. These procedures are summarised as follows:

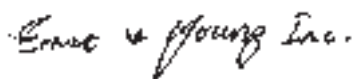
1. We obtained a copy of the revised targets, which were approved by the UYF's Board of Director's on 7 December 2006, for the year-ended 31 March 2007 to understand the KPIs that UYF is measuring itself against. We compared the KPIs in the performance report disclosed on pages 5 to 11 to ensure that these are in agreement with the revised targets;
2. As auditors of the Group, we conducted our audit in accordance with section 28 of the Public Audit Act. We read the performance report in light of the results of our audit of the financial statements to ensure that the performance report is consistent with our findings in the audit of the financial statements;
3. We recalculated the actual performance against predetermined targets presented by the directors using financial and other information derived from our audit of the financial statements. We agreed the performance information reported to supporting documents including system information, computer logs and other schedules evidencing the performance achieved.

We report our findings below:

1. The KPIs disclosed in the performance report agree to the revised targets approved by the Board of Directors of UYF on 7 December 2006. We inspected a letter written by UYF dated 10 January 2007 to the Deputy Director General of the Department of Labour requesting the revised targets be considered and ratified by the Department of Labour.
2. We read the performance report in light of the results of our audit of the financial statements and we did not identify any material inconsistencies between the performance report and our audit of the financial statements.
3. The actual performance against predetermined targets presented by the directors was calculated correctly based on the audited financial information. The performance information reported agreed to underlying supporting documentation including system information, computer logs and other schedules.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the KPIs in the performance report of Umsobomvu Youth Fund for the year ended 31 March 2007.

Had we performed additional procedures or had we performed an audit or review of the Performance Report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.



Ernst & Young Inc.

Registered Auditor

22 August 2007

Johannesburg

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) Limited, and a shareholder in Gold Reef City Casino. From 1992 to 1995 he practiced 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 been a member of a variety of Inquiries and Commissions. The most prominent example is the Motsuenyane Commission. He has a Bachelor of Procureas from University of the North and 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 board member of the Black Management Forum (BMF) and as a Deputy Chair 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 Witwatersrand and studied for an Honours degree in Finance with the University of South Africa.



Dumo Motau

Non-executive Director

Dumo Motau is the Manager for Financial Markets at the Banking Association of South Africa on secondment from the National Treasury. Previously she was the 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.



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, 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.

board of directors (continued)



Kgomoco Diseko

Non-executive Director

Kgomoco Diseko is a Grants Manager at the 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. During his tenure as the National Secretary of the South African Youth Council he led the youth delegation to the 1998 Presidential Jobs Summit which gave birth to Umsobomvu Youth Fund.



Maphomolo Tsiki

Non-executive Director

Maphomolo Tsiki is the Chief Executive Officer of Technology for Women in Business (TWIB), 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 the Deputy Chairperson 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 was elected as SRC President at the University of Witwatersrand. She has always served as part of the leadership of various youth formations. She holds a Bachelor of Arts in Politics from the University of 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 Limpopo Province, Chairperson of the Northern Transvaal Teacher's Union (the fore-runner 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.

executive committee

The Executive Committee (Excom) of UYF is led by the Chief Executive Officer, Malose Kekana, who appoints the members to the committee.

Each member of Excom possesses the necessary qualifications, skills and expertise to head their respective divisions. They are all driven by the infinite potential of young people and are passionate advocates for youth development.

Excom meets formally once a month to discuss and make strategic decisions that steers UYF to the fulfilment of its mandate.

The UYF Executive Committee is constituted as follows:



Derek Smith

Director: Service Delivery Channel

Derek Smith has been with UYF since August 2002 and joined as a Programme Manager in the Contact Information and Counselling division. He is currently a Director in the Service Delivery Channel Division. Derek completed his high school education at the Eldorado Park Senior Secondary School in Gauteng before studying in the United States 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.



Edgar Mahura

Divisional Director: Information Communication Technology

Edgar Mahura started his career by serving articles of clerkship at Deloitte in Pretoria, before joining the Deloitte's Computer Assurance Services division as a consultant. He then joined DaimlerChrysler South Africa as a project manager implementing SAP. He later set up the Programme Management Office to manage all DCSA internal projects. Edgar later set up his own project management consulting business, before joining Umsobomvu as a project manager. He is currently heading up the Information Communication Technology division.

He holds a Bachelor of Commerce degree from Rhodes University.



Godfrey Montshioagae

Divisional Director: Human Resources

Godfrey Mthupi Montshioagae (Stukkies), completed a BAED 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 the human resources division. He worked for CU Insurance for eight years where he gained a solid human resources foundation. From CU Insurance, Stukkies joined Deloitte Human Capital as a remuneration consultant and was later part of the team that formed the 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 over a year before joining UYF in May 2005.

executive committee (continued)



Gugu Mjadu

Acting Divisional Director: Communications and Corporate Affairs

Gugu Mjadu is a Bachelor of Arts graduate from the University of Witwatersrand with majors in International Relations and English. She has a Bachelor of Arts Honours degree in Political Studies from the Rand Afrikaans University (now University of Johannesburg). Gugu is currently completing her research for the Post-Graduate Diploma in Marketing with the IMM Graduate School of Marketing. Gugu has over eight years' experience in the public and private sector. Her area of expertise is administration, project management, communications strategy development and implementation. She has worked at Umsobomvu Youth Fund for over four years.



JJ Oosthuysen

Divisional Director: Service Delivery Channel

JJ Oosthuysen graduated in 1984 from the University of Free State and completed a post graduate diploma in Personnel Management and Training in 1991. During the late 1980s and 1990s he worked as a consultant in management and business development. In 2002 he was appointed Managing Director of a microfinance institution and served in this position until the amalgamation with UYF in 2006.

He has 20 years' working experience, of which the last 10 were in senior management capacities.



Lucy Hlubi

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 through Wits University, and is currently finalising a Master's in Business Administration (MBA) with Milpark Business School.



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 recently merged with the 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 and launching the first business voucher scheme in South Africa. He was also project leader for the team that planned and established Umsobomvu Youth Fund's first UYF operated YAC. Mtshali holds a Bachelor of Law degree.



Mzwabantu Ntlangeni

Divisional Director: Process Cycle Management

Mzwabantu Ntlangeni previously worked for the National Development Agency as a Programme Manager. He was previously involved with a transitional funding institution, the Transitional National Development Trust (TNDT), before the formation of the National Development Agency where he held various positions including General Manager. At the NDA he was appointed Programme Manager and was responsible for the overall management of the grants portfolio, before joining the Fund in 2002. He holds a Bachelor of Commerce degree from Rhodes University.



Ncedi Hluyo

Divisional Director: Capacity Building and Research

Ncedi 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 as a social worker for the Association for the Physically Disabled for over two years and for the then Anglo Alpha Limited as an employee wellness manager for over four years.

In 1994, Ncedi became involved in training at Percon (Pty) Limited which was later incorporated into Primeserv, and was later appointed as a Manager of the Siyakhula Trust, a section A educational trust founded by Percon in which she played a crucial part in its establishment and growth. In June 2002 she joined UYF as the Capacity Building Manager and was promoted a year later as the Divisional Director.



Roy Rajdhar

Divisional Director: Enterprise Finance

Roy Rajdhar has 20 years' working experience. He started his career by serving articles of clerkship at Fisher Hoffman, a medium-sized auditing firm. After completion of his articles in 1990 he joined Philips (South Africa), the Dutch electronics group, as group financial accountant until 2004. Since then he has been involved in small business financing, particularly BEE transactions. He worked for the International Finance Corporation, the investment banking arm of the World Bank Group before joining Umsobomvu Youth Fund (UYF) in 2003.



Sanjay Hargovan

Risk Manager

Sanjay Hargovan has been with UYF since 2001 and joined as the Finance Manager. He was promoted to Senior Finance Manager and then appointed as the Risk Manager in 2005.

He completed his BComm Accounting and a Postgraduate Diploma in Management Accounting at the University of Natal. He has nine years' experience in the accounting profession, which has given him insight into entering the field on Enterprise Risk Management. He has eight years' experience in the public sector, specifically public entities.

Prior to joining UYF he served with the National Lotteries Board, where he was the first accountant recruited, and United Pharmaceutical Distributors.

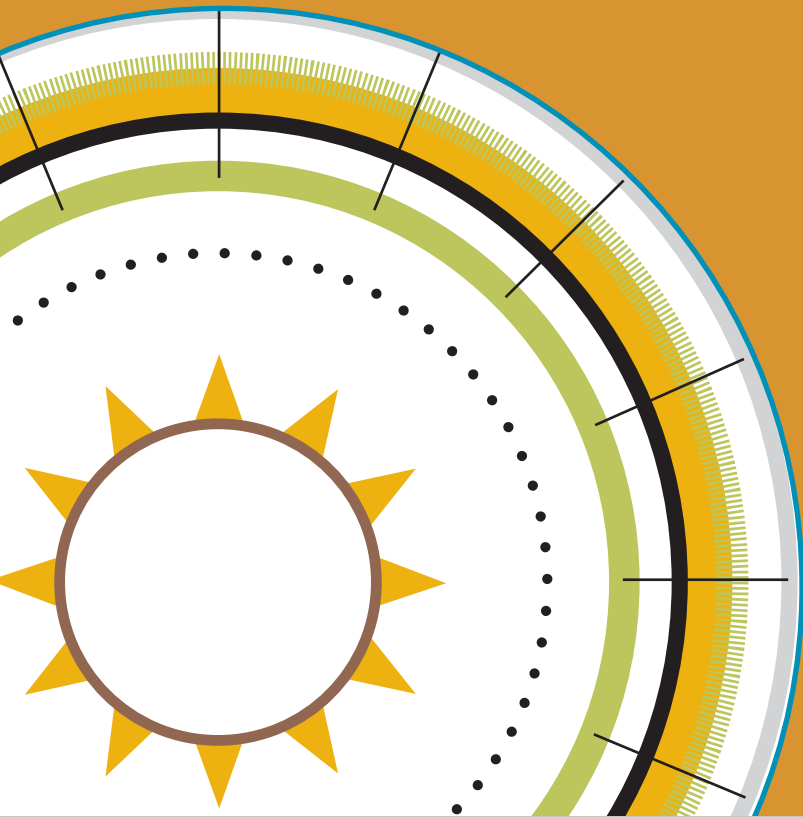
- Busani Ngcaweni is currently seconded to the Presidency and is responsible for Youth Affairs
- During the year under review the following people resigned:
 - Jennifer Law – Chief Financial Officer
 - Nombini Mehloakulu – Divisional Director: Communications and Corporate Affairs

chairman's report

Umsobomvu Youth Fund has undergone various phases over the past six years, phases that are important if you want to build a strong and sustainable organisation. I am honoured to report that we have come up triumphant and remain the biggest investor in and supporter of the youth of South Africa.



Adv Richard Moloko



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When we started in 2001 up to 2003, we were setting up our operations, reviewing research and generally piloting our programme. From 2003 to 2006, we aggressively pursued partnerships in both the public and private sector; partnerships which I believe have enhanced our work. Over the years our partners have included FirstRand, Business Partners, the National Youth Commission, numerous government departments including the Department of Public Works, Massmart, Nestlé South Africa, MTN, various provincial funding agencies including Limdev and one Free State Development Corporation, municipalities and many other valuable partners. I thank them all for their support to Umsobomvu Youth Fund and belief in the ultimate potential of the youth of South Africa.

Since 2004 we have been amplifying our programmes to ensure that we have sufficient national outreach. We currently have 121 Youth Advisory Centres across the country and we will have 40 more in partnership with municipalities and higher education institutions by the end of the 2007/8 financial year.

This year I am proud to announce the following highlights for Umsobomvu Youth Fund:

- After more than three years of preparation, evaluation and third-party on-site audits, our quality management system has been certified by DEKRA Certification GmbH for complying with the ISO 9001:2000 standard. Through this process, we have developed a quality management system that focuses on continual improvement through consistent implementation of best practice procedures across all our core product and service lines. ISO certification demonstrates the entire Umsobomvu Youth Fund team's commitment to quality and to ensuring customer satisfaction.
- Many of our beneficiaries won awards including in six categories at the CitiGroup Marang Micro Entrepreneurship Awards and four categories in the Black Business Quarterly Awards including the BBQ Young Business Achiever Award for Malose Kekana. Umsobomvu Youth Fund also won numerous awards this year including the South African Institute of Chartered Secretaries and Administrators SA Annual Reports Awards for the 2006 Annual Report and runner-up prize in the Public Sector Innovation Awards in the category Innovative Service Delivery Institutions for the Business Consultancy Services Voucher programme.
- The Market Linkages Programme managed to secure R183,7 million in business opportunities for young

entrepreneurs through the Business Opportunities Support Service (BOSS). We thank business and government for their support during this year and urge more organisations to open up opportunities for young entrepreneurs.

- 29 106 learners are undergoing entrepreneurship education, which is our contribution to a more entrepreneurial South Africa.
- Early in 2007 UYF adopted a new strategy for micro finance; to significantly scale up operations and become the industry leader in South Africa in terms of client approach, quality of services and assets including impact on income, job opportunities and improved livelihoods. UYF plans to advance 100 000 loans by 2010 to young people and women. This year 21 307 micro finance loans worth R43 million were issued to youth and female entrepreneurs.
- 15 139 participated in the National Youth Service Programme indicating again that youth are proud to serve their communities. In his State of the Nation Address, President Thabo Mbeki indicated that we will increase the number of young people engaged in National Youth Service by at least 20 000 through 18 of our departments which have already developed plans in this regard and enroll 30 000 young volunteers in community development initiatives. As the implementer of the National Youth Service Programme, Umsobomvu Youth Fund remains committed to assist in meeting these targets.

Each year Umsobomvu Youth Fund receives support from the leadership of the country including Members of Parliament, Mayors, Members of Executive Committees, Premiers, Ministers and the Presidency. This year we have been especially humbled by the continuous support received from the Deputy President, Ms Phumzile Mlambo-Ngcuka. We have seen her at our events interacting with young people, our service providers and staff. She has also provided valuable guidance on our programmes. We thank her and many other leaders for their support.

On behalf of the Board of Directors, I would like to congratulate Malose Kekana and members of the Executive Committee for their leadership. I would like to thank the Minister of Labour, Mr Membathisi Mdladlana, and the Department of Labour team for their support. Lastly, I would like to convey my gratitude to all the members of the Umsobomvu Youth Fund team including my fellow board members for their hard work and commitment to youth development.

Adv Richard Moloko

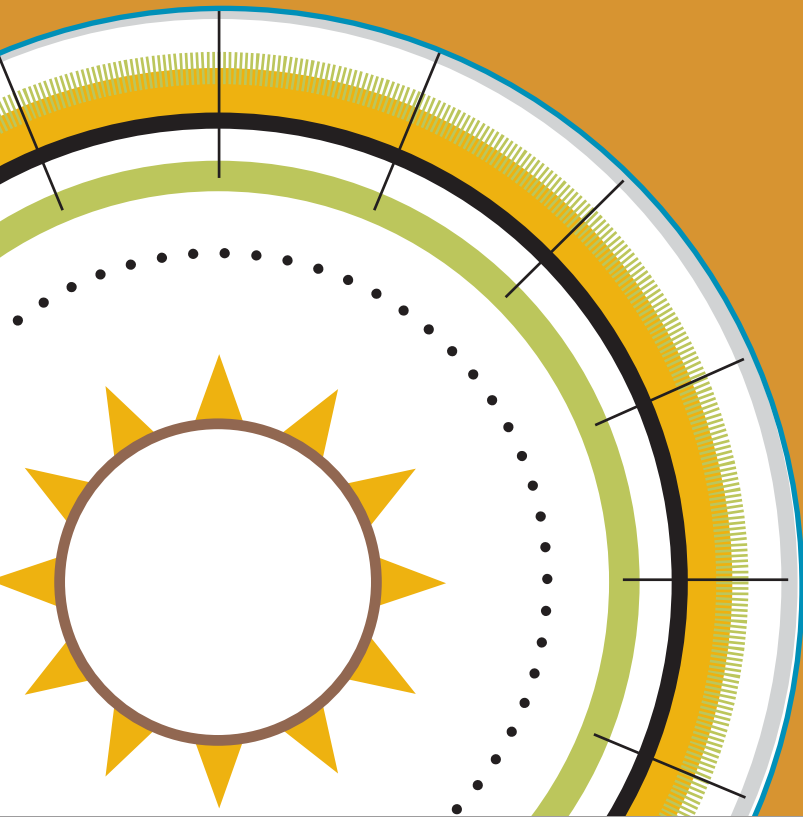
Chairperson of the Board of Directors

chief executive officer's report

Umsobomvu Youth Fund has made considerable progress in reaching out and supporting ever increasing numbers of young men and women across the country during the period under review. The progress made can largely be attributed to the organisation's efforts invested in expanding its delivery infrastructure in urban and rural centres. Our efforts are guided by both the needs and demands of young people on the one hand, and the priorities of government on the other.



Malose Kekana



Umsobomvu Youth Fund has made considerable progress in reaching out and supporting ever increasing numbers of young men and women across the country during the period under review. The progress made can largely be attributed to the organisation's efforts invested in expanding its delivery infrastructure in urban and rural centres. Our efforts are guided by the needs and demands of young people on the one hand, and the priorities of government on the other.

The organisation's priorities are informed by the Government's Accelerated and Shared Growth Initiative of South Africa (ASGISA), the National Skills Development Strategy (NSDS) and the anticipated National Youth Policy that will be launched later this year. More specifically, UYF has contributed to achieving these national policy objectives by:

- **Improving access to employment opportunities** through the provision of career development information and counselling, job preparation and development, linking young people to employment opportunities. Young people access these services through a range of delivery channels that include Youth Advisory Centres, SAY Magazine, Youth Card, Youth Connect (call centre) and Internet Portal.
- **Expanding support for entrepreneurial activity and self-employment** through the delivery of entrepreneurship information and training, business development consultancy and advisory services, access to market opportunities and enterprise finance.
- **Facilitating targeted skills development programmes** focusing on graduate development and providing young people with access to training in scarce skills required by the priority sectors identified in ASGISA.
- **Engaging young people in community service and voluntarism** aimed at community development through support for the implementation of National Youth Service and Volunteer programmes.

Our contribution in these areas of focus for the period under review is as follows:

- Trained 1 250 young graduates
- Trained 29 106 learners in Entrepreneurship Education and 780 teachers
- Implemented National Youth Service programmes with over 15 139 youth participating
- Implemented technical training programmes with 2 795 registered youth;
- Trained 85 entrepreneurs through the Supplier Development Training programme
- Received and registered more than 117 436 CVs from unemployed youth /graduates

- Directly assisted 329 unemployed youth access formal employment and indirectly another 2 467 youth;
- Provided business mentorship support to 127 entrepreneurs;
- Issued 9 470 business consulting service vouchers which has resulted in the creation of 8 410 jobs and assisted in starting 2 318 new businesses
- Sourced business opportunities to benefit 942 entrepreneurs to the value of R183,7 million
- Disbursed 21 307 micro loans worth R43 million, resulting in over 5 723 enterprises being funded and over 6 425 jobs being created
- Disbursed 76 small and medium loans to the value of R132,3 million, resulting in 73 enterprises being funded and 1 678 jobs being created
- Funding over 20 co-operatives and capacity building of 15 co-operatives
- Recorded over 4 108 405 hits on the youth portal
- Fielded 59 211 calls at the UYF Call Centre (youthconnect)
- Registered 73 512 SAY Card holders
- Reached 138 066 youth through the YAC Mobile Outreach Programme
- Reached 428 391 youth through the Youth Advisory Centres (YAC) and YAC Points

Our performance over the past year provides us with a firm foundation for substantially increasing our efforts if we are to make significant inroads into the empowerment and social inclusion of young people through economic participation in the country. We recognise that the structural barriers to participation in the mainstream economy, the vulnerability of young people as a group and the legacy of institutional discrimination remain the key challenges that we face. Addressing these challenges demands innovative, and at times, cutting edge approaches that often require pioneering the development of youth programmes in uncharted waters. The change in our service delivery strategy from providing services through intermediary organisations to direct service delivery to young people is a case in point. This delivery strategy has focused our efforts over the last year on the consolidation of our operations and the expansion of our service delivery infrastructure.

The consolidation of our operating capacity has converged on:

- **Implementing effective programmes** through packaging and integrating our programmes more effectively to meet the needs of young people. This enables young people to

access a broader range of services that can be tailored to their individual needs.

- **Integrating service delivery channels** by having established a service delivery channel management function for managing the integration of previously disparate channels.
- **Formalising business operations** through the implementation of an ISO certified business management system and the introduction of critical systems that provide us with the basis for scaling up our operations. Key among these are our client-facing and back-office operating systems.
- **Strengthening our corporate governance mechanisms** with a particular focus on planning and resource allocation, performance management and reporting.

The successful implementation of the Tshwane Youth Advisory Centre as a pilot site for direct service delivery to young people provided us with invaluable knowledge and experience in our preparations for expanding our service delivery infrastructure nationally. The incorporation of The Nations Trust and the Nicro Enterprise Finance into UYF has further enabled us to gain insights into the different approaches for expanding our infrastructure.

With the scale of operations having increased substantially, we are amongst the leading youth development organisations world-wide. Implementing effective youth programmes or deploying services to improve livelihoods is challenging, especially on a large scale.

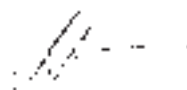
The creation of UYF was one of the decisive steps by the democratic government towards improving the livelihoods of the youth. Our six-year track record of implementing youth programmes provides Government with the confidence to continue endowing us with the precious responsibility of helping the youth and women of this country.

Setting and achieving challenging targets is becoming a UYF hallmark. For 2007 our strategic priorities include:

- Roll-out and operationalisation of the UYF branch network
- The launch of a Women's Fund
- Strengthening of existing partnerships and establishing new partnerships with government and the private sector
- Improving the operational efficiency by putting in place effective management systems (including the ISO 9001:2000 Certification of UYF branches)
- Enhancing our focus on staff training and development
- Finalising and implementing a new micro finance model

This year was a challenging one and the year ahead poses even greater challenges as a result of our expansion. However, I am pleased to report that our collective commitment to UYF and to the youth and women of South Africa saw us through this challenging period. This would not have been possible without the continued commitment, dedication and support of the UYF staff. Well done!

On behalf of the executive, I want to thank our Chairman, Advocate Richard Moloko, for his own and the Board's ongoing support. Their wise counsel remains a source of strength.



Malose Kekana
Chief Executive Officer

operational review

BUSINESS DEVELOPMENT SERVICES

Business Consultancy Services Voucher Division

The Business Consultancy Services Voucher (formerly referred to as the Business Development Services Voucher Programme) is the 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 objective of this service 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 assessed by business development officers, then assisted with vouchers which they use to pay for services provided by a network of accredited service providers. The product portfolio includes 42 products and services which include: business planning and feasibility; marketing plans; business administration; tendering; business process re-engineering; due diligence; accounting and book keeping; branding and web-based marketing and business registration.

In the period under review, 9 470 vouchers valued at R67 246 000 were issued to young entrepreneurs and led to the creation or sustenance of 8 410 jobs. These services were provided by 272 accredited consultants in the service provider network. Nationally, vouchers were issued from 11 Allocating Agent offices across the country which included two Umsobomvu branches in Tshwane and Polokwane.

The business registration voucher was reinstated to assist young entrepreneurs in the formalisation of their businesses. The age limit for women entrepreneurs was also lifted to allow more women entrepreneurs to access the services.

The table below provides additional impact data for 2006/7:

INDICATOR	PERFORMANCE
Total business consultancy interventions	9 470
Jobs created/sustained	8 410
New businesses established	2 318
Vouchers issued to women	3 696
Vouchers issued to rural entrepreneurs	1 019
Vouchers issued to youth with disabilities	37
Loan capital accessed by voucher recipients	R35 140 000
Tenders/business opportunities secured by voucher recipients	R37 180 000

Volunteers In Action Youth Enterprise Mentorship Service

The Volunteers-in-Action Youth Enterprise Mentorship programme is aimed at recruiting volunteer mentors to provide mentorship to both existing and start-up youth owned enterprises. The mentoring services provided are one-on-one generalist mentoring where a young entrepreneur is matched with a mentor for a period of 18 to 24 months. Specialist mentoring services are offered to complement generalist mentors. Group specialist mentoring is provided through seminars, panel discussions and round table with subject expert to address areas of interest, peer network and support.

STRATEGY	IMPACT OR TARGET	PERFORMANCE
Young people assisted in acquiring mentorship support and technical assistance from experienced mentor volunteers	594 young entrepreneurs receive mentoring support 200 volunteer mentors recruited	133 young entrepreneurs signed to receive mentoring support 146 volunteer mentors recruited 127 mentoring pairs active

Business Opportunities Support Service

The Business Opportunities Support Service (BOSS) is 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 entrepreneurs.

JOBS AND OPPORTUNITIES 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 that is, matching, screening and linking functions. The JOBS service programme for the year under review was launched at a luncheon meeting hosted by the Deputy President of the Republic, Ms Phumzile Mlambo-Ngcuka, 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 its recruitment needs. Since its implementation in 2005, JOBS has placed 3 394 young people in jobs, learnerships and internships.

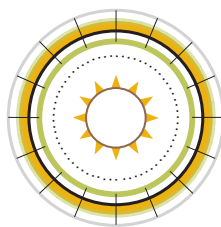
ENTERPRISE FINANCE DIVISION

During the year under review, the Enterprise Finance unit, together with its banking partners, approved about 21 383 loans totalling R175,5 million funding. The main beneficiaries were black women who were recipients of more than 90% of the loans. These enterprises created 8 103 jobs for mainly historically disadvantaged individuals.

In order to maximise its reach and impact Umsobomvu Youth Fund enters into partnerships with institutions that are able to deliver its products and services efficiently and effectively. To this end Umsobomvu Youth Fund has entered into partnerships with Free State Development Corporation, Limpopo Economic Development Enterprise and Northern Cape Provincial Government. Umsobomvu Youth Fund expects to lend, at least R35 million over the next year to small business operating in Limpopo, Free State and Northern Cape.

UYF is in advanced stages of concluding an agreement with a leading publicly listed life assurance company in terms of which R200 million will be committed to a fund which will support women-owned and managed SMEs by providing finance, mentorship and accessing markets for these enterprises.

UYF has partnered with First National Bank Limited (FNB) whereby the latter has committed R240 million and the former R80 million towards the establishment of the Progress Fund. During the year under review Umsobomvu Youth Fund received a further commitment, in principle, from FNB thereby bringing the overall committed funding to R400 million.



On 1 April 2006 UYF integrated the micro lending operations of The Nations Trust Youth Enterprise Finance and Nicro Enterprise Finance into UYF in order to intensify its outreach and take its micro finance programme to scale.

SERVICE DELIVERY CHANNEL DIVISION

The Service Delivery Channel Division's (formerly Contact Information and Counselling) vision is to provide access to information and support youth in making informed decisions about their employment, self-employment and skills development and sustainable livelihoods. Information is provided through the following Service Delivery Channels:

- **Youth Advisory Centres (YACs)**, including YAC points and Mobile YACs to provide access in rural areas.
 - UYF's call centre – **youthconnect**.
 - Website portal – **www.youthportal.org.za**.
 - South African Youth Card – **SAY**.

Youth Advisory Centres (YAC)

There are currently eight (8) full-service Youth Advisory Centres and 113 Youth Advisory Centre points based at various locations including municipalities, Labour Centres and Further Education and Training Colleges. The YAC Points offer 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. Full-service Youth Advisory Centres offer all UYF services including information, business consultancy services voucher programme and loan finance from one access point.

The centres also provide outreach services to communities that are unable to access them with emphasis on rural areas by taking career, skills development and entrepreneurial-related information to communities in need through the mobile YACs. The centres are supported by mobile YACs in their outreach. The mobile YACs reached 138 066 people in the financial year.

UYF's existing YACs attracted more than 428 391 young visitors in the year under review. An additional seven (7) full-service YACs and forty (40) YAC points will be introduced through municipalities and universities across all provinces in the 2007/8 financial year. Full service YACs will support YAC points in their vicinity with access to UYF services not available at their sites.

Call Centre – youthconnect

The call centre called youthconnect offers an array of services to young people who make enquiries on UYF activities and general developmental information. During the financial year, the call centre supported various divisions with outbound calls including for the Entrepreneur Card Survey, client and service provider management and debt collection. In the last year, the call centre fielded 59 211 calls, bringing the number of calls received by the call centre to 233 948.

South African Youth (SAY) Card

The SAY card is gaining momentum: the quantitative targets for the 2006/07 financial year were achieved before year-end bringing the number of SAY cardholders recruited during the financial year to 73 512. The SAY card programme introduced the SAY Value Add Programme comprising the SAY Workshops on 'Finding a Job' and 'Starting a Business.' The workshops were also integrated in the Youth Advisory Centre Programme.

Other highlights for the SAY card programme for the 2006/7 financial year include the following:

- Introduction of SAY electronic application forms;
- Conducting a pilot SMS campaign for SAY card members and the organisation;
- Establishing new partnerships/contacts with VISA, Proudly South African, MTN Banking, MTN, Kaizer Chiefs and the Department of Education;
- Conducting a survey on the Entrepreneurs Card;
- Developing and distributing Discounter newsletters; and
- Changing the age limit for the SAY card to 35 years.

The 2007/8 financial year will see the SAY card programme expanding workshops to include workshops on Financial Literacy, Health and Wellbeing issues and 'After Matric' workshops and the implementation of the Campus Recruitment Programme.

Content Management and Development and the Internet Portal

The Content Management and Development (CDM) section underwent a major shift in the year under review in terms of streamlining its approach to delivery by capacitating itself to deal with the daily management of the Portal, Enterprise Information Portal (EIP) and Case Management (CAM) systems. This approach allowed for more attention to be paid to acquisition and development. Highlights for the year include:

Portal:

- 4 108 405 hits reached on the portal; and
- Completing the Portal Redesign project.

Content Management and Development projects:

- Content development for the Department of Labour Youth Advisory Centre Points;
- Rolling out of content, Starting a Business and Finding Work, activated by the Mindset Network to YACs;
- Development of booklets on how to Start a Business and Find Work for the SAY Value Add Programme;
- Development of the Internal Bursaries Data Management Plan;
- Continued support to NYS with regard to the development and roll-out of Microsoft-NYS Project to capacitate 500 volunteers with delivering training on basic to intermediate Information Literacy Training; and
- Development of further content projects for roll-out of the Cobweb Media How to Start a Business Guides, Information Needs Assessment, Career Guidance Training and Content Support to YAC's Intervention and Wits/Link Information Literacy Project.

Training:

- Workspace Management Training and Support for internal divisions including Communications and Corporate Affairs and Capacity Building and Research divisions.

PROCESS CYCLE MANAGEMENT DIVISION

The core business of the Process Cycle Management division is the creation of an effective and efficient operational platform for the successful implementation management of youth programmes. In the period under review, the unit focused on strengthening of the back-office support functions of UYF. In line with this, the division has, among other things, and formalised funding approval processes and tools, strengthened its public response capability, formalised its compliance monitoring activities.

Quality Management Systems

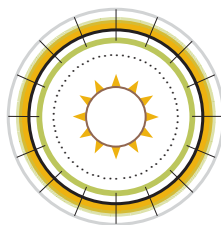
In September 2006 UYF received ISO: 9001: 2000 certifications from DEKRA SA. This achievement is a major milestone for UYF as it is the first agency of its kind to have their management systems certified in line with international standards.

The certification is proof that Umsobomvu Youth Fund's management system ensures quality of all the outputs produced within the organisation. It comprises the policies and procedures necessary to improve and control the business activities required to deliver our products and services to the satisfaction of our various customers.

In addition, the certification confirms our commitment to continual improvement in quality as it relates to all aspects of our business – products, services and operations.

Customer Feedback

With the growth and expansion in UYF operations and in honouring a key requirement of ISO 9001: 2000 standards, a dedicated function for handling complaints from the public has been implemented. All UYF complaints are channelled to a dedicated resource within the PCM division and processed. This has had the effect of shortening the turnaround times of providing feedback to our customers.



Strategy Management and Coordination

In support of the functions of the Office of the CEO, the PCM division was mandated to coordinate strategy development and management. This is a crucial function especially in the context of the rapid growth of the organisation.

Corporate Reporting

A critical function in any top performing organisation lies in its ability to communicate its plans, vision, impact, etc to its stakeholders in a structured manner. The PCM division is putting in place systems and processes that will govern this function and ensure that all reports to stakeholders are accurate and on time to inform effective decision making.

CAPACITY BUILDING AND RESEARCH DIVISION

The Capacity Building and Research (CBR) programme provides strategic programme information and interventions that guide and support UYF in the development and implementation of its products and services, as well as enable UYF to meaningfully contribute towards the development and implementation of a national youth development agenda. Through CBR, UYF is able to extend its role beyond that of a funder and play a capacity building and advocacy role in the South African youth development sector, the intention thereof being to create an enabling environment in which UYF's interventions can be supported, scaled up and sustained.

The main target and beneficiaries of the CBR programme are UYF staff, service provider organisations, government and non-governmental departments and agencies and partners. The development and implementation of the following CBR offerings have been informed and guided by the youth development principles and the Umsobomvu Standards of Effective Practice (USEP) that UYF developed in consultation with key partners in the youth development sector when it was established.

UYF is formalising its capacity building interventions through the establishment of the Centre for Youth Development Practice (CYDP)TM. Through this centre, UYF intends to continuously strengthen its own capacity and share its knowledge with the general youth development sector.

Youth Affairs Research

UYF regularly conducts research and disseminates information on socio-economic needs, circumstances and opportunities of South African youth so as to enable it to develop and implement relevant, effective and impact driven interventions. The following studies aimed at tracking and assessing the status of youth in various aspects were carried out in the previous year:

- A literature review on the status of disabled persons in the workplace and the development of a Disability Management Framework for UYF.
- 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.
- Private sector support for youth development. This study is a review of the extent of the private sector's investment in youth development efforts.
- Modeling youth development approaches is a study that profiles youth development approaches by local and international youth development organisations.

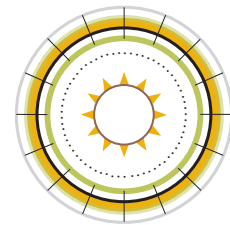
The above studies directed UYF in terms of its programme conceptualisation and implementation, and have been shared with others in related fields of interest.

Knowledge Management

As a learning organisation, UYF is keen to learn from its experience of implementing Youth Development Programmes. UYF's Knowledge Management Programme has begun implementing knowledge capturing and application strategies. To date exercises that have been undertaken include:



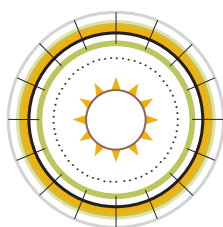
The National Youth Service Programme involves young people in service to their communities. Service includes mentoring vulnerable children, volunteering as teachers for Maths and Science and the upkeep of community buildings.



- The design and establishment of a knowledge management community of practice;
- Internal knowledge network seminars that focused on using past lessons generated from impact assessment studies to inform current and future practice;

Lobby and Advocacy

UYF has entered into a Memorandum of Understanding (MOU) with the National Youth Commission (NYC). The two organisations plan to cooperate in the areas of research and policy development, and using these to advocate for the mainstreaming of youth development for the country. Together, the organisations have and are continuing to advocate for the implementation delivery of public services by governmental and non-governmental agencies through the National Youth Service Programme which aims to promote citizenship/community participation amongst youth whilst providing them with livelihood and personal development opportunities. In partnership with the South African Youth Chamber of Commerce (SAYCC) and National African Federated Chamber of Commerce (NAFCOC) Youth, UYF is implementing another major initiative, the Youth Entrepreneurship Campaign (YEC) 2010, which seeks to promote entrepreneurial activity among youth and to lobby for the creation and accessible business opportunities for young people in South Africa. YEC 2010 works in association with the NYC, South African Youth Chamber of Mining (SAYCM) and Commercial Agricultural Youth Chamber (CAYC).



UYF has also entered into a Memorandum of Agreement (MOA) with the Youth Desk in the Office of the Presidency. This agreement provides for the capacitating of the Youth Desk through research cooperation and capacity development programmes for staff.

UYF is also a member/participant of the following initiatives which aim to promote and enhance the development and promotion of policy that will enhance youth development in South Africa:

- Youth Development Forum led by the Youth Desk in the Office of the Presidency
- Youth Policy Initiative led by the Human Science Research Council
- National Policy Review led by the National Youth Commission

Monitoring and Evaluation

To ensure that it delivers effective and impact driven interventions, UYF has set up performance indicators for all its products and services and has reviewed its Monitoring and

Evaluation (M&E) Framework to meet the expansion and requirements of new areas of UYF operation. UYF is currently reviewing and strengthening its monitoring and evaluation system to ensure that reporting on projects is efficient and supports planning of projects. The M&E system will use an integrated approach for information collection, management and reporting. This will improve the quality of information used for UYF reporting.

The Monitoring and Evaluation Unit conducts and oversees all monitoring and evaluation activities for UYF programmes. All projects implemented by UYF are evaluated at the end of the funding cycle and the outcomes are shared with project implementers. An impact assessment for the Business Consultancy Services Voucher Programme (BCSVP) was commissioned and its results of the evaluation will be published in the second quarter of 2007/08. Other projects evaluated during the year in review are School to Work projects, Further Education and Training (FET) projects, Graduate Development projects, Youth Advisory Centres (YACs) and Franchise Fund mentorship programmes.

Materials Development

The development and dissemination of self-help guides and training materials to youth development organisations and UYF's staff 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 and skills are imparted to many organisations, even those that are not funded by UYF.

Training and Development

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 year, the programme's main focus was on developing and enhancing the competencies of its staff and delivery channels, as well as strengthening the capacity of the National Youth Service Unit to address the NYS massification imperatives from the Deputy President. Programmes delivered in this period include:

- A comprehensive training programme for newly appointed SPOs starting with orientation, skills programmes and after one year, best practice learning forums
- Training of information providers in UYF Youth Advisory Centres in guiding, assessing and referring young people
- Training of trainers in Life Orientation programmes offered by UYF's Graduate Development Programme

- Ongoing training of UYF and SPO staff in youth development practice
- Stakeholder mobilisation, implementer orientations and orientations for young people involved in National Youth Service
- A total number of 778 SPO staff, 259 NYS implementers and 182 UYF staff members participated in the UYF training and development programme

The first UYF internship programme was successfully implemented and all completing interns placed at the end of the 12 month programme. Based on this success, UYF decided to continue with the programme by giving 15 interns learning opportunities in the areas of National Youth Service and Micro Finance.

UYF submitted its initial application to become an accredited training provider and is ensuring its systems, processes and core offerings are aligned to training best practices and the National Qualifications Framework.

HUMAN RESOURCES DIVISION

UYF's Human Resources (HR) Division is accountable for ensuring that the organisation achieves its goals through people, thus acting as the lifeblood of the organisation. The Division is responsible for 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 UYF has grown from 146 to 268 staff members mainly due to the set up of full service YACs. As the organisation sets up new full service Youth Advisory Centres (YACs), the number of human capital will continue to increase in the next financial year. For the period under review the Division ensured that the UYF Values Charter, introduced in the previous financial year, was communicated and well understood by all new and existing staff. The Values Charter commits staff members to remain accountable to the South African society, stakeholders, clients and fellow employees.

The expansion of full service YACs also presents the organisation with an opportunity to learn and for staff to grow in their careers.

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.

During the year under review The Nations Trust and Nicro Enterprise Finance were integrated into UYF. The HR Division was responsible for change management.

UYF participated in a research that reviewed best HR Practices and the best companies to work for and UYF's efforts were recognised.

INFORMATION COMMUNICATION TECHNOLOGY DIVISION

The focus of the Information Communication Technology (ICT) Division has been on the alignment and implementation of the Umsobomvu Youth Fund Information Communication Technology strategy with business.

The division, currently headed by the Chief Information Officer reporting to the CEO, employs an ICT manager, an ICT projects manager, a business analyst, a network manager and three supporting engineers, that is, an applications and a technology engineer and an administrator. Provision has been made to recruit two assistants and two engineers (developers) and a transactional, transformational systems engineer in the new financial year.

The core function of the ICT Division is to provide support to the UYF ICT infrastructure and its end users. This includes overall data security, disaster recovery and system implementation and integration of data of the UYF.

Major achievements for the year were the development and implementation of the ICT project management and implementation policies and procedures in accordance with good corporate governance. This also includes ensuring greater accessibility of the UYF infrastructure by the service delivery channels and provincial infrastructure via the Virtual Private Network (VPN). The objective is to have all UYF delivery channels accessing the network and applications without using dial-up services. This promotes identical views of the organisation and beneficiaries throughout.

Part of the ICT strategy was focused on aligning technology with business requirements. The strategy included the integration with programmes in respect of ICT support. All targets with respect to the above were met; that is, successful implementation of an electronic financial system upgrade, documentation of the ICT processes for the quality management system (QMS), and as a result, general support and procurement (ensuring adherence to the procurement policy) of services and technology has improved.

COMMUNICATIONS AND CORPORATE AFFAIRS DIVISION

The main driver of the Communications and Corporate Affairs Division is to build and maintain positive perceptions about Umsobomvu Youth Fund and South Africa's youth. The division supports the organisation with the Umsobomvu Youth magazine, public relations and marketing, event management, provincial management and corporate social investment.

Communications

In the financial year the Communications and Corporate Affairs Division mainly ran campaigns to highlight the location of Umsobomvu Youth Fund access points, processes for accessing UYF products and services and UYF achievements to date.

Provincial Management

Provincial Managers are responsible for partnership development, stakeholder and relationship management, communications and information provision services in the various provinces. The Provincial Managers initiated numerous partnerships for the organisation during the financial year including with Old Mutual and Protea Hotels for job opportunities, the Mpumalanga Economic Growth Agency for a joint Provincial Fund and the Western Cape Department of Public Works for the National Youth Service Programme. The Provincial Managers also facilitated discussions with an average of three District Municipalities per province for youth development support.

Corporate Social Investment

Umsobomvu Youth Fund sponsored various youth events and projects in the financial year across the country. These include the ICC Young Community Shapers Awards, the Nelson Mandela Bay Career Expo and the Sekhukhune FET College Youth Conference.

Umsobomvu Youth Magazine

The Umsobomvu Youth Magazine was originally developed to support the South African Youth Card, thus its original name SAY Magazine. The Umsobomvu Youth Magazine provides youth with information about opportunities within the field of economic participation, education and training, citizenship, health and wellbeing and Umsobomvu Youth Fund. During the financial year, the magazine was published bi-monthly and distributed at UYF outreach events, UYF and government access points and via the Daily Dispatch, Sunday Times, Sowetan and Sowetan Sunday World.

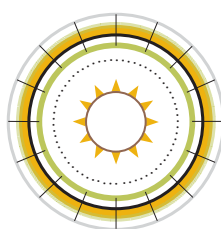
RISK UNIT

The core function of the Risk Unit is to ensure that all enterprise-wide risks are identified and appropriately mitigated to reduce the residual impact on Umsobomvu Youth Fund. The Risk Unit was transferred to the Office of the Chief Executive Officer hence ensuring that the Risk Manager has a direct reporting line to the Chief Executive Officer. The Risk Manager has a standing invitation to attend the Audit and Finance Committee.

The unit is responsible for implementing the Risk Management Strategy and Fraud Prevention Plan for UYF's insurance needs. It is responsible for Business Continuity management, is the custodian of policies and charters and co-ordinates the internal audit function.

During the year, a Risk Committee was constituted and research was conducted into the implementation of a risk management software.

The strategic and divisional risk registers as well as the Business Continuity Plans were updated.



FINANCIAL MANAGEMENT DIVISION

The Financial Management Division consists of the following support units:

- Finance and Reporting
- Procurement
- Facilities and Administration

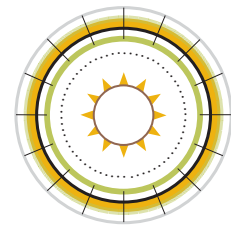
The Chief Financial Officer is accountable for this division, and each support unit is led by a manager who is responsible for the strategic planning and day-to-day operations.

Finance and Reporting Unit

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

During the year under review, this unit continued to improve its systems and processes to align itself with UYF's business requirements. To note, the unit successfully implemented the budgeting tool which has been used to prepare budgets for the 2007/8 financial year. In previous years UYF used the Excel platform to prepare its budgets. Capacity has also been increased to meet UYF's growth trajectory.

UYF, with the Finance and Reporting Unit taking the lead, has managed to successfully secure an unqualified audit opinion for the year under review.



**We are investing
in the youth today
to ensure the
nation's prosperity
tomorrow.**

Procurement

The Procurement Unit, led by the Procurement Manager, is responsible for the development and implementation of legislative aligned procurement policies and procedures. It is the central custodian of tenders and co-ordinates the approval of preferred service providers and suppliers.

During the year under review, the unit issued and awarded five tenders and approved 155 service providers for listing in the Procurement Management System.

The unit will continue to use State Owned Enterprise Forum (SOEPF) as one of the channels to promote UYF's Jobs and Opportunity Seekers Database (JOBS) and Business Opportunity Support Service (BOSS) as well as lobbying for, amongst other things, a national centralised preferred supplier database for public entities.

Facilities and Administration

The unit appointed a Facilities and Administration Manager in December 2006 in order to ensure that all UYF offices are maintained and administered efficiently to promote a safe and comfortable work environment for employees.

The unit has managed to ensure that through proper space planning, additional office space was made available by renovating and altering space made available when one of the tenants vacated the building. A number of divisions were reallocated new office space.

A new security system including the installation of a CCTV camera was implemented to ensure safety of staff in the building.

Currently, the unit is in the process of acquiring and setting up Full Service Youth Advisory Centres across the country. These offices should be fully operational by the end of November 2007.

corporate governance

REGULATORY ENVIRONMENT AND STATUTORY COMPLIANCE

Umsobomvu Youth Fund, being a public entity, is subject to the applicable provisions of the Public Finance Management Act No. 1 of 1999 ("PFMA"), amongst others, and is also obliged to adopt the principles of the King Code of Corporate Practice (King II Report) 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 Fund's Corporate Governance Manual, supporting Board Charter and Board Committee Charters, provide a comprehensive set of governance, policy directives and guidelines to promote the highest standards of corporate governance.

The Fund's 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 believes that it has substantially 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. To ensure continuous development and improvements of its corporate governance practices, the Fund's auditors conducted a high level assessment against leading practices of its corporate governance structures and processes during the year under review. The findings from the assessment have been brought to the attention of management and are currently being addressed.

GOVERNANCE PRINCIPLES

Code of Conduct and Corporate Values Statement

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. The Code of Conduct, together with the Human Resource Policy, clearly articulate 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.

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 Risk Manager has a standing invitation to attend the Board Audit Committee and convenes quarterly Risk Management Committee meetings which are chaired by the Chief Executive Officer.

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 on, 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, management policies control thereof, 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 2007.

INTERNAL CONTROLS

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.

The Fund has implemented a quality management system and has documented most of its operational processes and procedures to meet the ISO 9001: 2000 standards and is confident that this has enhanced effectiveness.

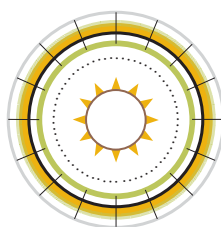
INTERNAL AUDIT

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 functionally responsible to the Board Audit Committee and reports administratively to 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 business' needs.



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. The policy of the Fund enables the protection of those who report these offences within their rights as afforded by legislation such as the Protected Disclosures Act No. 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

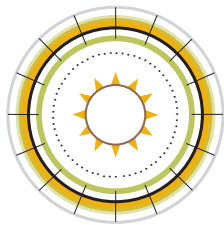
The Fund believes that it is fully compliant with the Financial Intelligence Centre Act, No 38 of 2001 (FICA), and all employees receive compulsory training as to the awareness and obligations of the Fund in respect of FICA.

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. During the year under review, the Fund was well in its way of meeting the requisite employment targets, particularly in respect of 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 which include staff from all levels, not only executive and senior managers. Strategic



Umsobomvu Youth Fund's work is enhanced by the continued support received from government, the private and youth development sectors.



decisions advance out of consultative processes 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, No 85 of 1993 are complied with, to ensure the safety and health of all employees and contractors employed by the Fund.

COMMUNICATION AND CORPORATE AFFAIRS

UYF enters into dialogue with institutional stakeholders for constructive engagement to form mutual partnerships to achieve the objectives of youth development. Due regard is 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 are expected to take cognisance that society demands greater transparency, accessibility and accountability regarding reports and communication.

As such UYF makes every effort in ensuring that information is readily available for its staff and is distributed to its stakeholders including youth via a broad range of communication channels, and this includes its internet portal (www.youthportal.org.za), the UYF call centre (08600 YOUTH), the national network of Youth Advisory Centres, Government Thusong Service Centres, constituency offices, its service providers and at outreach events. 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 has been one resignation and no new appointments. During the year under review Dr Sean Phillips has resigned from the Board of Directors, effective from 2 March 2007. The composition of the Board at 31 March 2007 is listed in the Report of the Directors on page 48.

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

The Board, in carrying out its tasks under its 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. 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:

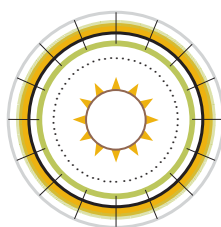
- All matters prescribed by law and the memorandum and articles of association;
- The appointment of the Chief Executive Officer;
- Accountability of risk management.

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 UYF Board appoints the chairpersons of the committees of the Board and determines their composition. The mandates of the committees of the Board are approved by the Board.

In terms of section 49 of the PFMA, the UYF Board is the Accounting Authority of the Fund. 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 Board has noted the non-attendance of the Board meetings by some members and has taken necessary measures to address the matter. This will also be taken into account in evaluating the performance of individual Board members.



The following Board committees operate within written Board Committee Charters:

- Investment Committee
- Audit Committee
- Remuneration Committee

INVESTMENT COMMITTEE

The Investment Committee met twice during the year ended 31 March 2007. The committee, as at 31 March 2007, under the Chairmanship of Mr Kgomoco Diseko, an independent non-executive Board member of UYF, had a mandate, stipulated in the Corporate Governance Manual, to approve projects proposed by the Management Committee with a total exposure in excess of R5 million but less than R15 million per project, and to ensure that the investments/projects adhere to the objectives and criteria of the Fund.

Projects with exposures in excess of R15 million are recommended to the main Board for approval.

The committee, in the year under review, approved a total of R13 million (2006: R34 million) grant funding and investments. Currently the Fund is in the process of finalising the charter for this committee which will be approved in the next Board of Directors meeting. However, the committee has been operating within the terms of reference contained in the Corporate Governance Manual.

AUDIT COMMITTEE

The Audit Committee is chaired by Ms Dumo Motau, an independent non-executive Board member of UYF, and its members consist of three non-executive directors over and above the chair and one independent specialist.

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

The committee is responsible for ensuring that UYF's audit, financial and risk areas are addressed and appropriate policies, internal control, recommendations from internal and external audit are implemented. The committee meets quarterly throughout the year with management, 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 describing the committee's terms of reference, roles and responsibilities, was approved by the Board and is reviewed annually.

The Audit Committee is supported by the Risk Management Committee.

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

REMUNERATION COMMITTEE

The Remuneration Committee of the Board 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 committee recognises that the financial reward offered by the Fund should be sufficient to attract people of the required calibre. It also recognises that failure to attract the right people will have a negative impact on achieving 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.

Record of attendance of Board committee meetings for the year ended 31 March 2007

	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	4	1
Adv Richard Moloko	3	1	1	1
Mr Malose Kekana	4	2	4	1
Mr Kgomoco Diseko	4	2	N/A	N/A
Mr Jeffrey du Preez	3	N/A	3	N/A
Mr Willy Madisha	0	N/A	0	N/A
Ms Dumo Motau	3	N/A	4	N/A
Dr Sean Phillips ¹	0	0	N/A	N/A
Ms Maphomolo Tsiki	3	2	N/A	N/A
Ms Vuyiswa Tulelo ²	0	0	N/A	N/A
Mr Tom Wixley ³	N/A	N/A	4	N/A
Mr John Mansfield ³	N/A	N/A	N/A	1

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
- Employment Equity Committee
- Occupational Health and Safety Committee

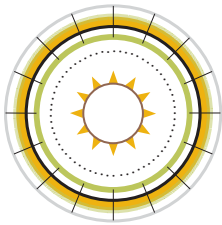
Executive Management Committee

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.

¹Resigned 2 March 2007

²Ms Tulelo was on maternity and extended leave during the year under review

³Independent non-executive specialist and committee member



Because access to information is crucial for the development of young people, Umsobomvu Youth Fund has established 121 Youth Advisory Centres across the country.



As at 31 March 2007, the Executive Committee consisted of:

Mr Malose Kekana (Chairman)	Chief Executive Officer
Ms Jennifer Law	Chief Financial Officer (resigned April 2007)
Ms Lucy Hlubi	Divisional Director – Skills Development and Transfer (promoted November 2006)
Mrs Ncedi Hluyo	Divisional Director – Capacity Building and Research
Ms Nombini Mehloakulu	Divisional Director – Communications and Corporate Affairs (resigned October 2006)
Mr Godfrey Montshioagae	Divisional Director – Human Resources
Mr Mbongeni Mtshali	Divisional Director – Business Development Services
Mr Busani Ngcaweni	Divisional Director – (Seconded to the Presidency)
Mr Mzwabantu Ntlangeni	Divisional Director – Process Cycle Management
Mr Roy Rajdhar	Divisional Director – Enterprise Finance (resigned April 2007)
Mr Derek Smith	Director – Service Delivery Channel
Ms Gugu Mjadu	Acting Divisional Director – Communications and Corporate Affairs (appointed October 2006)
Mr JJ Oosthuysen	Divisional Director – Service Delivery Channel (appointed April 2006)
Mr Edgar Mahura	Divisional Director – Information Communication Technology

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

Mr Sanjay Hargovan	Risk Manager
Ms Lebo Modiba	Manager – Business Strategy: Office of the CEO (resigned December 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.

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 less than R5 million, subject to prior recommendation of the Quality Assurance Committee⁴. The committee is responsible for ensuring that the programmes adhere to the goals and strategies of the Fund through a monitoring and evaluation process. Relating to entrepreneurship investments less than R5 million, the Management Committee is supplemented by the Fund's Manager – Enterprise Finance.

The Management Committee met 22 times (2006: 36 meetings) during the year under review to evaluate grant funded programmes, and met an additional 11 times (2006: 9 meetings) during the year under review to appraise entrepreneurship investments.

RISK MANAGEMENT COMMITTEE

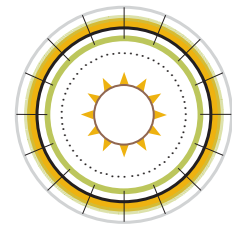
The monitoring of the quality, integrity and reliability of the Fund's risk management is delegated to the Risk Management Committee, a management committee led by the Chief Executive Officer, reporting to the UYF Board Audit Committee. The objective of the committee is to assist the Board Audit Committee in the discharge of its duties relating to corporate accountability and the associated risk in terms of management, assurance and reporting. The committee reviews and assesses the integrity of the risk control system and ensures that the risk policies and strategies are effectively managed. The committee sets 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 committee met twice during the year under review and the Risk Manager has a standing invitation to attend Risk Management Committee meetings.

⁴The Quality Assurance Committee is a management sub-committee, chaired by the Business Strategist 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.



Our beneficiaries are leaders in their fields. Some have gone on to win awards including the Citigroup Marang Micro Entrepreneurship and Black Business Quarterly Awards.



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 Divisional Director.

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 by the Procurement Manager, which will include 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.

The Committee met twice during the year under review and the Procurement Manager has a standing invitation to attend PTC meetings.

SKILLS DEVELOPMENT AND EMPLOYMENT EQUITY COMMITTEE

The committee is chaired by a staff member appointed by the Executive Committee and reports directly to the Chief Executive Officer. The committee consist of 15 members representative of the demographics of the Fund in respect of gender, race, job level and disability.

The committee is responsible to ensure compliance to legislation regarding employment equity and skills development and monitoring the implementation of work place skills and employment equity plans. It makes recommendations to management with respect to skills development and training for all employees and ensures that the underpinning principles of skills development and employment equity are applied fairly to all employees of the Fund.

The committee met three times during the year under review.

OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

During the year under review the Fund established the Occupational Health and Safety Committee (OHSC) as required by Occupational Health and Safety Act. This committee is chaired by the Director – Human Resource and reports directly to the Chief Executive Officer.

The responsibility of the Occupational Health and Safety Committee is to represent both the employer’s interest and the employee electorate’s interests in terms of occupational health and safety. The committee further ensures that the duties of the Employer as contemplated in the Occupational Health and Safety Act are properly discharged within the Fund.

The committee met once during the year under review.

GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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REGISTRATION NUMBER: 1999/028039/08

(Association incorporated under section 21 of the Companies Act, No. 61 of 1973)

STATEMENT OF RESPONSIBILITIES AND APPROVAL

The Directors of the Umsobomvu Youth Fund (“the Fund”), are required by the South African Companies Act, No. 61 of 1973, as amended, the Public Finance Management Act, No. 1 of 1999 as amended (“PFMA”) and the Public Audit Act, No. 25 of 2004, 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 and company 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 group and company annual financial statements appears on page 47.

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 and company annual financial statements of the Fund have been prepared in terms of International Financial Reporting Standards, the Companies Act in South Africa, the Public Finance Management Act and the Public Audit Act. 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 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 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 and company annual financial statements of the Fund and has recommended its approval to the Board of Directors.

In the opinion of the Directors, based on the information available to date, the group and company annual financial statements fairly present the financial position of the Fund as at 31 March 2007, 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, No. 61 of 1973, the Public Finance Management Act, No. 1 of 1999 and the Public Audit Act, No. 25 of 2004.

The group and company annual financial statements of the Fund for the year ended 31 March 2007, set out on page 48 to 87, have been approved by the Board of Directors on 31 July 2007.



Adv Richard Moloko

Chairman of the Board

31 July 2007

Johannesburg



Mr Malose Kekana

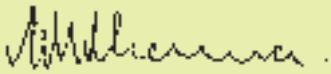
Chief Executive Officer

31 July 2007

Johannesburg

REPORT OF THE COMPANY SECRETARY

In terms of section 268G(d) of the Companies Act, No. 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 2007

Johannesburg

REPORT OF THE AUDIT COMMITTEE

We present our report for the financial year ended 31 March 2007 as recommended by the King II Report on Corporate Governance and Treasury Regulation 27.1.8 of the Public Finance Management Act, No. 1 of 1999, as amended.

The Audit Committee of the Umsobomvu Youth Fund's Board of Directors is comprised of four independent non-executive Directors and a special advisor to the Audit Committee. The committee held four scheduled meetings and a special Audit Committee meeting in the 2007 financial year.

The Audit Committee reports that it has regulated its affairs in compliance with its 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:

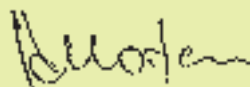
- The effectiveness of the internal control systems, based on the reports of management, internal and external audit;
- The effectiveness of internal audit;
- The risk areas of the entity's operations to be covered in the scope of internal and external audits;
- The adequacy, reliability and accuracy 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 of and objectivity of the external auditors.

Nothing has come to the attention of the Audit Committee 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 are considered to be appropriate in all material respects to:

- meet the business objectives of the Fund;
- ensure the Fund's assets are adequately safeguarded; and
- ensure that transactions undertaken are recorded in the Fund's records.

The Audit Committee has evaluated the group and company annual financial statements of the Fund for the year ended 31 March 2007 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, No. 61 of 1973, as amended, the Public Finance Management Act, No. 1 of 1999, as amended, the Public Audit Act, No. 25 of 2004 and International Financial Reporting Standards. The Audit Committee has therefore recommended the approval of these annual financial statements and group financial statements by the Board of Directors on 31 July 2007.



Ms Dumo Motau

Chairperson

31 July 2007

Johannesburg

REPORT OF THE INDEPENDENT AUDITORS TO THE MINISTER OF LABOUR

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of Umsobomvu Youth Fund (the Fund) and the group, which comprise the directors' report, the balance sheets as at 31 March 2007, the income statements, the statements of changes in equity and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 48 to 87.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Fund's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, No. 61 of 1973 and the Public Finance Management Act, No. 1 of 1999. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

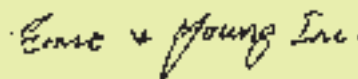
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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, No. 25 of 2004 read with General Notice 647 of 2007, issued in Government Gazette number 29919 have been complied with.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Umsobomvu Youth Fund and the group as of 31 March 2007, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, No. 61 of 1973 in South Africa and the Public Finance Management Act, No. 1 of 1999.



Ernst & Young Inc.

Registered Auditor

31 July 2007

Johannesburg

REPORT OF THE DIRECTORS

The Board of Directors of the Umsobomvu Youth Fund ("UYF" or "the Fund") is pleased to submit their report together with the Fund's audited group annual financial statements for the year ended 31 March 2007.

NATURE OF BUSINESS AND OPERATIONS

The 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, No. 61 of 1973, as amended.

The Fund focuses on the facilitation, promotion of job creation and skills development and transfer among young South Africans between the ages of 18 and 35 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 the 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

The 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 and will be tabled for approval by the next Board of Directors meeting.

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 will be forwarded to the Executive Authority.

The Fund did not submit a complete set of financial statements on 31 May 2007 as required by section 55(1)(c) of the PFMA to the auditors for audit purposes.

Although the Fund did not submit a Shareholder's Compact to the Department of Labour, the Minister of Labour has deemed it appropriate to consider the annual strategic plan and budgets to serve as a sufficient basis for regulating the affairs of the Fund.

CAPITALISATION AND GOING CONCERN

The Board of Directors of the Fund is pleased to report that the Fund has been recapitalised through the Medium Term Expenditure Framework in the amount of R400 million for the financial year 2007/8. At the date of approval of these financial statements the Fund had drawn down R150 million. The Directors have evaluated management's assessment of the Fund's ability to continue as a going concern, and are satisfied that the Fund has adequate resources to operate as a going concern in the next 12 months after the year-end. For this reason the Fund continued to adopt a going concern basis for the preparation of these financial statements.

ENTERPRISE FINANCE FUND MANAGEMENT OPPORTUNITIES

The Fund takes into cognisance that its resources are limited. Hence the strategic partners become critical. The Board of Directors is pleased to report that during the year under review the Fund was approached by a listed life assurance company with a proposal to arrange a Women Enterprise Fund of R200 million. At the date of approval of these financial statements, the life assurance company had commissioned a financial and corporate governance due diligence on the Fund.

BUSINESS COMBINATIONS

During the year the Fund integrated the loan books of its micro finance intermediaries, namely The Nations Trust Youth Enterprise Finance and Nicro Enterprise Finance Youth Fund. The acquisition date of these entities was 1 November 2006. For the first seven months of the year under review these entities were accounted for as Special Purpose Entities (in terms of SIC 12 of International Financial Reporting Standards). At 1 November 2006 IFRS 3 (Business Combinations) was applied to account for the acquisition of these entities. The business combination of these entities is detailed in note 3 of the financial statements.

The Fund disposed of 6% of the Hi-Tech Transformer Maintenance (Pty) Limited shareholding during the year under review, resulting in the subsidiary becoming an associate company.

FINANCIAL RESULTS AND POSITION

The financial results and position of the Fund for the year under review are set out on pages 50 to 87.

The salient results of youth development funding are as follows:

	Since inception to 31 March 2007	Financial year ended 2007	2006
	Rand	Rand	Rand
Youth development and related projects	541 280 979	186 210 125	117 876 112
Project related operating expenses	192 653 121	51 289 390	47 512 946
Grant utilised	733 934 100	237 499 515	165 389 058
Investment in small and medium enterprises	202 487 398	92 132 152	40 593 917
Micro finance loans and co-operatives	32 163 095	8 510 132	14 423 844
Amounts disbursed	968 584 593	338 141 799	220 406 819



REPORT OF THE DIRECTORS

Commitments	Since inception to 31 March 2007 Rand	Balance of committed and contracted funds as at 31 March	
		2007 Rand	2006 Rand
Youth development and related projects	697 380 539	155 145 561	120 549 105
Investments in small and medium enterprises	278 469 054	71 941 844	121 089 976
Micro finance loans and co-operatives	28 123 282	—	411 038
	1 003 972 875	227 087 405	242 050 119
Project related operating expenses	192 653 121		
	1 196 625 996		

Directors

The following persons served as Directors of the Fund at the financial year-end 31 March 2007:

Non-executive directors

Adv. Richard Moloko (Chairman)	Advocate Moloko is the CEO of Akani Leisure Investments, holding company of 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 (resigned 2 March 2007).
Ms Maphomolo Tsiki	Chief Executive Officer of Technology for Women in Business.
Ms Vuyiswa Tulelo	Deputy Chairperson from the National Youth Commission.

Executive director

Mr Malose Kekana	Chief Executive Officer of Umsobomvu Youth Fund.
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The term of the current Board has been extended to 30 September 2007. The remuneration of the Board and senior management is set out in note 22.

Subsequent events

The Directors are not aware of any matter or circumstance arising since 31 March 2007 and to the 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 2007 to 31 May 2007, the Fund's project commitments, after following internal governance processes, are stated as follows:

	2007 Rand	2006 Rand
Approved and contracted	9 204 740	14 304 718
Approved, but not yet contracted	9 979 603	18 729 628
	19 184 343	33 034 346

Bankers

Standard Bank of South Africa

Auditors

Ernst & Young Inc

Company Secretary

Mr Cyprian Chama Kamukwamba

Registered office and postal address

Umsobomvu House
11 Broadwalk Avenue
Midrand
South Africa
PO Box 982
Halfway House
1685

Company registration number

1999/028039/08

Adv Richard Moloko

Chairman of the Board
31 July 2007

Mr Malose Kekana

Chief Executive Officer
31 July 2007

INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	GROUP		COMPANY	
		2007 Rand	2006 Rand	2007 Rand	2006 Rand
INCOME		274 595 764	216 927 736	273 741 098	213 749 280
Interest income	4	47 900 765	52 133 678	47 127 288	52 574 535
Fee income		—	3 749 783	—	—
Administration fees		5 089 430	1 833 766	5 089 430	1 964 236
Profit from sale of investments		—	100 000	—	100 000
Grant utilised	14	211 161 017	158 091 847	211 161 017	158 091 847
Fair value adjustment	4	10 341 670	842 629	10 341 670	842 629
Other income		102 882	176 033	21 693	176 033
EXPENSES		(279 971 159)	(209 855 091)	(279 116 438)	(206 571 119)
Operating expenses	4	(43 052 391)	(44 466 002)	(41 613 957)	(41 182 030)
Loss on disposal of assets		(2 966)	(31)	(2 966)	(31)
Project disbursements	20	(236 915 802)	(165 389 058)	(237 499 515)	(165 389 058)
(LOSS)/PROFIT FROM OPERATIONS	4	(5 375 395)	7 072 645	(5 375 340)	7 178 161
Attributable to minority interest		—	(105 571)		
Attributable to parent		(5 375 395)	7 178 216		
TOTAL		(5 375 395)	7 072 645		

BALANCE SHEETS

AS AT 31 MARCH 2007

	Notes	GROUP		COMPANY	
		2007 Rand	2006 Rand	2007 Rand	2006 Rand
ASSETS					
Non-current assets		187 959 853	106 519 180	187 959 853	105 635 189
Property, plant and equipment	6	14 689 686	13 571 345	14 689 686	12 488 876
Intangible assets	7	4 185 118	3 829 748	4 185 118	3 829 748
Goodwill	8	—	2 971 000	—	—
Loan debtors	9	53 078 466	21 018 717	53 078 466	24 188 195
Investment in associates	10	116 006 583	65 128 370	116 006 583	65 128 370
Current assets		388 240 669	679 433 912	388 240 669	679 382 598
Short-term portion of loan debtors	9	29 119 863	13 994 469	29 119 863	14 944 521
Trade and other receivables	11	2 246 583	4 289 787	2 246 583	3 905 590
Bank balance and cash	12	54 297 479	40 338 189	54 297 479	39 721 020
Cash on call	13	302 576 744	620 811 467	302 576 744	620 811 467
Total assets		576 200 522	785 953 092	576 200 522	785 017 787
RESERVES AND LIABILITIES					
Reserves		371 533 933	376 803 802	371 533 933	376 909 273
Accumulated reserves		371 533 933	376 909 328	371 533 933	376 909 273
Minority interest		—	(105 526)	—	—
Non-current liabilities		157 817 954	366 306 578	157 817 954	366 306 578
Committed funds		155 145 561	120 549 105	155 145 561	120 549 105
Uncommitted funds – unrestricted		—	245 757 473	—	245 757 473
Deferred grant income – Government	14	155 145 561	366 306 578	155 145 561	366 306 578
Deferred grant income – Other	15	2 672 393	—	2 672 393	—
Current liabilities		46 848 635	42 842 712	46 848 635	41 801 936
Minority shareholders' loans	16	—	550 000	—	—
Accounts payable and accruals	17	34 338 284	31 225 957	34 338 284	30 735 181
Provisions	18	12 510 351	6 507 862	12 510 351	6 507 862
Deferred income	19	—	4 558 893	—	4 558 893
Total reserves and liabilities		576 200 522	785 953 092	576 200 522	785 017 787

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2007

	GROUP	COMPANY
	Accumulated reserves	
	Rand	Rand
Balance as at 1 April 2005	369 731 112	369 731 112
Profit for the year	7 178 216	7 178 161
Minority interest in profit	(105 571)	—
Acquisition of minority interest	45	—
Balance as at 31 March 2006	376 803 802	376 909 273
Loss for the year	(5 375 395)	(5 375 340)
Disposal of minority interest	105 526	—
Balance as at 31 March 2007	371 533 933	371 533 933

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	GROUP		COMPANY	
		2007 Rand	2006 Rand	2007 Rand	2006 Rand
Cash receipts		47 658 811	58 396 873	46 804 145	55 218 417
Interest received	21.1	45 413 313	51 744 268	44 639 836	52 185 125
Other income		102 882	176 033	21 693	176 033
Fees for services rendered		—	749 783	—	—
Administration fees		2 129 428	2 723 871	2 129 428	2 854 341
Interest on staff loans		13 188	2 918	13 188	2 918
Cash payments		(261 774 205)	(180 880 223)	(261 290 822)	(177 781 724)
Operating expenditure	21.2	(41 152 297)	(34 020 098)	(40 085 201)	(30 815 020)
Decrease in working capital	21.3	12 086 262	17 695 002	12 086 262	17 588 423
Disbursement to projects	21.4	(183 354 820)	(117 665 522)	(183 938 533)	(117 665 522)
Projects related operating expenses	21.5	(49 353 350)	(46 889 605)	(49 353 350)	(46 889 605)
Net cash outflow from operating activities		(214 115 394)	(122 483 350)	(214 486 677)	(122 563 307)
Cash outflow from investing activities		(90 160 038)	(56 319 436)	(89 171 586)	(56 306 603)
Additions to equipment – expansion	21.6	(6 295 576)	(7 823 531)	(6 295 576)	(6 533 081)
Additions to intangible assets	21.7	(1 562 084)	(2 520 773)	(1 562 084)	(2 520 773)
Goodwill		—	(2 971 000)	—	—
Proceeds from disposal of assets		140 168	366 829	140 168	366 829
Investments in subsidiary		—	—	—	(55)
Investments in associates		(40 116 496)	(20 300 000)	(41 203 593)	(20 300 000)
Disposal of subsidiary	21.9	(617 169)	—	—	—
Business combination	21.10	—	—	—	—
Loans (net of capital repayments)	21.8	(41 708 881)	(23 070 961)	(40 250 501)	(27 319 523)
Cash inflow from financing activities		—	550 045	—	—
Shareholders' loans		—	550 000	—	—
Shares issued		—	45	—	—
Net cash outflow for the year		(304 275 433)	(178 252 741)	(303 658 264)	(178 869 910)
Cash and cash equivalents as at the beginning of the year		661 149 656	839 402 397	660 532 487	839 402 397
Cash and cash equivalents as at the end of the year		356 874 223	661 149 656	356 874 223	660 532 487
Represented by:					
Current accounts		45 178 835	30 801 040	45 178 835	30 183 871
UYF/Business Partner Mentors Trust Account		9 118 644	9 537 149	9 118 644	9 537 149
Bank balance and cash		54 297 479	40 338 189	54 297 479	39 721 020
Cash on call		302 576 744	620 811 467	302 576 744	620 811 467
		356 874 223	661 149 656	356 874 223	660 532 487

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements are prepared in accordance with, and comply with International Financial Reporting Standards (IFRS). The financial statements are prepared on the historical cost basis with the exception of certain financial instruments, which are measured at fair value. All figures in these financial statements are denominated in rands.

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, and 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.

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.

1.2 Significant 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 and Private Equity Association (SAVCA).

The fair values are calculated using the discounted cash flow method. The discount rate used to discount the cash flows are based on SME discount rates.

1.3 Adoption of IFRSs during the year

Early adoption

The Fund has not early adopted any standard.

Statements and Interpretations issued and not yet effective:

IFRS 7 – Financial Instruments: Disclosure – effective 1 January 2007

IFRS 8 – Operating Segments – effective 1 January 2009

IAS 1 – Amendment Capital Disclosure – effective 1 January 2007

IAS 23 – Borrowing Cost – effective 1 January 2009

IFRIC 8 – Scope of IFRS 2 – effective 1 May 2006

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

IFRIC 10 – Interim Financial Reporting and Impairment – effective 1 November 2006

IFRIC 11 – Group Treasury Share Transactions – effective 1 March 2007

IFRIC 12 – Service Concession Arrangements – effective 1 January 2008

IFRIC 13 – Customer Loyalty Programmes – effective 1 July 2008

AC 503 – Accounting for Black Empowerment (BEE) Transactions – effective 1 May 2006

Except for additional disclosures required by these statements and interpretations, the future adoption of these statements will not have a material effect on the financial statements.

Statements and Interpretations issued but not applicable to the Fund:

IFRIC 7 – Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies

IFRS 6 – Exploration for and Evaluation of Mineral Resources

IFRIC 5 – Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IFRIC 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

IAS 19 – Amendment – Employee Benefits, Actuarial Gains and Losses, Group Plans and Disclosure

IAS 21 – Amendment – the effects of changes in Foreign Exchange Rates Net Investment in a Foreign Operation

IAS 39 – Amendment – Financial Guarantee Contracts

IAS 39 – Amendment – The Fair Value Option

IAS 39 – Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions

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 accounted 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

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 benefits through its share of the jointly controlled asset.

The Fund recognises in its group and company 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 asset.

1.6 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 less impairment.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and any accumulated impairment losses. 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

1.8 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. These intangible assets are allocated on a systematic basis over the useful life using the straight line method of amortisation. The useful lives and the amortisation methods for intangible assets are reviewed at least at each financial year-end.

Internally developed intangible assets are capitalised only when UYF can demonstrate that:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- it has the intention to complete and ability to use the asset after taking into account how the asset will generate future economic benefits;
- the resources are available to complete the asset; and
- expenditure during development can be reliably measured.

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

1.9 Impairment of assets

The Fund regularly reviews its assets for indicators 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 of an asset is greater than its recoverable amount the asset is written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

1.10 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 project disbursement costs.

Government grants not yet disbursed are allocated between committed, uncommitted 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, unrestricted are funds that are available to commit to projects. Once the government grants have been fully committed further projects are funded from accumulated reserves.

1.11 Revenue recognition

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

- Interest income is recognised in the income statement for all instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the average expected life of the financial instruments. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. From an operational perspective, the accrual of contractual interest is suspended on non-recoverable advances to the extent that repayments are outstanding for in excess of 90 days;
- Voucher income, when services are rendered on a stage of completion basis;
- Administration, services and management fees are recognised as services are rendered on a stage of completion basis; and
- Grants utilised – see note 1.10.

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. Provisions are reviewed at each balance sheet date and adjusted to reflect the latest estimates.

1.13 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 programmes 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.

1.14 Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. The difference between the straight line amount and actual amount is recognised as deferred expenses in the financial statements.

1.15 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 the income statement, 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

- Investments

Investments in equity instruments, other than group companies, are classified at fair value through profit and loss. All changes in fair value are recognised directly in the income statement.

- Loans and receivables

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 the income statement when the loans and receivable are derecognised or impaired, as well as through the amortisation process.

- Trade and other short-term loan receivables and payables

Trade and other short-term loan receivables 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 less impairment.

- Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and short term, highly liquid investments that are readily convertible into known amounts of cash. Cash and cash equivalents are measured at amortised cost.

Impairment

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognised in the income statement. When an amount is outstanding in excess of 90 days this is considered to be an indicator of impairment.

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, 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.

1.16 Post-employment 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 as the related service is provided. The Provident Fund is governed by the Pension Funds Act, No 24 of 1956.

1.17 Business combinations

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities) of the acquired business at fair value. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over UYF's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

2. RECLASSIFICATIONS

2.1 Provisions

During the year under review the Fund changed its classification of audit fees from being classified under provisions to being classified under accruals. The comparative amounts have been restated to reflect the reclassification in the prior year. The effect of the reclassification is detailed below:

	Group and Company Provisions Rand	Company Trade and other payables Rand	Group Trade and other payables Rand
As previously reported	8 863 765	28 379 278	28 870 054
Reclassification	(2 355 903)	2 355 903	2 355 903
As currently reported	6 507 862	30 735 181	31 225 957

2.2 Deferred grant income

The Fund had, by 31 March 2006, fully committed its deferred grant income and the Board of Directors approved the utilisation of the accumulated reserves for project funding during the year under review. Further to that the Fund took a decision that only project disbursements will be funded from deferred grant income. In the prior years, all loan and investment commitments and disbursements were disclosed under "deferred grant income uncommitted – Restricted". During the year under review, the Fund took the decision not to disclose the commitments in relation to loans and investments under Deferred grant income so as to release Deferred grant income to enable the Fund to further commit to Skills and Development projects. The effect is detailed below:

	GROUP AND COMPANY		
	Deferred grant income		
	Committed funds Rand	Uncommitted restricted funds Rand	Uncommitted unrestricted funds Rand
As previously reported	242 050 119	124 256 459	—
Reclassification ¹	(121 501 014)	—	121 501 014
Reclassification ²	—	(124 256 459)	124 256 459
As currently reported	120 549 105	—	245 757 473

3. BUSINESS COMBINATIONS

On 1 November 2006 the Fund acquired the net assets of The Nations Trust Youth Enterprise Finance ("TNT") and Nicro Enterprise Finance Youth Fund ("NEF"). The purchase was legally effected as an acquisition of a business (as a going concern). The purchase price was funded out of the Fund's internal resources. These two entities' main business was the provision of loans of up to R40 000 to micro enterprises.

¹This represents undrawn loan and investment commitments reclassified from the balance of committed funds to uncommitted funds unrestricted.

²This relates to loans and investments disbursed reclassified from uncommitted – restricted to uncommitted – unrestricted funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

3. BUSINESS COMBINATIONS (continued)

No values were placed on other intangible assets such as trademarks, websites and training manuals and software. The trade names and website of the two entities were not used post the effective date of the business combination. The Fund redeveloped training manuals and lending methodologies in the use of its micro lending activities and, therefore, no value was attached thereto. The Fund continued to use the loan management systems of the two entities but is in the process of replacing the system because it is insufficient for the future needs of the Fund. The Fund is unable to realise any value from the sale of the loan management system because it does not own the source code and the Fund does not have any copyright over the software.

Below is a summary of the assets and liabilities which constitute the business. These amounts were the carrying amounts of the assets and liabilities immediately prior to implementing the business combination.

Assets and liabilities	The Nations Trust Rand	Nicro Enterprise Finance Rand	Total Rand
Property, plant and equipment	8 981	52 318	61 299
Loans receivable	1 735 168	3 272 120	5 007 288
Other receivables	—	90 471	90 471
Cash	306 493	817 914	1 124 407
Current liabilities assumed by the Fund	(70 900)	(521 929)	(592 829)
Fair value of assets	1 979 742	3 710 894	5 690 636
Purchase price	1 979 742	3 710 894	5 690 636
Goodwill arising on business combination	—	—	—

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
4. (LOSS)/PROFIT FROM OPERATIONS FOR THE YEAR				
(Loss)/profit from operations is stated after taking the following into account:				
EXPENSES				
Auditors' remuneration	3 082 891	1 837 440	3 080 553	1 819 440
Audit fees	2 034 358	1 546 740	2 032 020	1 528 740
Prior year underprovision	1 048 533	290 700	1 048 533	290 700
Depreciation	4 059 926	3 163 248	4 012 931	2 955 267
Computer hardware	994 857	872 041	957 054	864 670
Computer software	165 759	175 568	165 759	170 457
Office equipment	447 506	434 387	447 961	434 388
Furniture	846 103	592 104	836 456	589 950
Leasehold improvements	1 307 871	796 011	1 307 871	769 799
Jacking equipment	—	47 518	—	—
Tools	—	27 767	—	—
Motor vehicles	297 830	217 852	297 830	126 003
Depreciation included above attributable to programmes	(3 000 918)	(833 932)	(3 000 918)	(833 932)
	1 059 008	2 329 318	1 012 013	2 121 335
Amortisation of intangible assets	1 206 714	741 948	1 206 714	741 948

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
4. (LOSS)/PROFIT FROM OPERATIONS FOR THE YEAR (continued)				
Employee costs	74 948 821	46 274 387	74 948 821	44 418 130
Salaries and allowances	71 620 093	44 361 767	71 620 093	42 505 510
Provident fund	3 303 228	1 819 035	3 303 228	1 819 035
Termination benefits	25 500	93 585	25 500	93 585
<i>Less: Attributable to programmes</i>	(56 815 018)	(32 416 172)	(56 815 018)	(32 416 172)
	18 133 803	13 858 215	18 133 803	12 001 958
Project-related operating expenses and internal project disbursements ³	25 754 785	7 297 211	26 338 498	7 297 211
Impairment Expenses				
Loans and receivables originated by enterprise				
Co-operatives	—	1 507 962	—	1 507 962
Progress Fund	1 351 492	405 612	1 351 492	405 612
Micro Finance	1 406 149	3 813 855	680 199	3 813 855
General Fund	558 155	2 194 528	558 155	2 323 560
Capital	528 464	2 085 950	528 464	2 169 760
Interest	29 691	108 578	29 691	153 800
	3 315 796	7 921 957	2 598 846	8 050 989
Investment in subsidiary	—	—	(55)	55
Trade debtors	37 374	—	37 374	—
Impairment reversals	(2 324 888)	—	(2 324 888)	—
General Fund – Capital	(938 798)	—	(938 798)	—
General Fund – Interest	(134 954)	—	(134 954)	—
Micro Finance	(1 251 136)	—	(1 251 136)	—
Operating lease expenses	4 822 684	3 625 060	4 822 684	3 538 372
Building	4 148 630	3 215 602	4 148 630	3 186 884
Motor vehicles	259 063	103 621	259 063	103 621
Vending machines	19 699	17 280	19 699	17 280
Office equipment	395 292	288 557	395 292	230 587
<i>Less: Portion attributable to programmes</i>	(3 389 528)	(2 417 170)	(3 389 528)	(2 417 170)
	1 433 156	1 207 890	1 433 156	1 121 202

³Direct, indirect, share of overheads and internal project disbursement written off against accumulated reserves as deferred grant income is fully committed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

COMPANY AND GROUP

	Buildings ⁴ Rand	Vehicles ⁵ Rand	Office equipment Rand	Vending machines Rand
4. (LOSS)/PROFIT FROM OPERATIONS FOR THE YEAR (continued)				
Future minimum rentals under non-cancellable operating leases				
2007				
Within one year	4 231 811	259 063	395 292	13 133
After one year, but not more than five years	7 858 894	194 297	68 078	—
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

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
INCOME				
Interest income	47 900 765	52 133 678	47 127 288	52 574 535
Interest income	47 870 662	52 023 854	47 097 185	52 018 602
Interest income from impaired loans and investments	30 103	109 824	30 103	555 933
Income from subsidiary	—	—	—	576 579
Interest income	—	—	—	446 109
Administration fees	—	—	—	130 470
Fair value adjustment	10 341 670	842 629	10 341 670	842 629
Fair value adjustment to investments (refer Note 10)	10 761 747	842 629	10 761 747	842 629
Fair value adjustments to loans	(420 077)	—	(420 077)	—

5. 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, No. 50 of 1998.

Group

No provision has been made for taxation for the group. The company is not liable for any tax for the reason stated above. Micro Enterprise Youth Fund and The Nations Trust Youth Enterprise Finance, which have been treated as special purpose entities until 31 October 2006 and consequently treated as part of the group, are exempt from taxation in terms of section 10(1)(Cn) of the Income Tax Act, No. 58 of 1962. The Progress Fund and Franchise Fund are not legal entities and, consequently, are not liable for income tax. The income earned and expenses incurred are treated as part of the Fund's income and expenses and, therefore, are also exempt from taxation.

⁴The significant lease agreement period ranges from three to five years with option to renew and escalation clause in respect of building only.

⁵The lease of vehicles relates to a sale and leaseback with Nedbank Limited trading as Nedlease for a period of 36 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	Computer hardware Rand	Computer software Rand	Office equipment Rand
6. PROPERTY, PLANT AND EQUIPMENT – GROUP			
31 March 2007			
Balance at the beginning of the year	2 615 756	361 734	1 617 484
Current period movements			
Disposal of subsidiary	(34 559)	(20 362)	—
Additions at cost	1 069 376	256 700	422 207
Business combination	56 317	—	3 776
Disposals	(109 864)	—	(23 793)
Depreciation	(994 857)	(165 759)	(447 506)
Balance at the end of the year	2 602 169	432 313	1 572 167
Reconciliation:			
Assets at cost	6 204 745	1 114 325	3 173 701
Accumulated depreciation	(3 602 576)	(682 012)	(1 601 534)
Carrying amount	2 602 169	432 313	1 572 167
31 March 2006			
Balance at the beginning of the year	1 944 593	497 764	1 278 934
Current period movements			
Additions at cost	1 501 274	14 063	772 937
Business combination	41 930	25 475	—
Disposals	—	—	—
Depreciation	(872 041)	(175 568)	(434 387)
Balance at the end of the year	2 615 756	361 734	1 617 484
Reconciliation:			
Assets at cost	5 313 365	883 099	2 777 195
Accumulated depreciation	(2 697 609)	(521 365)	(1 159 711)
Carrying amount	2 615 756	361 734	1 617 484

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

Furniture Rand	Motor vehicles Rand	Leasehold improvements Rand	Jacking equipment Rand	Tools Rand	Total Rand
3 465 842	1 615 808	3 415 537	272 482	206 702	13 571 345
(17 473)	(522 152)	(8 738)	(272 482)	(206 702)	(1 082 468)
1 624 255	—	2 923 038	—	—	6 295 576
48 201	—	—	—	—	108 294
(9 477)	—	—	—	—	(143 134)
(846 103)	(297 830)	(1 307 871)	—	—	(4 059 926)
4 265 245	795 826	5 021 966	—	—	14 689 686
6 515 704	1 359 684	8 125 177	—	—	26 493 336
(2 250 459)	(563 858)	(3 103 211)	—	—	(11 803 650)
4 265 245	795 826	5 021 966	—	—	14 689 686
2 473 883	519 089	2 563 699	—	—	9 277 962
1 564 437	1 067 471	1 612 899	—	—	6 533 081
19 626	614 000	34 950	320 000	234 469	1 290 450
—	(366 900)	—	—	—	(366 900)
(592 104)	(217 852)	(796 011)	(47 518)	(27 767)	(3 163 248)
3 465 842	1 615 808	3 415 537	272 482	206 702	13 571 345
4 882 852	1 973 684	5 237 089	320 000	234 469	21 621 753
(1 417 010)	(357 876)	(1 821 552)	(47 518)	(27 767)	(8 050 408)
3 465 842	1 615 808	3 415 537	272 482	206 702	13 571 345

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	Computer hardware Rand	Computer software Rand
6. PROPERTY, PLANT AND EQUIPMENT – COMPANY		
31 March 2007		
Balance at the beginning of the year	2 581 197	341 372
Current period movements		
Additions at cost	1 069 376	256 700
Business combination	18 514	—
Disposals	(109 864)	—
Depreciation	(957 054)	(165 759)
Balance at the end of the year	2 602 169	432 313
Reconciliation:		
Assets at cost	6 204 745	1 114 325
Accumulated depreciation	(3 602 576)	(682 012)
Carrying amount	2 602 169	432 313
31 March 2006		
Balance at the beginning of the year	1 944 593	497 764
Current period movements		
Additions at cost	1 501 274	14 065
Disposals	—	—
Depreciation	(864 670)	(170 457)
Balance at the end of the year	2 581 197	341 372
Reconciliation:		
Assets at cost	5 271 435	857 625
Accumulated depreciation	(2 690 238)	(516 253)
Carrying amount	2 581 197	341 372

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

Office equipment Rand	Furniture Rand	Leasehold improvements Rand	Motor vehicle Rand	Total Rand
1 617 483	3 448 369	3 406 799	1 093 656	12 488 876
422 207	1 624 255	2 923 038	—	6 295 576
4 231	38 554	—	—	61 299
(23 793)	(9 477)	—	—	(143 134)
(447 961)	(836 456)	(1 307 871)	(297 830)	(4 012 931)
1 572 167	4 265 245	5 021 966	795 826	14 689 686
3 173 701	6 515 704	8 125 177	1 359 684	26 493 336
(1 601 534)	(2 250 459)	(3 103 211)	(563 858)	(11 803 650)
1 572 167	4 265 245	5 021 966	795 826	14 689 686
1 278 934	2 473 882	2 563 699	519 089	9 277 961
772 937	1 564 437	1 612 899	1 067 470	6 533 082
—	—	—	(366 900)	(366 900)
(434 388)	(589 950)	(769 799)	(126 003)	(2 955 267)
1 617 483	3 448 369	3 406 799	1 093 656	12 488 876
2 777 194	4 863 226	5 202 139	1 359 684	20 331 303
(1 159 711)	(1 414 857)	(1 795 340)	(266 028)	(7 842 427)
1 617 483	3 448 369	3 406 799	1 093 656	12 488 876

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	Software purchased Rand	Software developed in- house Rand	Software under development Rand	Total Rand
7. INTANGIBLE ASSETS – COMPANY AND GROUP				
31 March 2007				
Balance at the beginning of the year	1 255 353	1 436 675	1 137 720	3 829 748
Current period movements				
Additions at cost	451 767	1 110 317	—	1 562 086
Transfer to software developed	—	1 137 720	(1 137 720)	—
Amortisation	(501 122)	(705 592)	—	(1 206 714)
Balance at the end of the year	1 205 998	2 979 120	—	4 185 118
Reconciliation:				
Assets at cost	2 712 079	4 163 237	—	6 875 316
Accumulated amortisation	(1 506 081)	(1 184 117)	—	(2 690 198)
Carrying amount	1 205 998	2 979 120	—	4 185 118
31 March 2006				
Balance at the beginning of the 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 the end of the 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

	Group	
	2007 Rand	2006 Rand
8. GOODWILL		
As at 1 April	2 971 000	—
Goodwill arising from acquisition of subsidiary	—	2 971 000
Disposal of subsidiary – Hi-Tech Transformers	(2 971 000)	—
As at the end of the year	—	2 971 000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
9. LOAN DEBTORS				
Gross advances ⁶	114 581 485	57 912 789	114 581 485	62 330 254
At arm's length	114 581 485	57 912 789	114 581 485	57 885 522
Related parties – business combinations	—	—	—	4 444 732
Add: Interest receivable	3 641 953	1 122 468	3 641 953	1 167 689
Less: Capital repayments	(30 907 547)	(10 773 778)	(30 907 547)	(10 987 902)
Less: Impairment	(5 117 562)	(13 248 293)	(5 117 562)	(13 377 325)
Micro Finance	(680 199)	(5 311 015)	(680 199)	(5 311 015)
General Fund	(966 408)	(5 795 410)	(966 408)	(5 924 442)
Co-operatives	(1 507 962)	(1 507 962)	(1 507 962)	(1 507 962)
Progress Fund	(1 734 699)	(405 612)	(1 734 699)	(405 612)
Royalties	(228 294)	(228 294)	(228 294)	(228 294)
Net loan debtors	82 198 329	35 013 186	82 198 329	39 132 716
Current portion	29 119 863	13 994 469	29 119 863	14 944 521
Long-term portion (due from 2008 to 2010)	53 078 466	21 018 717	53 078 466	24 188 195
Total loan debtors	82 198 329	35 013 186	82 198 329	39 132 716

Reconciliation of impairment provision

Company	Provision 2006	Current year movement			Provision 2007
		Impairment reversal	Impairment expense	Loans written off	
Micro Finance	5 311 015	(1 251 136)	680 199	(4 059 879)	680 199
General Fund	5 924 442	(1 073 752)	558 155	(4 442 437)	966 408
Co-operatives	1 507 962	—	—	—	1 507 962
Progress Fund	405 612	—	1 351 492	(22 405)	1 734 699
Royalties	228 294	—	—	—	228 294
Total	13 377 325	(2 324 888)	2 589 846	(8 524 721)	5 117 562
Group					
Micro Finance	5 311 015	(1 251 136)	680 199	(4 059 879)	680 199
General Fund	5 795 410	(944 720)	558 155	(4 442 437)	966 408
Co-operatives	1 507 962	—	—	—	1 507 962
Progress Fund	405 612	—	1 351 492	(22 405)	1 734 699
Royalties	228 294	—	—	—	228 294
Total	13 248 293	(2 195 856)	2 589 846	(8 524 721)	5 117 562

⁶Included in the loan debtors is the Fund's share of loans in joint ventures it is involved in. These ventures are in a form of jointly controlled assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

9. LOAN DEBTORS (continued)

Loans made to date are as follows: Company and group

Description	Total Rand 2007	Total Rand 2006	Range of loan amounts
General Fund	69 127 191	31 254 333	R80k to R4,8m (2006: R80k to R4,8m)
Micro Finance	11 951 395	11 745 000	R1k to R100k (2006: R1k to R100k)
Micro Finance Intermediaries	10 400 000	10 400 000	R2,7m to R5,4m (2006: R2,7m to R5,4m)
Co-operatives	2 558 814	1 507 964	R1,4m to R5m (2006: R1,4m to R5m)
Progress Fund	19 648 585	7 251 957	R100k to R3,2m (2006: R100k to R3,2m)
Massmart SME Fund	370 500	171 000	Loans up to R150k
MTN Enterprise Development Fund	135 000	—	Loans up to R30k
New Venture Creation Learnerships	390 000	—	Loans up to R10k
Total Company	114 581 485	62 330 254	
Less: Intercompany eliminations	—	(4 417 465)	
Total Group	114 581 485	57 912 789	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

Range of interest rates	Terms of loans	Type of securities held
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
Varying from 0% to 6,5%	12 to 36 months	<ul style="list-style-type: none"> ● Cession of receivables ● Personal suretyship
Varying from 12,5% to 35%	12 to 60 months	Cession of receivables
Varying from 0% to 5%	12 to 30 months	Cession of receivables
Prime to prime plus 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
Prime rate	12 to 36 months	The franchisor (third party) guarantees 35% of the Fund's exposure
Prime rate	12 to 36 months	Personal surety
Interest free loans	12 to 24 months	None

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

10. INVESTMENTS IN ASSOCIATES (unlisted investments) — Company and group

Name	Nature of enterprise	Country of incorporation	% shareholding	Investment at cost 2007 Rand
Franchise Fund	Private equity investments	footnote 7	—	100 000 000
Chicken Kwasa (Pty) Ltd	Fast food	RSA	26	300 000
Serokolo Health Solutions (Pty) Ltd	Medical health care	RSA	26	26
Soundrite Sound (Pty) Ltd	Entertainment	RSA	10	10
High-Tech Transformers	Auxiliary equipment	RSA	49	15 977
K5 Transport Logistics (Pty) Ltd	Airline charter	RSA	10	10
Limani Strategic Marketing cc	Manufacturing	RSA	25	250
Planet Waves (Pty) Ltd	Agricultural	RSA	20	200
Decti Rating (Pty) Ltd	Rating agency	RSA	19	19
MK Integrated Fire Security (Pty) Ltd	Industrial fire services	RSA	19	100 000
Grace Zakorski (Pty) Ltd	Manufacturing	RSA	10	10
				100 416 502

⁷The nature of the investment in the Franchise Fund is an en-commandite partnership whereby the Fund has a contractual commitment of R100 m (equal to 80% of the total contract of the associate) over a period of five years, which commenced on 10 March 2003. As at year-end the associate had drawn R100 m (2006: R60 m) from the total commitment. The investment is stated at fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

Investment at cost 2006 Rand	Fair value adjustment to associates 2007 Rand	Fair value adjustment to associates 2006 Rand	Carrying value 2007 Rand	Carrying value 2006 Rand
60 000 000	9 732 625	842 629	114 560 959	64 828 334
300 000	(92 898)	—	207 102	300 000
26	—	—	26	26
10	176 658	—	176 668	10
—	216 844	—	232 821	—
—	—	—	10	—
—	226 534	—	226 784	—
—	72 822	—	73 022	—
—	—	—	19	—
—	330 583	—	430 583	—
—	98 579	—	98 589	—
60 300 036	10 761 747	842 629	116 006 583	65 128 370

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
11. TRADE AND OTHER RECEIVABLES	2 246 583	4 289 787	2 246 583	3 905 590
Staff and study loans	252 372	167 263	252 372	149 601
Prepaid expenses	816 103	153 785	816 103	153 785
Interest receivable – banks	322 892	135 225	322 892	135 225
Sundry debtors	657 757	3 688 816	657 757	3 372 281
Deposits	197 459	144 698	197 459	94 698
12. BANK BALANCE AND CASH	54 297 479	40 338 189	54 297 479	39 721 020
Restricted funds included in the above:	31 092 723	12 760 431	31 092 723	12 760 431
Business Partners (Pty) Limited	9 118 644	9 537 149	9 118 644	9 537 149
Massmart Holdings Limited	733 683	1 658 000	733 683	1 658 000
FNB Technical Assistance Fund	999 728	999 900	999 728	999 900
UYF/FNB – Outgoing Investments	18 266 808	565 382	18 266 808	565 382
UYF/MTN Enterprise Development	1 973 861	—	1 973 861	—

These funds are earmarked for business development support to qualifying borrowers in respect of the FNB Technical Assistance Fund and Business Partners (Pty) Limited to assist and/or enable youth entrepreneurs to acquire entry level franchise opportunities.

Guarantees

Standard Bank of South Africa Limited has issued the following rental guarantees on behalf of the Fund in favour of the following beneficiaries:

Beneficiary	Expiry date	Amount
Outward Investments (Proprietary) Limited	February 2010	R900 000
Apexhi Properties Limited	February 2011	R50 561

Pledges

The Fund has pledged investments with Standard Bank of South Africa Limited to the value of R1 174 000 in respect of the above guarantees.

GROUP AND COMPANY

13. CASH ON CALL

Cash deposited with Corporation for Public Deposits (CPD)

302 576 744 620 811 467

Interest is computed daily. The average interest rate for the 12 months ended 31 March 2007 was 7,21% per annum (2006: 6,67%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
14. DEFERRED GRANT INCOME – GOVERNMENT				
Balance at the beginning of the year	366 306 578	524 398 425	366 306 578	524 398 425
Released to income:	(211 161 017)	(158 091 847)	(211 161 017)	(158 091 847)
External project disbursements	(127 437 655)	(90 490 862)	(128 021 368)	(90 490 862)
Internal project disbursements	(58 188 757)	(27 385 250)	(58 188 757)	(27 385 250)
Direct, indirect costs and share of overheads	(25 534 605)	(40 215 735)	(24 950 892)	(40 215 735)
Balance at the end of the year	155 145 561	366 306 578	155 145 561	366 306 578
Made up as follows:				
Committed	155 145 561	120 549 105	155 145 561	120 549 105
Uncommitted – unrestricted	—	245 757 473	—	245 757 473
Balance at the end of the year	155 145 561	366 306 578	155 145 561	366 306 578
Deferred grant income represents the balance of unexpended amounts previously received from the proceeds of the demutualisation levy and used for project funding.				
Analysis of Balance of Committed Funds by division				
Skills Development and Transfer	44 656 083	20 165 677	44 656 083	20 165 677
Process Cycle Management	2 187 639	3 944 201	2 187 639	3 944 201
Service Delivery Channel	14 990 236	2 672 277	14 990 236	2 672 277
Entrepreneurship Financing	50 381 493	67 060 150	50 381 493	67 060 150
Business Development Services	41 615 473	26 517 502	41 615 473	26 517 502
Communications and Corporate Affairs	15 850	49 912	15 850	49 912
Research and Development	1 298 787	139 386	1 298 787	139 386
	155 145 561	120 549 105	155 145 561	120 549 105
GROUP AND COMPANY				
			2007 Rand	2006 Rand
15. DEFERRED GRANT INCOME – OTHER				
Prince of Wales			503 753	—
Merseta			2 086 420	—
National Housing Finance Corporation			82 220	—
			2 672 393	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
16. MINORITY SHAREHOLDERS' LOANS				
Z Ntombela	—	50 000		
Mvuma Investments	—	500 000		
	—	550 000		
17. ACCOUNTS PAYABLE				
Trade creditors and accruals	29 953 992	30 349 582	29 953 992	29 858 806
Loan debtors accruals ⁸	4 384 292	—	4 384 292	—
Leasehold allowances ⁹	—	876 375	—	876 375
	34 338 284	31 225 957	34 338 284	30 735 181

	Leave pay Rand	Staff incentive bonuses Rand	Total Rand
18. PROVISIONS – COMPANY AND GROUP			
31 March 2007			
Balance at the beginning of the year	1 959 211	4 548 651	6 507 862
Prior year underprovision	—	159 514	159 514
Utilisation of prior year provision	(1 959 211)	(4 708 165)	(6 667 376)
Current year provision	2 797 076	9 713 275	12 510 351
Balance at the end of the year	2 797 076	9 713 275	12 510 351
31 March 2006			
Balance at the beginning of the year	865 961	4 095 254	4 961 215
Prior year underprovision	—	30 214	30 214
Utilisation of prior year provision	(865 961)	(4 125 468)	(4 991 429)
Current year adjustments	447 326	—	447 326
Current year provision	1 511 885	4 548 651	6 060 536
Balance at the end of the year	1 959 211	4 548 651	6 507 862

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 in the prior year relates to leave provisions forfeited by staff reinstated after a case by case consideration by management.

⁸These accruals are loans contracted for but not yet disbursed.

⁹Leasehold 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 costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

GROUP AND COMPANY

	2007 Rand	2006 Rand
19. DEFERRED INCOME		
Joint Education Trust	—	623 890
Voucher programme – for services yet to be provided	—	2 960 003
Western Cape Provincial Government	—	975 000
	—	4 558 893

RECONCILIATION OF DEFERRED INCOME

	2007 Rand	2006 Rand
Balance at the beginning of the year	4 558 893	2 322 062
Deferred income received during the year	—	2 236 831
Deferred income released to income	(4 558 893)	—
Balance at the end of the year	—	4 558 893

The Fund was contracted by the Joint Education Trust to identify processes and systems to support and coordinate the implementation of New Venture Creation Learnership. The project was executed in the current year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
20. PROJECT DISBURSEMENTS				
The respective disbursements are as follows:				
External project disbursements	127 437 655	90 490 862	128 021 368	90 490 862
Service Delivery Channel	15 766 049	7 319 258	15 766 049	7 319 258
Skills Development and Transfer	38 921 431	24 310 362	38 921 431	24 310 362
Process Cycle Management	1 756 561	3 123 651	1 756 561	3 123 651
Entrepreneurship Financing	69 882 283	55 737 591	70 465 996	55 737 591
Communication and Corporate Affairs	34 062	—	34 062	—
Research and development	1 077 269	—	1 077 269	—
Internal project disbursements	58 188 757	27 385 250	58 188 757	27 385 250
Service Delivery Channel	12 951 818	12 386 325	12 951 818	12 386 325
Entrepreneurship Financing	4 572 734	6 358 748	4 572 734	6 358 748
Skills Development and Transfer	4 525 322	4 455 988	4 525 322	4 455 988
Research and Development	9 665 411	1 933 778	9 665 411	1 933 778
Communications and Corporate Affairs	7 694 925	—	7 694 925	—
Business Development Services	6 127 326	—	6 127 326	—
Regions – Outlets	12 651 221	2 250 411	12 651 221	2 250 411
Project related operating expenses	51 289 390	47 512 946	51 289 390	47 512 946
Total disbursements	236 915 802	165 389 058	237 499 515	165 389 058

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
21. NOTES TO THE CASH FLOW STATEMENT				
21.1 Interest received				
Interest income	47 900 765	52 133 678	47 127 288	52 574 535
Adjusted for non-cash flow items:				
Interest receivable loans	(2 474 264)	(386 492)	(2 474 264)	(386 492)
Less: Item disclosed separately				
Interest on staff loans	(13 188)	(2 918)	(13 188)	(2 918)
	45 413 313	51 744 268	44 639 836	52 185 125
21.2 Operating expenditure				
Operating expenses	43 052 391	44 466 002	41 613 957	41 182 030
Adjusted for non-cash flow items:				
Depreciation and amortisation	(1 059 008)	(3 071 266)	(1 012 013)	(2 863 285)
Specific Impairment – Progress Fund	(1 351 492)	(405 612)	(1 351 492)	(405 612)
Specific Impairment – Micro Finance	(1 406 149)	(5 321 817)	(680 199)	(5 321 817)
Specific Impairment – General Fund	(558 155)	(2 194 528)	(558 155)	(2 323 615)
Specific Impairment – Trade Debtors	(37 374)	—	(37 374)	—
Deferred Expenses – Leases	(214 466)	547 319	(214 466)	547 319
Loss On Business Combinations	401 607	—	—	—
Impairment Reversal – General Fund	1 073 807	—	1 073 807	—
Impairment Reversal – Micro Finance	1 251 136	—	1 251 136	—
	41 152 297	34 020 098	40 085 201	30 815 020
21.3 Working capital				
Decrease/(Increase) in trade and other receivables	1 621 633	(2 687 530)	1 621 633	(2 303 333)
Increase in current liabilities	10 464 629	20 382 532	10 464 629	19 891 756
	12 086 262	17 695 002	12 086 262	17 588 423
21.4 Disbursements to projects				
Disbursements to projects	185 626 412	117 876 112	186 210 125	117 876 112
Adjusted for non-cash flow items:				
Depreciation	(2 271 592)	(210 590)	(2 271 592)	(210 590)
	183 354 820	117 665 522	183 938 533	117 665 522
21.5 Project-related operating expenses				
Direct, indirect costs and share of overheads	51 289 390	47 512 946	51 289 390	47 512 946
Adjusted for non-cash flow items:				
Depreciation	(1 936 040)	(623 341)	(1 936 040)	(623 341)
	49 353 350	46 889 605	49 353 350	46 889 605

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
21. NOTES TO THE CASH FLOW STATEMENT (continued)				
21.6 Additions to property, plant and equipment – Expansion				
Computer equipment	1 069 376	1 543 204	1 069 376	1 501 274
Computer software	256 700	39 538	256 700	14 063
Office equipment	422 207	772 937	422 207	772 937
Furniture	1 624 255	1 584 063	1 624 255	1 564 437
Leasehold improvements	2 923 038	1 647 849	2 923 038	1 612 899
Jacking equipment	—	320 000	—	—
Tools	—	234 469	—	—
Motor vehicle	—	1 681 471	—	1 067 471
	6 295 576	7 823 531	6 295 576	6 533 081
21.7 Additions to intangible assets				
Software purchased	451 767	801 653	451 767	801 653
Software developed in-house	1 110 317	581 400	1 110 317	581 400
Software under development	—	1 137 720	—	1 137 720
	1 562 084	2 520 773	1 562 084	2 520 773
21.8 Loans to SMEs and microfinance intermediaries				
Loan debtors	47 185 143	15 535 496	43 065 613	19 655 026
Adjusted for non-cash items:				
Interest receivable	(2 474 264)	(386 492)	(2 474 264)	(386 492)
Disposal of Subsidiary	(4 119 585)	—	—	—
Business combination	108 294	—	61 299	—
Impairment expense	990 853	7 921 957	264 903	8 050 989
Fair value adjustment	420 047	—	(667 050)	—
Loss on business combination	(401 607)	—	—	—
	41 708 881	23 070 961	40 250 501	27 319 523
21.9 Disposal of subsidiary				
During the year under review, 6% of the Hi-Tech shareholding was disposed of. The effect of the disposal is as follows:				
Assets and liabilities disposed of:				
ASSETS	4 437 666			
Property, plant and equipment	1 082 468			
Goodwill	2 971 000			
Trade and other receivables	384 198			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	GROUP		COMPANY	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
21. NOTES TO THE CASH FLOW STATEMENT (continued)				
21.9 Disposal of subsidiary (continued)				
LIABILITIES	(5 160 361)			
Loans	(4 119 585)			
Minority shareholders' loans	(550 000)			
Accounts payable and accruals	(490 776)			
Net assets disposed of	(722 695)			
Minority shareholders' interest	105 526			
Bank balance and cash	(617 169)			

21.10 Business combinations

On 1 November 2006 UYF purchased the net assets of The Nations Trust Youth Enterprise Finance ("TNT") and Nicro Enterprise Finance Youth Fund ("NEF"). No cash was paid for the assets as it was set off against the respective loans owing by TNT and NEF to UYF. Refer to note 3.

22. RELATED PARTIES

	GROUP AND COMPANY	
	2007 Rand	2006 Rand
Directors' emoluments		
Executive Director – Malose Kekana		
Salary for managerial services to the Fund	852 893	707 603
Allowances	148 900	172 900
Performance bonus – prior year	75 000	25 000
Performance bonus – current year	191 340	225 000
Total short-term employee benefits	1 268 133	1 130 503
Provident fund	60 170	52 830
Total: Executive Director	1 328 303	1 183 333
Non-executive directors' fees		
Adv. Richard Moloko – Fees	24 000	25 500
– Travel allowance	1 063	3 942
Kgomoco Diseko – Fees	22 500	12 000
– Travel allowance	1 556	5 050
Tsiki Maphomolo – Fees	14 000	—
– Travel allowance	514	—
	63 633	46 492

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

Other key management personnel:

	Short-term employee benefits	Provident fund contributions ¹⁰	Total	Total
	2007 Rand	2007 Rand	2007 Rand	2006 Rand
Executive and senior management	8 189 407	493 918	8 683 325	6 662 082

¹⁰Employees elect to contribute 6%, 9%, 12%, or 18% of annual pensionable earnings to a defined contribution provident fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

22.1 RELATED PARTIES – COMPANY AND GROUP

Type	Related parties	% share-holding	Nature of transaction	Loans and investments granted	Terms and conditions	Guarantees
Joint venture	1. Jointly controlled asset with FNB Leverage Finance (LF)	33%	UYF has invested R36m with a commitment to invest R80m	R12,4m (2006: R8,6m)	FNB will provide funding to SMEs and remit collections to UYF as and when received	None
	2. Jointly controlled asset with Massmart Holdings Limited	50%	UYF and Massmart contributed R1m each to provide funding to entrepreneurs for franchises costing less than R150k	R199k (2006: R171k)	UYF will provide funding to entrepreneurs and remit collections to Massmart as and when received	None
	3. Jointly controlled asset with Mobile Telephone Network (MTN) Limited	57%	UYF and MTN contributed R2m and R1,5m respectively to provide funding to entrepreneurs for franchises costing R30k	R135k (2006: Nil)	UYF will provide funding to entrepreneurs and remit collections to MTN as and when received	None
Associates	1. Franchise Fund ¹¹ (en commandite partnership between UYF and Business Partners)	—	UYF has invested R100m in the Franchise Fund in order to assist young black entrepreneurs to start franchises	R40m (2006: R20m)	Business Partners will provide funding to SMEs and remit collections as from April 2008 to UYF	None
	2. Chicken Kwasa (Pty) Limited	26%	UYF has entered into a loan agreement with Chicken Kwasa (Pty) Limited for an approved amount of R1,75m	Nil (2006: R446k)	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 2010	Note I

¹¹The nature of the investment in the Franchise Fund is an en-commandite partnership whereby the Fund has a contractual commitment of R100 m (equal to 80% of the total contract of the associate) over a period of five years, which commenced on 10 March 2003. As at year-end the associate had drawn R100 m (2006: R60 m) from the total commitment. The investment is stated at fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

Loan balance before impairment	Liability balance	Interest income	Royalty income	Front end fees	Other expense with related parties	Impairment on loans with related party
R14,3m (2006: Nil)	Nil (2006: Nil)	R1,5m (2006: R619k)	Nil (2006: Nil)	Nil (2006: Nil)	R6,9m (2006: R5m)	R1,4m (2006: R405k)
R340k (2006: R171k)	Nil (2006: Nil)	R34k (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)
R127k (2006: Nil)	Nil (2006: Nil)	R3k (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)
None	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)	R5,7m (2006: R5,7m)	Nil (2006: Nil)
R1,2m (2006: R1,2m)	Nil (2006: Nil)	R121k (2006: R101k)	R109k (2006: R109k)	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

22.1 RELATED PARTIES (continued) – COMPANY AND GROUP

Type	Related parties	% share-holding	Nature of transaction	Loans and investments granted	Terms and conditions	Guarantees
	3. Serokolo Health Solutions (Pty) Limited	26%	UYF has entered into a loan agreement with Serokolo Health Solutions (Pty) Limited for an approved amount of R1,2m	Nil (2006: R560k)	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	Note 2
	4. Soundrite (Pty) Limited	10%	UYF has entered into a loan agreement with Soundrite Sound (Pty) Limited for an approved amount of R2,2m	Nil (2006: R810k)	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 R550k per month. The loan period terminates on 30 September 2009	Note 3
	5. Biz Trader 101 (Pty) Limited (Hi-Tech)	49%	UYF has entered into a loan agreement with Hi-Tech for an approved amount of R5m	Nil (2006: 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 R15k per month. The loan period is from June 2005 to June 2010	Note 2
	6. K5 Transport Logistics (Pty) Limited	10%	UYF has entered into a loan agreement with K5 Transport Logistics (Pty) Limited for an approved amount of R1,2m	R741k (2006: Nil)	The interest rate on this loan is prime plus 3%. Participation fees (royalties) are not charged. The loan period is from June 2006 to May 2011	Note 4
	7. Limani Strategic Marketing cc t/a Sun Goddess	25%	UYF has entered into a loan agreement with Limani Strategic Marketing cc t/a Sun Goddess for an approved amount of R2m	R2m (2006: Nil)	The interest rate on this loan is prime plus 1,5%. Participation fees (royalties) are not charged. The loan period is from June 2006 to May 2011	Note 4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

Loan balance before impairment	Liability balance	Interest income	Royalty income	Front end fees	Other expense with related parties	Impairment on loans with related party
R619k (2006: R575k)	Nil (2006: Nil)	R57k (2006: R15k)	Nil – royalty charge only commence on 31 March 2007	Nil (2006: R30k)	Nil (2006: Nil)	Nil (2006: R590k)
R1,2m (2006: R1,6m)	Nil (2006: Nil)	R141k (2006: R114k)	R165k (2006: R90k)	Nil (2006: R24k)	Nil (2006: Nil)	Nil (2006: Nil)
R4m (2006: R4,2m)	Nil (2006: Nil)	R377k (2006: R296k)	R180k (2006: R150k)	Nil (2006: R130k)	Nil (2006: Nil)	Nil (2006: R129k)
R759k (2006: Nil)	Nil (2006: Nil)	R54k (2006: Nil)	Nil (2006: Nil)	R30k (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)
R1,9m (2006: Nil)	Nil (2006: Nil)	R113k (2006: Nil)	Nil (2006: Nil)	R70k (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

22.1 RELATED PARTIES (continued) – COMPANY AND GROUP

Type	Related parties	% share-holding	Nature of transaction	Loans and investments granted	Terms and conditions	Guarantees
	8. Planet Waves (Pty) Limited	20%	UYF has entered into a loan agreement with Planet Waves (Pty) Limited for an approved amount of R3,6m	R3,6m (2006: Nil)	The interest rate on this loan is prime plus 2%. Participation fees (royalties) are not charged. The loan period is from August 2006 to August 2011	Note 2
	9. Integrated Fire Security (Pty) Limited t/a Turnover Trading	19%	UYF has entered into a loan agreement with Turnover Trading for an approved amount of R4,5m	R4,5m (2006: Nil)	The interest rate on this loan is prime less 1%. A participation fee is charged at R100k after each six months. The loan period is from March 2007 to March 2012	Note 3
	10. Decti Rating Agency (Pty) Limited	19%	UYF has entered into a loan agreement with Decti Rating Agency (Pty) Limited for an approved amount of R1,5m	R1,5m (2006: Nil)	The interest rate on this loan is prime plus 2%. A participation fee is not charged. The loan period is from December 2006 to December 2011	Note 3
	11. Grace Zagorski (Pty) Limited	10%	UYF has entered into a loan agreement with Grace Zagorski (Pty) Limited for an approved amount of R5m	R5m (2006: Nil)	The interest rate on the loan of R4,4m is prime plus 2% and R600k is interest free. The loan period is from March 2007 to March 2012	Note 3

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 – Personal surety – Pledge in session of shares and loans – Cession of insurance.

m – million

k – thousand

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

Loan balance before impairment	Liability balance	Interest income	Royalty income	Front end fees	Other expense with related parties	Impairment on loans with related party
R4m (2006: Nil)	Nil (2006: Nil)	R367k (2006: Nil)	Nil (2006: Nil)	R122k (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)
R4,5m (2006: Nil)	Nil (2006: Nil)	R4k (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)
R1,5m (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)	R30k (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)
R5m (2006: Nil)	Nil (2006: Nil)	R16k (2006: Nil)	Nil (2006: Nil)	R100k (2006: Nil)	Nil (2006: Nil)	Nil (2006: Nil)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

23. FINANCIAL INSTRUMENTS

The primary risks arising from the Fund's financial instruments are credit risk, re-investment risk, liquidity risk, interest rate risk, management risk and portfolio 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. Credit risk refers to the risk that loans made to third parties will not be repaid. The credit risk at the investment stage of any potential investment is thoroughly researched and assessed in a 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 implementing a credit policy which the key elements include:

- approval process;
- cash-flow based lending methodology;
- attaching protective covenants to funding arrangements;
- collections policies and procedures;
- delinquency management;
- monitoring; and
- mentorship.

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 risk arises when the return on financial instruments are structured such that a disproportionate amount of the overall return materialises towards the later stages of the term of the instrument and the borrower settles the loan obligation earlier than scheduled with the resultant risk being that the proceeds are reinvested at a lower rate of return. This risk is managed by attaching early settlement premiums to the financial instruments.

Liquidity risk

Liquidity risk refers to the risk that the Fund will not be able to meet its funding commitments as and when they fall due. The funding provided to small and medium enterprises are usually characterised by fixed maturities of up to five years, scheduled repayments and limited moratorium on capital repayments and interest. One of the cornerstones of the lending practice adopted is to consider certainty of cash flows and ability of the borrower to absorb and service debt. 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.

Portfolio risk

Portfolio risk arises as a result of loans and advances being overly concentrated in any particular industry, location or stage of development. This risk is managed through the steering committee which sets limits in the appropriate areas. The portfolio allocation is reviewed quarterly at meetings of the steering committee.

Interest rate risk

Changes in interest rates will affect the revenue stream of the Fund, as most of the financial assets' returns are linked to the prime rate. The sensitivity of the returns to movements in the prime rate is managed through diversifying income streams to include equity kickers such as attaching a participation in revenues to loans.

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 rate respectively. The details regarding which loans advanced attract variable or fixed interest rate are detailed in note 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007 (CONTINUED)

	Fair value		Carrying amount	
	2007 Rand	2006 Rand	2007 Rand	2006 Rand
23.1 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				
Financial assets	555 079 135	764 169 705	555 079 135	764 793 573
Loan debtors	82 198 329	38 508 848	82 198 329	39 132 716
Investment in associates	116 006 583	65 128 370	116 006 583	65 128 370
Cash and cash equivalent	356 874 223	660 532 487	356 874 223	660 532 487
Financial liabilities	46 848 635	41 801 936	46 848 635	41 801 936
Accounts payable and accruals	34 338 284	30 735 181	34 338 284	30 735 181
Provisions	12 510 351	6 507 862	12 510 351	6 507 862
Deferred income	—	4 558 893	—	4 558 893
Group				
Financial assets	555 079 135	760 667 344	555 079 135	761 291 212
Loan debtors	82 198 329	34 389 318	82 198 329	35 013 186
Investment in associates	116 006 583	65 128 370	116 006 583	65 128 370
Cash and cash equivalent	356 874 223	661 149 656	356 874 223	661 149 656
Financial liabilities	46 848 635	42 842 712	46 848 635	42 842 712
Accounts payable and accruals	34 338 284	31 225 957	34 338 284	31 225 957
Provisions	12 510 351	6 507 862	12 510 351	6 507 862
Deferred income	—	4 558 893	—	4 558 893
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.

24. POST-BALANCE SHEET EVENTS

All post-balance sheet events are detailed in the Report of the Directors.

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