Collaboration, Excellence, Regeneration

shanduka
black umbrellas
Developing South Africa's Future Black Businesses Together
ANNUAL REPORT 2016
Collaboration, Excellence, Regeneration
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Vision, Mission and Values

OUR VISION

FOR OUR DONORS - to be the enterprise and supplier development partner of choice.

FOR OUR CLIENTS - to provide a solid foundation to enable success and minimise the odds of failing when starting and running a business.

FOR OUR MENTORS AND EMPLOYEES - to continually motivate and demonstrate that through collaboration, we can change lives and make a difference to all those we support.
OUR MISSION

The fundamental purpose of Shanduka Black Umbrellas is to collaborate with partners in the private sector, government and civil society to address the low levels of entrepreneurship and high failure rate of 100% black-owned emerging businesses in South Africa.

This is achieved by:

- **Promoting** entrepreneurship as a desirable career choice. Building the profile and image of existing entrepreneurs and SBU businesses as role models through our media, networking and public relations activities;
- **Nurturing** qualifying 100% black-owned businesses in the critical first three years of their existence by providing incubators with office infrastructure, professional services and a structured mentorship programme;
- **Creating** employment opportunities by recruiting and supporting those businesses which have the potential to generate at least four jobs on becoming sustainable;
- **Enabling** procurement opportunities for emerging 100% black-owned businesses through the Blackpages initiative – www.shandukablackpages.org;
- **Assisting** SBU businesses that are finance ready to access funding through third party service providers;
- **Growing** our knowledge and quality of service offering by accurately measuring, monitoring and reporting on all that we do.

OUR VALUES

**Collaboration** - in enabling coordinated practical action for change.

**Excellence** - in all we do.

**Regeneration** - of the economy and society. We strive to involve the principles we believe in, which we live by and which in turn will influence how we behave inside and outside the organisation.
Shanduka Black Umbrellas (SBU) continues to be one of South Africa’s leading enterprise and supplier development initiatives. It has consistently contributed to the creation of jobs in the local economy. It is pleasing to see the number of business people who run small and medium enterprises (SMEs) that have sought the assistance of Shanduka Black Umbrellas with their business development, mentorship and incubation needs since inception. These enterprises have generated a combined R890 million in turnover and have created more than 10 000 jobs since inception.

Small and medium-sized businesses are the real champions of growth in our country. A lot of hard work, constant learning and innovation is invested in keeping their businesses alive. I applaud all those who started their businesses and have been successful in demonstrating impact, creating jobs and playing a meaningful role in our country.

Our experience informs us that it currently costs nearly R41 000 to create one job in an incubated business. We can confirm that small enterprises have great propensity for job creation. If this cost per job scenario were to be replicated in other enterprises, we could begin to dent the unemployment problem in this country. To bolster entrepreneurial activity, we need to find innovative ways of encouraging young people to become entrepreneurs from an early age.

Collaboration with key business entities and government is key in continuing our role in creating opportunities that give SMEs access to markets. This calls for corporates and government alike to support the various business incubation models in the country.
Shanduka Black Umbrellas is a critical part of the work of the Cyril Ramaphosa Foundation; which is aimed at addressing socioeconomic challenges through initiatives in education and small business development.

It was a real privilege for me to be part of the celebration to honour top performing SMEs at the annual National Enterprise and Development Awards in June 2016. The achievements of these SMEs were both humbling and inspiring and do reinforce the conviction that SBU is supporting the change we want to see.

I would like to express my gratitude to Seapei Mafoyane, the SBU Board, management, employees, clients and stakeholders who contribute to the ongoing success of the programme and look forward to even greater accomplishments in the coming year.

Cyril Ramaphosa
Chairperson, Cyril Ramaphosa Foundation
The year under review has been characterised by growth and transformation for Shanduka Black Umbrellas (SBU). Internally, we saw some major shifts and developments – the Shanduka Foundation was renamed the Cyril Ramaphosa Foundation with the Chairperson thereof also continuing in this role even as he is the Deputy President of the country. In addition, Mark Frankel exited as CEO and Seapei Mafoyane took over as the head of SBU.

Looking at the macro economy and legislative reforms - The final Broad-Based Black Economic Empowerment Regulations, in terms of the Broad-Based Black Economic Empowerment Act (B-BBEE Act), were published by the Minister of Trade and Industry in early June 2016. The regulations cover two aspects; the registration of major B-BBEE transactions and annual B-BBEE reporting requirements for listed companies and government entities. According to the regulations, the B-BBEE Commission which was set up by the Department of Trade and Industry (DTI) in April 2016 must maintain a registry of major B-BBEE transactions. We will closely monitor the impact of the regulations and take advantage of any opportunities this may hold for black-owned small businesses.

In May 2016, we saw the Ministry of Small Business Development, allocating just over R800 million rand, through its funding arms, the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA) to small businesses and cooperatives. The Ministry also initiated an Emerging Enterprise Development Programme (EEDP) to provide support to women, youth and people with disabilities. This is a welcomed move and we are confident that the support given will yield the desired results. Shanduka Black Umbrellas continues to be one of South Africa’s leading enterprise and supplier development initiatives. Worth highlighting is the combined R890 million turnover that has been generated by SBU SMEs since inception of the programme.

Through its national footprint of nine incubators, Shanduka Black Umbrellas has to date, given business development support to 934 SMEs. It is appropriate to recognise that our SMEs have provided job opportunities for 10 896 people. We have maintained a rigorous monitoring and evaluation system of our enterprise development endeavours and we are therefore proud to say that we are close to the billon rand turnover mark.
Apart from paying over R260 million in salaries and attaining a record R163 million in Net Asset Value; what is even more remarkable is the R55 million rands that has been paid in taxes back to the fiscus. We have also enumerated that it has cost us R40 016 to create one job. This signifies great success.

During the year under review, 299 SMEs directly benefited from our enterprise development initiative. Collectively the SMEs gained access to markets which resulted in the businesses delivering R477 million in turnover. In this financial year we closed with 2 132 jobs, of which 670 were newly created permanent jobs. It is gratifying to see the significant number of permanent jobs that continue to be created year on year by our SMEs, which in turn bolsters socio-economic growth.

During the year under review SBU continued in its endeavour to be a champion for black-owned businesses. The high turnover generated by SMEs and the increased number of jobs created, our highest since inception within a financial year, is a testament that our programme is contributing to the growth and development agenda of the country. Our focused supplier development and enterprise development strategy is aimed at ensuring growth for emerging black-owned businesses. We also facilitate skills transfer whilst helping SMEs to achieve sustainability, skills development, employment and job creation targets. Skills development, training and mentorship for our SMEs play an instrumental role in the success of our programme. We are collaborating with Google South Africa, Regenesys Business School and Standard Chartered Bank to enhance and expand mentorship and training opportunities for our SMEs.

I would like to take this opportunity to thank the counsel of the Board, leadership of the CEO, contribution of management and employees at the head office and in all the regions. I would also like to acknowledge our donors, partners and mentors without whom this would not be possible.

Yvonne Themba
Chairperson, Shanduka Black Umbrellas
The year under review has been a remarkable one for Shanduka Black Umbrellas (SBU) and quite a special one for me as I undertook the role of CEO of this great organisation. We also bid farewell to one of the founders and outgoing CEO, Mark Frankel. Guided by our long-term goal of becoming the market leader and aspirational partner in enterprise and supplier development, we continued to implement our growth strategy of opening at least 10 incubators in South Africa by entering into another tactical agreement with long term partner, Transnet, for the establishment of a ninth incubator in Burgersfort, located in the valley of the Spekboom River at the edge of the Bushveld Complex in the Greater Tubatse Local Municipality, near the border of the province of Limpopo and Mpumalanga.

The impact of the five elements on the revised B-BBEE scorecard from the original seven has seen Preferential Procurement and Enterprise Development merged into Enterprise and Supplier Development. This enhancement has provided increased focus by our corporate partners on the Supplier Development aspect, which offers direct support and meaningful access to markets for the small and medium business we support.

In the year under review, SBU has through its national incubator infrastructure supported a total of 299 businesses through various stages of incubation. As stated by our Chairperson, these businesses have in turn created close to 700 permanent jobs. We believe this to be a great story to tell in the South African context where unemployment continues to plague our nation with a myriad of economic and social effects. Job creation continues to lag behind economic growth rate in South Africa and this makes our call to action for the development of high impact small and medium businesses a national imperative.

We note the distinctive performance of some of our companies in contributing to this job creation number and in doing so congratulate Hula Minerals and Processing from our Lephalale incubator who created 149 permanent jobs during this year and secured a R30 million contract with Exarro which will run until 2017. We also celebrate the achievements of Excellent Examples, a business also based in our Lephalale incubator which also created 149 jobs in the same period and secured two contracts totalling R30 million with Eskom and Exarro in the region.
We closed off our financial year with a celebration of these and many other incredible achievements by our client businesses along with our enabling mentors, donors, employees and other stakeholders at our 4th annual National Enterprise Development Awards ceremony, hosted in Sandton at the end of June 2016. This year’s celebration reflected on the achievements of SBU from inception to date. The awards recognised individual performance by our client businesses and also celebrated outstanding performance at an incubator level.

The Lephalale incubator walked away with the “Incubator of the Year” accolade for the exceptional performance of their client businesses. Precious Tshabalala, the General Manager, Inland Operations, accepted the award on behalf of the region. At this year’s event, the “Overall National Winner” accolade was awarded to Mandisa Masango of Hula Minerals and Processing from the Lephalale incubator for the business which performed the best on the aggregation of all the award categories. The same company also scooped first place in the “Best SBU Ambassador” category. Samuel Molefi of Modi Mining, based at the Mooinooi incubator walked away with the “Best Performing Company” award and Abel Masekoameng of Kopedi Business Enterprise won the “Most Jobs Created” award.

This year’s glistening event saw a prize pool worth over R500 000 including a surprise gift from Regenesys Business School awarded on the night. Mr Riaan Steenberg from the Business School presented our overall winner with an MBA scholarship valued at R200 000, and also offered short courses to all the other category winners. The highlight of the evening was the Keynote address which was delivered by the Chairperson of the Cyril Ramaphosa Foundation, Mr. Cyril Ramaphosa. The evening was sealed with the lovely sounds of the Jazz Band Ethnix which kept the guests wonderfully entertained.

In the year ahead, we are very excited to celebrate the milestone achievements of our clients businesses over the past six years. We will kick off a national campaign starting in the month of November 2016 to celebrate a combined 1 Billion Rand in turnover generated by our clients. This for us, signifies the considerable impact that small and medium enterprises can have when operating in an enabling supportive environment. When small and medium enterprises can thrive, incredible associated wins can take place in the area of job creation, previously impoverished groups can have access to these jobs and earn a living wage and this conducive microeconomic businesses environment can translate into some real economic magic for South Africa.
COO’s Report

The 2015/16 financial year saw Shanduka Black Umbrellas continue to deliver on its mandate of developing 100% black-owned businesses through the organic growth of its incubator clients. Additionally, 13 client businesses successfully completed the three year programme and graduated as sustainable and growing businesses, serving as evidence of the strength of our business model and mandate.

During the year under review, greater focus was placed on streamlining and standardising operations to ensure better management and to take advantage of economies of scale. As the organisation continues to grow; and to become more effective we will continue with the process and we aim to complete this by the end of the 2016 financial year.

REGIONAL GROWTH

Our ninth incubator in the Burgersfort area, a collaboration with Transnet, will see us making inroads in a previously underserved area in respect to supplier and enterprise development. This will see us pave the way for the economic development of emerging enterprises and the community in the Burgersfort region. We expect to see great economic impacts and we will report on the progress of this incubator in our next report.

As we continue to grow our impact and footprint around the country, we took steps to enhance our human capital capability. Precious Tshabalala, who previously served as Regional Manager in Mooi Nooi was promoted to the role of General Manager: Inland Operations, taking care of the Johannesburg, Mooi Nooi, Pretoria and Lephalale incubators. Additionally, Jerome Eckles joined us as Regional Manager: Cape Town in September 2015 and has since been promoted to General Manager: Coastal Operations, overseeing the Cape Town, Port Elizabeth, Richards Bay and Durban incubators. These promotions are testament to our continued belief in growing our own timber and prioritising internal appointments when able to do so.
The Port Elizabeth incubator welcomed Nomaxabiso Klaas as Regional Manager and she has been able to bring about much needed stability and growth in the incubator. Karabo Harry also joined us in the role of Supplier and Business Development Manager to better support the team with stakeholder management and business development.

**INFRASTRUCTURE**

Over the past year, the IT infrastructure was standardised across all incubators in order to improve the service quality and reliability. Good progress was largely achieved across all incubators and the work will continue into the new financial year. Monitoring and evaluation was also improved to bring about better-quality internal and external reporting and data integrity. Business intelligence and data analytics capabilities have been enhanced.

**OUTLOOK**

Supplier development has become a focal area for many businesses and the visible shift from enterprise development provides an opportunity for Shanduka Black Umbrellas to tap into the supply chains of corporate entities and assist SMEs with much needed access to markets. This will ensure SME growth and sustainability. Access to finance partnerships will continue to be prioritised to ensure access to finance for SMEs in the programme to grow their businesses. The completion of the construction of the new incubator in Burgersfort, Limpopo is a top priority. This will result in greater regional reach for our programme and help us to fulfil our mandate of growing small black businesses in South Africa.

Emmanuel Mdhluli
COO, Shanduka Black Umbrellas
In the year under review, Shanduka Black Umbrellas has through its national incubator infrastructure supported a total of 299 businesses through various stages of incubation. As stated by our Chairperson, these businesses have in turn created close to 700 permanent jobs. We believe this to be a great story to tell in the South African context where unemployment continues to plague our nation with a myriad of economic and social effects.

Seapei Mafoyane | CEO, Shanduka Black Umbrellas
CLIENTS IN INCUBATION: 299
CLIENTS RECRUITED: 255
DONATIONS: R32m

INCUBATORS: 9
JOBS CREATED & PRESERVED BY CLIENTS: 2 132*
CLIENT ENQUIRIES: 2 760

* The total number of jobs includes the newly created permanent jobs from 1st July 2015 to 30th June 2016.
The 2016 National Enterprise Development Awards 2016 winners:

**Most Jobs Created:**
- **1st Place:** Kopedi Business Enterprises
- **2nd Place:** Mthiyane Construction
- **3rd Place:** Ricinz Construction

**Best Performing Company**
- **1st Place:** Modi Mining
- **2nd Place:** Kipp Consulting Engineers
- **3rd Place:** Ceracure (Pty) Ltd

**Overall National Winner:** Hula Minerals and Processing
Incubator of the Year: Lephalale

People’s Choice Award Winner: African Breeze Construction and Projects cc

Top performing SMEs recognised at the 4th Annual Shanduka Black Umbrellas National Enterprise Development Awards

Hula Minerals Processing and Engineering from the Lephalale Incubator achieved top honours when it was bestowed as the "Overall National Winner" at Shanduka Black Umbrellas’ 4th annual National Enterprise Development Awards (NEDA) on the 30th June 2016. This award was presented to a business that has shown great achievement in all aspects of incubation. Hula also received the "Best Shanduka Black Umbrellas Ambassador" award.

The Mineral Processing and Engineering company’s vision is to attract black professionals into the field of mineral processing and engineering. Their entrepreneurial journey began nine years ago and they now currently employ 149 professionals who are set to shape the future of the mineral processing and engineering industry.

Diversified mining services provider, Modi Mining from Mooinooi received the "Best Performing Company" award, whilst Kopedi Business Enterprises a company offering comprehensive services in construction and civil works, walked away with the "Most Jobs Created" award. Other winners of the evening were African Breeze Construction and Projects cc who took the "People’s Choice" award following a public voting process.

The winner of the "Incubator of the Year" award went to Lephalale, led by General Manager-Inland Operations, Precious Tshabalala. The incubator was honoured for their outstanding performance in the calendar year 2015. The incubator is anchored by Exxaro, Anglo Sebenza, and Hitachi Power Systems Africa.

The Deputy President of the Republic of South Africa, his Excellency Cyril Ramaphosa delivered the keynote address as the Chairman of the Cyril Ramaphosa Foundation. The event was attended by captains of industry across all sectors of the economy.

Each year the competition grows stronger and the bar is set higher in terms of performance criteria. These awards are SBU’s annual hallmark celebration to showcase the wonderful achievements of some of the most exemplary small and medium businesses that are making entrepreneurship work. Most notably, the awards are about recognising the achievements of SME clients within the Shanduka Black Umbrellas incubators. These awards were preceded by eight regional Enterprise Development Awards around the country. Qualifying businesses in full incubation across the SBU incubators were selected and evaluated.

Seapei Mafoyane, SBU CEO congratulated all the finalists and winners saying “we have been at the forefront of responding to the challenges faced by small black-owned companies such as low levels of success and barriers to market entry. SBU is proud of the progress made by our clients and are honoured to be part of their journey to success. These awards symbolise our commitment and dedication to recognising success and the future of South Africa’s leading black entrepreneurs”. Mafoyane also singled out and acknowledged the following companies for the collaborative partnership and contribution they continue to make towards the support of 100% black-owned businesses: Transnet, Lonmin, The National Treasury (The Jobs Fund), Exxaro, Anglo Sebenza, Mitsubishi Hitachi Power Systems Africa, and Sanlam.
2016 National Enterprise Development Awards

From left to right: Seapei Mafayane congratulating Alfred Masekoameng from Kopedi Business Enterprises receiving the award for "Most Job Created", CRF Chairperson, Cyril Ramaphosa, Emmanuel Mdhluli

From left to right: Seapei Mafayana congratulating Sam Mofat of Modi Mining as he receives "Best Performing Company" award, CRF Chairperson, Cyril Ramaphosa, Emmanuel Mdhluli

From left to right: SBU Directors: Rajesh Sukha and Thabile Nyaba

The proceedings at the 4th Annual Enterprise Development Awards captivated the guests
From left to right: Seapei Mofoyane congratulating Masilo and Rhea Magwele of African Breeze Construction and Projects as they receive the “People’s Choice Award”, CRF Chairperson, Cyril Ramaphosa, Emmanuel Mdhluli

Jazz band Ethnix entertained the guests

Deputy President of the Republic of South Africa and Chairperson of the Cyril Ramaphosa Foundation delivering the keynote address

From left to right: Mark Frankel (Shanduka Black Umbrellas founder and former CEO) with Francois Adriaan, Head of Group Corporate Affairs at Sanlam
In 2014 I alluded to the focus from the Board on sustainability. The nature of non-profit companies in South Africa, particularly those with a Public Benefit Organisation (PBO) status, is that they are dependent on donors goodwill. Their financial futures are often not their own. From a SBU perspective this is untenable, particularly in view of the crucial work that the organisation is doing to eradicate poverty through entrepreneurship that promotes job creation.

For this very reason the Board has commissioned a strategic work stream that will explore profit making opportunities that SBU can invest in and thereby leverage off income streams generated to supplement its current funding lines. The Board is acutely aware of the impact that this may have on the current structure, and therefore, as part of the work stream, significant consideration is being given thereto.

Sustainability also extends beyond financial metrics. In 2015 I stated that the top management structure was being bolstered with the necessary skills to support the CEO in the execution of the strategy. I am pleased to report to you that the last piece of that puzzle, being the CFO appointment, was finalised.

I would like to report that our current governance structures are functioning well. The observance of risk continues to mature within SBU, and to that end external service providers have been commissioned to assist the organisation to develop a comprehensive risk assessment and mitigation process with a distinction between operational risks and strategic risks. On the remuneration side there is a robust performance management and rewards process in place. Some consideration is being given to the appropriate remuneration benchmarks from the senior management level and upwards that need to be applied.

The Board is contemplating a number of Board specific interventions. Key to that is an independent board evaluation. This will enable the Board to critically assess its own performance, identity gaps, and mitigate same timeously. I will report on the results of the evaluation in the next governance report.

Rajesh Sukha
Director, Shanduka Black Umbrellas
Sustainability also extends beyond financial metrics. In 2015 I stated that the top management structure was being bolstered with the necessary skills to support the CEO in the execution of the strategy. I am pleased to report to you that the last piece of that puzzle, being the CFO appointment, was finalised.

Rajesh Sukha
Director, Shanduka Black Umbrellas
Our Board and Leadership

Yvonne Themba  
Chairperson

Seapei Mafoyane  
Director and CEO

Nyasha Dzumbunu  
CFO

Emmanuel Mdhluli  
COO

Rajesh Sukha  
Director

Donné Nicol  
Director

Charles Maisel  
Director

Thabile Nyaba  
Director

Duma Mxenge  
Director

Martin Govender  
Director

Seapei Mafoyane  
Director and CEO

Nyasha Dzumbunu  
CFO

Precious Tshabalala  
General Manager-Inland Operations

Jerome Eckles  
General Manager-Coastal Operations
Board of Directors and Executive Committee

Back Row: standing: L-R: Emmanuel Mdhluli (COO), Duma Mxenge (Director), Charles Maisel (Director), Martin Govender (Director), Rajesh Sukha (Director)

Front Row: seated: L-R: Nyasha Dzumbunu (CFO), Seapei Mafoyane (Director and CEO), Yvonne Themba (Chairperson), Donné Nicol (Director), Thabile Nyaba (Director)
The financial year ending 30\textsuperscript{th} June 2016, saw Shanduka Black Umbrellas (SBU) continue to receive overwhelming support from all funding partners and other stakeholders. We have anchor donors for four of our incubators; namely Transnet for the Richards Bay, and Port Elizabeth incubators, the Jobs Fund for the Pretoria incubator and Lonmin for the MooiNooi incubator. The Cyril Ramaphosa Foundation remains one of our key donors across the whole organisation.

We are also excited to be preparing for the establishment of the ninth SBU incubator in Burgersfort (between Mpumalanga and Limpopo) and to see Transnet extend their support to become the anchor funder for this new incubator, in yet another three year funding agreement. Thus Transnet becomes an anchor funder for three of the nine SBU incubators.

**INCOME**

Shanduka Black Umbrellas is approximately 80% donor funded. The balance of the income consists of client fee revenue for programme services rendered, as well as interest income and other income.

**DONATIONS**

Despite the challenging economic climate and the change in the B-BBEE Codes of Good Practice in 2015, SBU continued to receive much donor support although the donations for the current year dropped by 35% from R51 million in the prior year to R33 million. Donations consist of cash and donations in-kind, 4% (R1 million) of which relates to donations in-kind.

**DONATIONS IN-KIND**

Donations in-kind have contributed most significantly to the overall decrease in total donations, as prior year donations in-kind included a once off donation of shares received from Todwil SA (Pty) Ltd to the value of R12.9 million. Donations in-kind for the current year largely consisted of street pole advertising and staff training services.
DONATIONS IN CASH

The single largest contributor to the decrease in cash donations is the Jobs fund, as the reduced funding impacted two of our incubators. The two incubators affected were Pretoria and Durban. The Pretoria incubator experienced less incubator activity than planned which resulted in less disbursements from the Jobs Fund and the Durban incubator was impacted by the three year funding agreement for the incubator coming to an end in June 2015.

DONORS

While relationships with key donors have remained intact, the number of donors decreased, from 225 in 2015 to 145 in 2016 (see page 14). This is credited to the economic climate and the changes in the B-BBEE codes.

The SBU team will continue in its drive to strengthen donor relations and demonstrate the value of our enterprise and supplier development programme on the broader economy.

We were excited to welcome 31 new donors, and we remain committed to continually demonstrate the positive impact being made by our incubated businesses. Our objective is to continue to strengthen our existing donor partnerships for years to come, while continuing to attract new donors.

The composition of the donations income of R33 million and key donors, for the 2016 financial year, is depicted in the diagram below:
Financial Highlights

The graph below shows the trend in donations income and key donors over the last three years, as follows:

Client fee revenue, interest and other income

Client fee revenue from rendering services, interest income and other income increased by 14% from approximately R6.6 million to R7.5 million. This increase is largely due to client fee revenue. Total client fee revenue, interest and other income over the last three years is shown in the graph below. Client revenue continues to increase as we enhance the quality and quantity of clients incubated, while interest income has decreased over the last three years as we have been drawing down on the three-year funding received from Transnet in March 2013 for the Richards Bay and Port Elizabeth incubators.

EXPENSES

Expenses for the year amounted to approximately R50 million and this expenditure was incurred in providing the key support services and programme activities depicted in the diagram below:

*Shanduka Group now Cyril Ramaphosa Foundation*
The bulk of programme expenditure has been invested in providing highly subsidised business services and office infrastructure for our clients in all our incubators. This is to ensure that our client businesses are able to operate professionally and efficiently while they focus on growing their businesses. We continue to invest significantly in developing our client businesses through training. The training interventions are supplemented by the direct support provided by the SBU staff in the incubators as well as our mentorship programme which goes a long way in improving each business’ chance of surviving and ultimately becoming sustainable.

Our ability to monitor and evaluate the SBU incubation programme performance continues to improve as we enhance data integrity, system performance and reporting. Through improved incubation performance, we look forward to making a bigger positive impact on our client businesses, staff, donors and other key stakeholders. We continue to refine our client selection and recruitment processes to maintain the right balance between the quantity and quality of clients incubated given that our incubation programme is fee-based.

ASSETS

During the financial year, Shanduka Black Umbrellas utilised a total net cash of approximately R4.8 million and closed the year end with cash holdings of approximately R36.5 million. Total assets were valued at approximately R58 million; Cash and cash equivalents constitute the biggest portion of this balance, whilst trade and other receivables are valued at R14.2 million. Trade and other receivables include an irrevocable donation of R12.9 million received in the prior year for Shanduka Black Umbrellas to subscribe to Todwil SA (Pty) Ltd subscription shares.

As at 30th June 2016, Shanduka Black Umbrellas maintained a minimum of 11.5% shareholding of the shares in Todwil SA (Pty) Ltd.

The annual financial statements for the year ended 30th June 2016 have been audited by our newly appointed auditors Nkonki Pretoria, in accordance with International Standards on Auditing, International Financial Reporting Standards (IFRS) and the Companies Act 71 of 2008. A copy of the SBU audited annual financial statements is available on the Shanduka Black Umbrellas website at www.shandukablackumbrellas.org.

Nyasha Dzumbunu CA(SA)
CFO, Shanduka Black Umbrellas
HULA MINERALS PROCESSING AND ENGINEERING SHOWS ENTREPRENEURIAL SPIRIT

With the advent of the Broad-Based Black Economic Empowerment Act, two aspiring entrepreneurs, Mandisa Masango, a qualified Metallurgical Engineer and Walter Makaba, a qualified Electrical Engineer identified an opportunity in the market and decided to establish their own company.

After realising that companies like Exxaro in Lephalale relied mostly on companies from Gauteng for engineering services, Mandisa and Walter took full advantage of the market gap that had been glaring at them for years and they established Hula Minerals Processing and Engineering in 2007.

The company specialises in outsourcing operations and maintenance of mineral processing plants. Both Masango and Makaba have extensive engineering industry experience, and when they quit their jobs to start their own business, the transformation from employee to self-employed was not a difficult one.

“The greatest drive to start a business was to explore the opportunities out there and to pave a way for the younger generation to be employed. Most importantly, we developed this business after looking at the state of the economy and taking the decision to proactively make a difference,” Masango states.

Hula Minerals joined Shanduka Black Umbrellas’ full incubation programme in June 2014. Shortly thereafter, the company secured an extension of their contract with Exxaro Grootegeluk coal mine to continue offering maintenance services to the mine until 2017.

To date, Hula has created 153 permanent jobs and 80% of its employees are from the Waterberg region. The jobs range from HR managers to finance and project managers.

At the 2016 4th National Enterprise Development Awards (NEDA) Hula clinched the "Overall Winner" award. This category recognises the business that performed the best on aggregation of the following categories (Jobs Created, Best Performing Company and Best SBU Ambassador). “Winning the award has actually confirmed our aim of establishing the company,” Makaba states.
In addition he attributes the full incubation programme and the business support received from Shanduka Black Umbrellas as having helped their business to be recognised and empowered. He also agrees that the training offered by Shanduka Black Umbrellas in Marketing, Companies Act law and Finance has provided an added advantage in bolstering skills development for key staff in the organisation.

According to Makaba, the SBU programme has helped in providing opportunities for exposure with the likes of Exxaro.

Hula is currently successfully executing exciting and challenging maintenance and operations projects within Limpopo province, particularly in the Lephalale region.

The two entrepreneurs have a final word of advice for other aspirant entrepreneurs: “Be willing to start, identify a niche in the market and push as hard as you can."

"The greatest drive to start a business was to explore the opportunities out there and to pave a way for the younger generation to be employed. Most importantly, we developed this business after looking at the state of the economy and taking the decision to pro-actively make a difference.

Mandisa Masango
Director, Hula Minerals Processing and Engineering"
Our Clients

MODI MINING IMPACTING ECONOMIC GROWTH IN THE BOJANALA COMMUNITY

When mining engineer Samuel Molefi and female entrepreneur Kebareng Welhemina Moagi journeyed together to establish a business in 2010, they were determined to succeed.

They founded Modi Mining CC, based in Rustenburg, a 100% black-owned company with the sole objective of rendering differentiated mining and logistical services and to be a supplier of choice to the mining industry.

Soon after enrolling into the Shanduka Black Umbrellas programme, Modi Mining grew substantially. Having started with one employee who was doing marketing for the business, the company now employs more than 109 people.

The employment opportunities created, range from an accountant to a mining engineer and graduates in various fields. The company has provided job opportunities mainly to the local communities of Phokeng (Chaneng, Thekwane, Luka, Robega) and Rustenburg. In instances where the skills are not readily available the company sources people from neighbouring villages and provinces. “Being part of the Shanduka Black Umbrellas Enterprise and Supplier Development programme has added immense value to Modi Mining,” remarks Molefi.

To crown it all, the company received “The Best Performing Company” award at the 2016 4th National Enterprise Development Awards “The recognition has inspired the entire company to perform even better, we are customer focused and are constantly renewing our brand.” says Samuel Molefi of Modi Mining.

Through the development, encouragement, training workshops and mentorship from Shanduka Black Umbrellas, Modi Mining has received immense job growth and business development.

Modi Mining has also acquired more visibility through Shanduka Blackpages, the online enterprise and supplier development portal connecting big corporate buyers to small black enterprises to transform procurement in South Africa. Registration on the portal has also led to more companies approaching Modi Mining for business resulting in being a supplier of choice for many businesses.
Being part of the Shanduka Black Umbrellas Enterprise and Supplier Development programme has added immense value to Modi Mining.

Sam Molefi
Director, Modi Mining
Strategy, Analytics and Projects Executive, Imraan Ismail, is a mentor for Shanduka Black Umbrellas SMEs. According to Imraan, as a mentor in the development of entrepreneurs, it’s critical to work very closely with the Shanduka Black Umbrellas Enterprise Development Manager to deeply understand the individual businesses and the people behind the business operations.

Imraan tells an interesting story on how he started on his journey to mentor SMEs. “About a year ago I found myself complaining about everything - youth unemployment, high crime, rising prices, and job losses.” This spurred Imraan to start looking for opportunities to be part of the solution to make a difference and it is no wonder that he registered as a Shanduka Black Umbrellas mentor.

Imraan says “Being a Shanduka Black Umbrellas mentor has been one of the highest returns of investment of my time, knowledge and experience.” What he values most about mentoring entrepreneurs is that people often thank him for giving his time and knowledge at no cost. The most important for him though is that he is doing his part to ensure that we have a better country. He says “For me, it is a chance to do something meaningful and it sets a good example for my peers and my children. I want to help secure a brighter future for ourselves and our children.”

Mentors draw on a wealth of their own business experience to assist mentees in solving challenges that they may face. He encourages mentees to ask thought provoking questions and says it’s essential to guide conversations in such a way that mentees are able to identify solutions. The outcome is that there must be a transfer of knowledge and skills from mentor to mentee. Listening skills and the ability to identify core issues is key.

Imraan says that as a mentor he loves seeing the mentees reaching both personal and business milestones. He says, “the underlying objective though is to evaluate the rate of progress and to provide motivation when needed to keep personal and business goals on track.”
Mentors provide an opportunity for entrepreneurs to objectively sound board ideas and get a more experienced perspective on various aspects of the business; like entering new markets, developing new products, and managing cash flow, to name a few.

Quite often entrepreneurs are so engrossed in the operational aspects of their business that they lose sight of the true potential of the business or fail to identify opportunities and threats timeously. Imraan says such invaluable insights can be brought to the fore by mentors. Good mentors help entrepreneurs identify their own strengths and weaknesses and advise on areas for growth and development so that entrepreneurs are constantly improving their business and personal skills.

Being an entrepreneur in South Africa is quite daunting but with the right business development support and mentorship, an aspiring entrepreneur can take their business ideas and ultimately run a viable business which can compete with larger enterprises.

When used correctly, mentorship is essentially an effective risk management tool. The message that Imraan has for aspiring entrepreneurs is that “Don’t be scared to think big. If your goals don’t scare you, they are not big enough. Be clear on your purpose and everything you do must further that purpose.”

“Being a Shanduka Black Umbrellas mentor has been one of the highest returns of investment of my time, knowledge and experience.”

Imraan Ismael
Strategy, Analytics and Project Executive, Abacus Insurance Limited
SHANDUKA BLACK UMBRELLAS AND LONMIN

Ben Magara, Chief Executive Officer of Lonmin says, “A highly skilled and successful small business sector is imperative to the economic growth of South Africa. Lonmin is invested in the North West Province for the long term and our partnership with Shanduka Black Umbrellas is contributing immensely towards us creating a thriving local small businesses economy through enterprise and supplier development at the SBU incubator in Mooinooi.”

Through this partnership we have seen the positive impact on our economy as the small businesses we support continue to create jobs for our local people. This is key to the growth and development of our country.

Through our very own corporate supply chains we have awarded contracts to Phakwe Mining Services valued at more than R5 million and we have also awarded a contract valued at more than R1 million to Retswelapele Construction and Maintenance to name but a few.

What has been of immense value to us is when we witness entrepreneurs who are making a greater difference in society, said Magara. We are pleased at the rate at which several of the small businesses have transformed their start up enterprises into dynamic and successful businesses.

For example, PBM Creations a small business in the Mooinooi incubator, acquired a contract from PPC (based in the Democratic Republic of Congo) for the supply of PPE products in late December 2015. The contract is for a three year period and is estimated to earn PBM Creations R3, 4 million per annum.

Another small business, Are Direng Garden Services, attained a three year contract valued at R1,6 million per annum from the Royal Bafokeng based in Phokeng, Rustenburg in October 2015. The small business is doing well and is now delivering garden services at the Royal Bafokeng premises including schools, cemeteries, roads sides, administration offices and the company currently employs just over 43 people.

The partnership with Shanduka Black Umbrellas essentially places us in a position where we shape and facilitate the development agenda of small
businesses, who in turn transform the local communities in which they operate by providing job opportunities through entrepreneurship.

This is what constitutes success when small businesses develop into fully fledged, self-sustaining businesses that are financially independent and can contribute to economic growth well in line with the country’s National Development Plan (NDP).

As at the period ending 30th June 2016, we have seen good progress made by the Mooinooi incubator. We have helped 41 small businesses and in turn collectively the enterprises have created 756 jobs. They have paid R36 million in salaries and have generated R74.4 million in turnover. We are also delighted that one of our businesses, Modi Mining received the "Best Performing Company" award at the 4th Annual National Enterprise Development Awards.

"A highly skilled and successful small business sector is imperative to the economic growth of South Africa. Lonmin is invested in the North West for the long term and our partnership with Shanduka Black Umbrellas is contributing immensely towards us creating jobs and a thriving local small businesses economy through the enterprise and supplier development at the SBU incubator in Mooinooi."

Ben Magara
CEO, Lonmin
PARTNERING TO BOOST THE FINANCIAL HEALTH OF SMALL BUSINESSES

Partnering and collaborating to advance black entrepreneurs and small business development is at the heart of the Shanduka Black Umbrellas programme. Before the end of this financial year, Shanduka Black Umbrellas (SBU) and Standard Chartered Bank partnered to provide financial education training for Entrepreneurs. Under this agreement business owners in the Shanduka Black Umbrellas programme will benefit from the financial education training offered by Standard Chartered Bank. Standard Chartered Bank piloted the financial education training programme in December 2015 and the official launch, was held on the 10th June 2016 at the Johannesburg incubator. According to Standard Charted Bank South Africa and Southern Africa Chief Executive Officer Richard Etemesi, “Empowering indigenous owned businesses in South Africa with basic financial literacy is absolutely critical in helping making the difference between their success and failure.”

Standard Chartered Bank is serious about the growth and development of SMEs where financial education is concerned that it gave its employee volunteers, volunteering leave to ensure that they facilitate this valuable training to small business owners. In time, the intention is for the Shanduka Black Umbrellas trainers to deliver these modules to clients after undergoing a ‘train the trainer’ session conducted by Standard Chartered Bank. The Financial Education for Entrepreneurs programme was launched by the bank in 2013 and has been delivered to over 1 200 micro and small business owners in its other markets. The bank has a global presence which includes Asia, Africa and the Middle East. “As a bank, we are uniquely positioned as subject matter experts to play a leading part in empowering micro and small business owners.” asserts Etemesi.

This is a significant partnership in bridging the gap of financial literacy amongst entrepreneurs and a key partnership for SBU. The financial education training and business information sessions are value adding and topics covered range from business planning to cash flow management.

According to SBU COO, Emmanuel Mdhluli, "the training bodes well for our entrepreneurs. This will enable our SMEs to have a clear view of their finances and enable business owners to make decisions in line with the overall financial fitness of their businesses".
Empowering indigenous owned businesses in South Africa with basic financial literacy is absolutely critical in helping making the difference between their success and failure.

Richard Etemesi | CEO, Standard Chartered
Shanduka Blackpages is a powerful, national online directory connecting corporate buyers to small black enterprises to transform procurement in South Africa. Powered by the Supply Chain Network and Absa, Shanduka Blackpages is the most efficient procurement interface on the market. The platform aims to achieve transformation by linking corporate buyers to small black enterprises. Procurement professionals now have a tool, aided by ease of navigation, through which they can quickly search, filter and locate approved suppliers listed on the Shanduka Blackpages database.

Shanduka Blackpages is a powerful tool for corporates to deliver supplier development and for emerging 100% black-owned companies to access procurement within corporate supply chains. As the largest online enterprise and supplier development portal, connecting 100% black-owned SMEs to opportunities within large corporates, this is a viable platform for every procurement professional seeking to incorporate black-owned SMEs within their supply chains. This provides procurement professionals with an easily navigable online tool that searches, filters and locates approved suppliers on our database.

Shanduka Blackpages provides meaningful enterprise and supplier development assistance to registered members. Our online procurement portal; exposes SMEs to corporate procurement opportunities. It also grants access to live tender bulletins, financing opportunities and a range of discounted products and services.

Small enterprises are also given access to learning and mentoring channels. SMEs thus have access to a network of resources linked to business skills and knowledge to assist in their business journey.

This all important online supplier and procurement directory is a must-have for every South African business. Become part of this network today to access more than 8 000 black-owned businesses for inclusion in supply chains of large enterprises. To date the portal has attracted over 100 000 hits.

www.shandukablackpages.org
The graph below shows key supplier and buyer trends registered on the online directory over the last three years, as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tr>
<td>Supplier profiles validated</td>
<td>5,037</td>
<td>6,733</td>
<td>8,033</td>
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<tr>
<td>Supplier registrations</td>
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<tr>
<td>Buyer registrations</td>
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<td>688</td>
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<tr>
<td>Premier supplier membership</td>
<td>853</td>
<td>1,230</td>
<td>1,107</td>
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<tr>
<td>Online training course enrolment</td>
<td>249</td>
<td>711</td>
<td>798</td>
</tr>
<tr>
<td>Traffic since launch</td>
<td>37,350</td>
<td>74,990</td>
<td>102,323</td>
</tr>
</tbody>
</table>

2016

8,033 Supplier profiles validated
1,110 Supplier registrations
688 Buyer registrations
1,107 Premier supplier membership
798 Online training course enrolment
102,323 Traffic since launch
As an enterprise and supplier development incubation organisation, we partner with the private sector, government and civil society to address the low levels of entrepreneurship and high failure rate of 100% black-owned businesses. The success of enterprise and supplier development (ESD) lies in nurturing, supporting and developing black-owned businesses and entrepreneurs. Without meaningful business development interventions, as many as 70% of small, medium enterprises (SMEs) in South Africa fail in their first two years of existence.

In order to ensure sustainability, these businesses need the support and guidance of a knowledgeable, established and well-connected ESD organisation such as Shanduka Black Umbrellas and meaningful access to procurement opportunities.

ESD is an international best practice philosophy which drives economic growth through the inclusion of SMEs in supply chains of large enterprises. ESD positively impacts the triple bottom line and fosters sustainable businesses.

The ESD element of the codes has real potential to create economic growth and jobs, by building sustainable businesses and linking them into supply chains. Enterprise Development is recognised as the key to poverty alleviation, as ultimately it’s the development of sustainable businesses that creates jobs. ESD can double the rate at which jobs are currently being created, and become the most powerful force against poverty in South Africa.

Our programme focuses on matching measured enterprise with SMEs and we help enterprises to meet and exceed the B-BBEE scorecards on Enterprise and Supplier development as well as preferential procurement. ESD (Enterprise and Supplier Development) is the single most important pillar in the B-BBEE scorecard, with a weighting of 40 points out of a possible 107. In order to achieve any level of credibility on the scorecard (above Level four), points must be earned in this pillar; as this is a priority pillar like Ownership and Skills Development.

To exceed the ESD scorecard, an entity can earn five points for Enterprise Development when spending 1% Net Profit After Tax (NPAT) whilst an entity can earn up to 10 points for spending 2% Net Profit After Tax for supplier development.
Shanduka Black Umbrellas also helps measured enterprises to procure from Emerging Micro Enterprises, black woman-owned businesses and black-owned designated group suppliers.

Unlike a number of the other pillars on the scorecard, particularly those related to human resources, it is possible to rapidly improve your ESD score while still generating meaningful impact. In comparison to other pillars, the cost per ESD point is significantly lower. B-BBEE codes have been structured in such a way as to create a multiplier effect. When ESD is appropriately undertaken by suppliers, ESD efforts are multiplied. All five pillars of the B-BBEE scorecard are now compulsory for businesses with a turnover in excess of R10 million as QSEs must engage all five.

Partner with Shanduka Black Umbrellas today to transform the ESD landscape and to enhance your B-BBEE scorecard. Visit shandukablackumbrellas.org for more information.

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Thank You
for developing South Africa’s future Black businesses together