



ANNUAL FINANCIAL STATEMENTS  
2004/2005

## ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 march 2005*

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## STATEMENT OF RESPONSIBILITY

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*for the year ended 31 march 2005*

The Directors accept responsibility for the preparation, integrity and fair presentation of the Agency's annual financial statement and related information included in the annual report. These financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates, in conformity, in all material respects, with South African Statements of Generally Accepted Accounting Practise, taking into account the nature of the business and in the manner required by the Public Finance Management Act (Act 29 of 1999). The Directors are of the opinion that the financial statements fairly present the financial position of the Agency. The independent auditors are responsible for reporting on these financial statements and were given unrestricted access to all financial records related data, including minutes of all meetings of the Board of Directors and committees of the Board. The Directors have no reason to believe that all representations made to the independent auditors during the audit are not valid and appropriate. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control. Internal financial and operational controls are described in the corporate governance statement on pages 44 to 46 of the annual report.

### GOING CONCERN

There are no circumstances in the foreseeable future that will not allow the agency to continue to operate as a going concern.

### POST BALANCE SHEET EVENTS

On 1 April 2005 the agency was deregistered for VAT purposes due to changes to the VAT Act with regard to Public Entities. No circumstances have arisen, or events occurred, between the balance sheet date and the date of this report in respect of matters that would require adjustments to the financial statements, or which should be disclosed through some other medium, except as disclosed elsewhere in the financial statements.

The Agency's annual financial statements which appear on pages 43 to 59 were approved by the Board of Directors and are signed on its behalf by:



Mr Yusuf Pahad  
*Chairman - Board*



Mr Fezile Calana  
*Chairman – Audit Committee*



Mr Ismail Dockrat  
*Chief Executive Officer*

## CORPORATE GOVERNANCE REPORT

for the year ended 31 march 2005

### PREAMBLE

*The Directors of Wesgro confirm their commitment to the King Report on Corporate Governance for South Africa 2002 (the "King Report 2002"). Through this process, stakeholders may derive assurance that Wesgro is being correctly managed.*

## 1. BOARD STRUCTURE

### 1.1 COMPOSITION OF THE BOARD OF DIRECTORS

The current composition of the Board of Directors of the Agency is featured on page 40 of the annual report.

Wesgro has a unitary Board, consisting of non-executive Directors. General guidelines expected of any Director of the Agency are clearly set out in the Agency's Constitution. Each year the Board appoints a Chairperson from among the non-executive directors. The Chairperson has no executive functions. The Chairperson is a cheque signatory for amounts greater than R10 000. The role of the Chairperson and Chief Executive are separate. The Chairperson is responsible for ensuring the integrity and effectiveness of the governance process by:

- Providing overall leadership to the Board without limiting the principle of collective responsibility for Board decisions;
- Ensuring that all Directors play a full and constructive role in the affairs of the company;
- Taking a lead role in removing non-performing or unsuitable Directors from the Board; and
- Ensuring that all the relevant information and facts are placed before the Board to enable Directors to reach an informed decision.

*The Board is actively engaged in addressing the representation by black members and females at Board level.*

### 1.2 BOARD MEETINGS

Meetings of the Board are scheduled quarterly with defined objectives and agenda structure. Additional combined meetings with the Directors of the Agency where consideration of the annual business plan, budget, major capital expenditure and key strategic issues occurs.

Board members endeavour to attend Board meetings with thorough preparation. Board members are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the table.

### 1.3 REMUNERATION

The Directors do not receive any remuneration for services provided and the Board may, at its discretion, reimburse

any director in respect of any reasonable and bona fide expenses incurred by such director in or about the performance of their duties, as director.

## 2. BOARD COMMITTEES

The Board is authorised to form sub-committees as and when it is efficient or necessary to facilitate efficient decision making and to assist the Board in the execution of its duties, power and authorities. Delegating of authority to Board Committees or management does not in any way mitigate or dissipate the discharge by the Board of their duties and responsibilities. The Committees do not perform any management functions or assume any management responsibilities.

These Committees carry out their tasks under the following terms of reference.

Authorisation to investigate any activity within its terms of reference:

- May, at the discretion of the Committee, require other employees of the Company to attend meetings or parts of meetings;
- May consult with and seek information it requires from any employees; and
- All employees in the Company are required to co-operate with any request made by the committee in the course of its duties.

Wesgro has three operational standing Committees, namely the Executive Committee, the Audit Committee and the Remuneration and Human Resources Committee.

*The purpose and membership of the committees is as follows:*

### 2.1 EXECUTIVE COMMITTEE

There are 10 non-executive Directors, representative of each constituency on the Executive Committee. Mr Pahad is the chairperson of the committee. The Executive Committee meets monthly to provide operational direction as set by the Board.

### 2.2 AUDIT COMMITTEE

The Audit Committee is chaired by Mr Calana. All four members are non-executive Directors from the Board of Wesgro. There exists no relationship that could interfere with the committee members' independence from management. The Committee's terms of references enables it to take an independent view of the appropriateness of the accounting reviews annually to the authority, resources and scope of the work of internal audit and policies and practices for

presentation of its final results and the effectiveness of the internal control system (including financial, operational, compliance controls and risk management).

#### *a. Auditors and External Audit*

The Committee recommends to the Board of Wesgro which firm should be appointed as external auditor.

It also reviews annually the authority, resources and scope of the work of internal audit and considers the fees (both audit and non-audit) for the external auditors, who have unrestricted access to it. It also monitors internal and external auditors' performance against expectations.

#### *b. Financial Statements*

The Committee examines and reviews the annual financial statements of the Agency and other relevant financial reports.

#### *c. Internal Control and Risk Assurance*

An important role of the Committee is to consider whether appropriate procedures are in place for the ongoing evaluation of the effectiveness of internal systems of control and reviewing the reliability and the integrity of financial and operating information, including the internal audit function.

#### *d. Ethics and Corporate Conduct*

The Committee considers whether adequate procedures exist to ensure compliance with the requirements of the Agency's constitution, the PFMA and MFMA appropriate standards of ethical conduct and identification of any violations of misconduct or fraud or any other unethical activity.

### 2.3 REMUNERATION AND HUMAN RESOURCES COMMITTEES

Wesgro has a Remuneration and Human Resources Committee, consisting of non executive Directors only and is chaired by Ms Beryl Kerr, the deputy chairperson of the Board of Directors. The purpose of this Committee is to review, consider and recommend on matters relating to, inter alia general staff policy including;

- Senior management remuneration and development;
- CEO remuneration;
- The formulation of remuneration and human resource policies; and
- Human Resource Performance Management system and related performance incentives.

### 2.4 TERMS OF REFERENCE

The terms of reference of each of the principal Committees of the Board are available upon request from the Company Secretary at the registered office.

### 3. BOARD SECRETARY

*The role of the Board Secretary has been acknowledged in the Wesgro Constitution to embrace amongst other functions the following:*

- The Secretary has a key role to play in ensuring that

Board procedures are both followed and reviewed regularly, and has the responsibility, in law, to ensure that each Board member is made aware of and provided with guidance as to their duties, responsibilities and powers.

- It is the responsibility of the Board, and in its own best interests, to ensure that the Board Secretary remains capable to fulfil the function for which he/she has been appointed. The appointment and removal of the Secretary is a matter for the Board as a whole.
- The Secretary is responsible for ensuring that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and that all matters associated with its efficient operation is maintained.
- In addition to the statutory duties of the Secretary, he/she must provide the Board as a whole and the Board members individually, with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the Company.
- The Company should provide a central source of guidance and advice to the Board and its Committees on issues, compliance with rules and procedures, statutory regulations and the King Report 2002.
- The Secretary must keep abreast of, and inform the Board of current governance thinking and practice. It is recommended that Board evaluation and performance be co-ordinated via the Secretary.

### 4. RISK MANAGEMENT

The Board recognizes that it has the overall responsibility for risk management and internal control. The Board ensures that risks are properly identified, evaluated and managed. It is in the process of satisfying itself that executive management and senior management has adequately discharged its responsibilities for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the Agency. Wesgro has processes in place to identify and evaluate the broader range of risks to its activities on an ongoing basis and has deployed effective control mechanisms to prevent and mitigate their effect.

### 5. INTERNAL CONTROL SYSTEMS

To meet its responsibility with respect to providing reliable financial information, the Agency maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately safeguarded material loss of unauthorised acquisition, use, or disposal, and that transactions are properly authorised and recorded.

Internal auditors monitor the operation of the internal controls and report findings and recommendations to management and the Audit Committee. Corrective actions are taken to address control deficiencies and improve the systems as identified. The Board, operating through its Audit Committee, provides oversight to the financial reporting process and internal controls.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of control. Accordingly, even an effective internal control system can only provide reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

Wesgro assessed its internal control systems in operation during the year. Based on the assessment, the Agency believes that, as at 31 March 2005, the systems of internal controls over financial reporting and over the safeguarding of assets against unauthorised acquisitions, use or disposal, was adequate.

#### 6. EXECUTIVE MANAGEMENT TEAM

The Chief Executive attends meetings of the Board of Wesgro as an ex-officio member and reports on the activities of the Agency. Being involved with the day-to-day business activities, the Chief Executive, Executive Management and the Senior Management Team are responsible for ensuring that decisions, strategies and views of the Board are implemented. The executive and senior managers are accountable for the control, conduct and performance of their departments within the agreed business strategy.

#### 7. COMPLIANCE OFFICER

Wesgro has a Compliance Officer who is responsible for ensuring effective compliance with the relevant statutory, regulatory and supervisory requirements.

#### 8. THE ENVIRONMENT, HEALTH AND SAFETY

Wesgro strives to conform to environmental, health and safety laws in its operations and seeks to add value to the quality of life to its employees through preventative health programmes. Although the Agency's major activities do not pose a significant threat to the environment, the Agency's risk management activities will start to focus on compliance with key features of existing environmental, health and safety legislation and international standards.

#### 9. CODE OF CONDUCT

The Chief Executive, as the custodian of ethics, maintains a positive and ethical work climate that is conducive to attracting, retaining and motivating a diverse group of top-quality employees at all levels of the company. In addition, the Chief Executive fosters a corporate culture that promotes ethical practices, encourages individual integrity, and fulfils social responsibility objectives and imperatives. A Code of Conduct has been formulated and all employees have been appropriately exposed to and made aware of the policy.

#### 10. HUMAN RESOURCES PRACTICES AND POLICIES

Wesgro has human resources policies and practices that foster a fair and open people management approach that engenders a high performance environment to the benefit of all the stakeholders.

A workplace skills plan has been developed stemming from the performance assessments conducted bi-annually during 2004. Although the performance driven culture would drive us to achieve our goals, we are mindful of the nurturing and coaching elements to create an environment that is conducive to human development and employee well being.

Our employee benefits compare favourably with the public sector. More flexibility is being provided within the cost to company platform and the medical aid and provident fund offerings.

Monthly reports from the Chief Executive, regular newsletters, and other networking enable employees to be reasonably well informed of news and developments in the Agency and beyond.

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## REPORT OF THE AUDIT COMMITTEE

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*for the year ended 31 march 2005*

*Report of the Audit Committee required by Treasury Regulations 27.1.7 and 27.1.10 (b) and (c) issued in terms of the Public Finance Management Act 1 of 1999, as amended by Act 29 of 1999.*

We are pleased to present our report for the financial year ended 31 March 2005.

### AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee consists of the members listed hereunder and meets 4 times per annum as per its approved terms of reference. During the current year four (4) meetings were held.

Name of Member	Number of Meetings Attended
F Calana ( <i>Chairperson</i> )	4
S Jappie	3
A Franks ( <i>newly appointed</i> )	0
M Malan	0

### AUDIT COMMITTEE RESPONSIBILITY

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

### THE EFFECTIVENESS OF INTERNAL CONTROL

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, the matters of emphasis and management letter of the Independent Auditor, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the systems of internal control for the period under review were effective and efficient.

### EVALUATION OF ANNUAL FINANCIAL STATEMENTS

*The Audit Committee has:*

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Agency's Independent Auditor and the Accounting Officer;
- Reviewed the external auditor's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices; and
- Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Independent Auditors' conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Independent Auditor.



Mr F Calana  
Chairperson of the Audit Committee  
13 June 2005



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE  
WESTERN CAPE INVESTMENT AND TRADE PROMOTION AGENCY (WESGRO)**

We have audited the annual financial statements of The Western Cape Investment and Trade Promotion Agency for the year ended 31 March 2005. These financial statements are the responsibility of the agency's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

**Scope**

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

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

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

**Audit opinion**

In our opinion, the financial statements fairly present, in all material respects, the financial position of the agency at 31 March 2005 and the results of its operations and cash flows for the year then ended in accordance with Statements of Generally Accepted Accounting Practice, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended.

**Emphasis of matter**

Without qualifying our opinion above, we draw attention to the fact that the Agency did not consolidate the financial statements of its wholly owned subsidiary, Novel Garment SA (Pty) Ltd. Note 8 to the financial statements discloses the reasons for and the nature of the departure from the statements of generally accepted accounting practice.

*SAB&T*

**SAB&T inc.**  
**Chartered Accountants (S.A.)**  
**Registered Accountants and Auditors**

**Bellville**  
**23 June 2005**



## DIRECTORS' REPORT

for the year ended 31 march 2005

The financial performance for the period under review reflects the Agency's commitment to achieving its focused targets for trade and investment promotion. In terms of investment, the Agency is committed to achieving a target of R5 billion of new investment by 2007, as set out in the Provincial Growth and Development Summit (PGDS) Framework Agreement. In terms of trade, the agency is committed to expanding the Western Cape's exporter base by 800 companies by 2007.

The Agency's principal funders approved the three year strategic plan and a budget of R12.5 million for fulfilling its mandate (i.e. both Investment and Trade promotion). The increase in Public sector funding is attributable to the receipt of R10 million from the Department of Economic development and Tourism for the acquisition of 100% of the shares in Novel Garments SA (Pty) Ltd.

The Annual Financial Statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and as such the Agency accounted for the following:

- AC134 - Office rental paid on behalf of the department of economic development and tourism are reflected both as income received and expenditure paid;
- AC130 - The annual audit is generally undertaken in the new financial year and as such the auditors remuneration fees should be accounted for in the new financial year;
- AC128 - Impairment of assets is a non-cash expense and the Agency is tasked to undertake an impairment exercise annually.

Total expenses increased by 76% from R8.4 million (2004) to R14.8 million (2005). The increase in programme expenditure (i.e. Advertising, Professional fees, Publications, Travel and Workshop & seminar costs) relates positively to the achievements of the Agency namely:

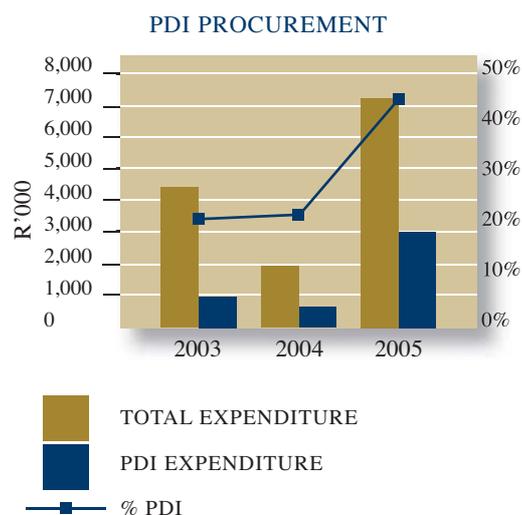
- a) R1,864 billion worth of new investments facilitated, against a target for the year of R700m.
- b) Growing the number of exporting companies by a further 406, against a target for the year of 200.
- c) Launching an Exporter Development Programme and training 368 companies, against a target for the year of 100.
- d) Supporting 3 Trading House initiatives.

- e) Handling 2320 enquiries and distributing 756 trade leads.
- f) Facilitating 10 outward trade missions and participation in trade fairs.
- g) Hosting 49 inward trade and investment missions.

The increase in staff related costs is directly related to vacancies filled within the core departments. 3 positions were filled in the newly established marketing department. For the period under review 19 vacancies have been filled and 7 resignations noted. The Agency also implemented a medical aid scheme since 1 July 2004 with an impact of R160 000 per annum on the budget.

The following expenditure was not incurred in 2004: Equipment Rental – The Agency replaced the two photocopiers on a rental option over three years. Interest and penalties relates to the late submission of PAYE and UIF returns dating back to 2000. Subscription cost – This item relates to the subscription to all the regional newspapers, investment and trade related journals and magazines.

The Agency increased procurement from Previously Disadvantaged Individuals from 25% in 2004 to 44% in 2005. The calculation for PDI expenditure excludes the costs for bank charges, staff costs, depreciation, interest paid, impairment loss, loss on disposal of assets, bad debts, rent and telephone costs.



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**BALANCE SHEET**

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	Notes	2005 R	2004 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	609,058	492,426
Investments	8	7,563,497	0
<b>Current assets</b>			
Accounts receivables	9	3,821,058	1,728,785
Cash and cash equivalents	10	17,665,848	3,853,329
<b>Total assets</b>		<b>29,659,461</b>	<b>6,074,540</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
		<b>9,481,696</b>	<b>2,239,343</b>
<b>Current liabilities</b>			
Accounts payables		2,003,471	237,180
Provisions	11	269,755	247,017
Project funds administered	12	912,184	3,351,000
Deferred Income	13	16,992,355	0
<b>Total equity and liabilities</b>		<b>29,659,461</b>	<b>6,074,540</b>

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**INCOME STATEMENT**

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	Notes	2005 R	2004 R
<b>Income</b>		<b>22,101,723</b>	<b>4,779,325</b>
Government grants	2	21,237,287	4,209,263
Other income	3	864,436	570,062
<b>Expenditure</b>		<b>14,859,370</b>	<b>8,408,936</b>
Administrative expenses	4	1,787,612	925,917
Staff costs	5	7,014,121	5,468,230
Other operating expenses	6	5,665,721	1,744,063
Depreciation	7	391,916	270,726
<b>Surplus/(deficit) for the year</b>		<b>7,242,353</b>	<b>(3,629,611)</b>

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STATEMENTS OF CHANGES IN EQUITY

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	Accumulated surplus/(deficit) R	Restructuring reserves R	Total R
Balance at 1 April 2003	928,054	4,940,900	5,868,954
As previously stated	928,054	4,908,800	5,836,854
Change in Accounting Policy (note 19)	0	32,100	32,100
Deficit for the year	(3,629,611)	0	(3,629,511)
As previously stated	(3,632,511)	0	(3,632,511)
Change in accounting policy (note 19)	2,900	0	2,900
Transfers	2,701,557	(2,701,557)	0
As previously stated	2,704,457	(2,704,457)	0
Change in accounting policy (note 19)	(2,900)	2,900	0
Balance at 1 April 2004	0	2,239,343	2,239,343
Surplus for the year	7,242,353	0	7,242,353
Balance at 31 March 2005	7,242,253	2,239,443	9,481,696

## CASH FLOW STATEMENT

	Notes	2005 R	2004 R
<b>Cash flows from operating activities</b>			
Cash received from members, funders and clients		34,176,086	8,028,449
Cash paid to suppliers and employees		(12,454,655)	(4,743,782)
<b>Cash generated from operations</b>	15	<b>21,721,431</b>	<b>3,284,667</b>
Interest received		386,903	130,067
Interest and penalties paid to SARS		(110,151)	0
<b>Net cash inflow from operating activities</b>		<b>21,998,183</b>	<b>3,414,734</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property, plant and equipment	16	7,130	28,302
Acquisition of property, plant and equipment	7	(629,297)	(46,433)
Acquisition of subsidiary	8	(7,563,497)	0
<b>Net cash outflow from investing activities</b>		<b>(8,185,664)</b>	<b>(18,131)</b>
<b>Net increase in cash and cash equivalents</b>		<b>13,812,519</b>	<b>3,396,603</b>
Cash and cash equivalents at the beginning of the year	10	3,853,329	456,726
<b>Cash and cash equivalents at end of year</b>	10	<b>17,665,848</b>	<b>3,853,329</b>

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### ACCOUNTING POLICIES

#### 1.1 Basis of preparation

The Annual Financial Statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice. The following are the principle accounting policies of the Agency which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated. The financial statements have been prepared on the historical cost basis.

#### 1.2 Income

Private sector membership income is brought to account on the cash basis. All other income is accounted for on the accrual basis.

#### 1.3 Reserve

The Agency will only retain cash reserves approved by the Provincial Treasury, adequate for its short-term cash flow requirements, based on its Annual Performance Agreements with its principal funders.

#### 1.4 Project funds administered

Funds in respect of projects administered are not recognised as income and expenditure by the Agency but are accounted for on a project basis.

#### 1.5 Outstanding cheques

Outstanding cheques are written back to accounts payable at year end.

#### 1.6 Financial instruments

##### **Recognition**

Financial assets and financial liabilities are recognised on the Agency's balance sheet when the Agency becomes a party to the contractual provisions of the instrument.

##### **Measurement**

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured at fair value.

##### **Financial risks**

**Credit risk** Credit risk is managed by following these procedures. Where a debtor account is overdue the debtor is contacted telephonically to request payment. If no payment is received by the 7th of the following month a written notice is sent to the debtor to request payment. Management will exhaust all the appropriate steps to recover the debt and prevent further loss to the Agency. Overdue amounts are reported to the CEO and fully provided for.

#### 1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Computer software	50%
Computer hardware	33.3%
Furniture & fittings	16.7%
Office equipment	20%
Motor vehicles	20%

#### 1.8 Impairment

At the end of the financial year, the Agency reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

#### 1.9 Provisions

Provisions are recognised when the Agency has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be measured reliably.

#### 1.10 Government grants

Government grants are recognised as deferred income which is recognised as income over the periods necessary to match them with the related cost which they are intended to compensate, on a systematic basis, when there is reasonable assurance that Wesgro will comply with conditions attached to them.

#### 1.11 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 march 2005

	2005 R	2004 R
<b>2. GOVERNMENT GRANTS</b>		
<b>Provincial Government of the Western Cape</b>	<b>14,896,936</b>	<b>1,400,000</b>
Investment and Trade – general operational costs	6,000,000	662,275
Acquisition of Novel Garments SA (Pty) Ltd	8,007,645	0
Rent - Office	689,291	737,725
Exporter Development Programme	200,000	0
<b>City of Cape Town</b>	<b>6,340,351</b>	<b>2,809,263</b>
	<b>21,237,287</b>	<b>4,209,263</b>
<b>3. OTHER INCOME</b>		
Private sector membership	258,459	249,895
Sundry	219,074	190,100
Interest received	386,903	130,067
	<b>864,436</b>	<b>570,062</b>
<b>4. ADMINISTRATIVE EXPENSES</b>		
Auditors' remuneration	35,000	32,100
Travel and subsistence	1,001,779	156,092
Rent - Buildings	689,291	737,725
Rent - Plant, machinery and equipment	61,542	0
	<b>1,787,612</b>	<b>925,917</b>
<b>5. STAFF COSTS</b>		
Basic salaries	5,703,856	4,740,445
Performance awards	472,581	173,430
Temporary staff	85,249	17,858
Leave payments	54,061	67,853
Provident fund contribution plan	522,337	442,961
Medical aid	143,477	0
UIF	32,560	25,683
	<b>7,014,121</b>	<b>5,468,230</b>

Included below is the remuneration (including performance award) of the executive and senior management.

TITLE	NAME	2005 R	2004 R
Chief Executive Officer	Ismail Dockrat	695,000	400,000
CFO / Senior Manager Corporate Services	Allan Preston	406,465	377,798
Senior Manager Trade Promotion	Anders Aeroe	365,446	376,527
Senior Manager Investment Promotion	Kwanda Modise	465,167	100,000
Senior Manager Marketing and Communication	Linda Stofile	396,487	38,546

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 march 2005

	2005	2004
	R	R
<b>6. OTHER OPERATING EXPENSES</b>		
Advertising	730,616	665
Consultants, contractors and special services	623,590	359,923
Impairment losses recognised	85,509	0
Legal fees	69,769	7,000
Maintenance, repairs and running costs	73,641	20,623
Publishing costs	1,070,360	136,473
Staff training and development	285,436	189,900
Telephone and postage	535,924	461,897
Workshop and seminars	1,025,405	156,092
Working capital - Novel Garments SA (Pty) Ltd	444,148	0
Other	721,323	411,490
	<b>5,665,721</b>	<b>1,744,063</b>

**7. PROPERTY, PLANT AND EQUIPMENT**

	Office equipment R	Vehicles R	Computer equipment R	Furniture & fittings R	Computer software R	Total R
<b>Year ended 31 March 2004</b>						
Opening net carrying amount	291,189	31,251	130,332	38,371	1,283	492,426
Gross carrying amount	436,093	209,764	761,452	117,453	103,788	1,628,550
Accumulated depreciation	(144,904)	(178,513)	(631,120)	(79,082)	(102,505)	(1,136,124)
Additions	133,271	0	161,633	242,994	91,399	629,297
Disposals	(29,947)	0	(4,619)	(674)	0	(35,240)
Depreciation charge	(107,081)	(27,638)	(143,264)	(92,758)	(21,175)	(391,916)
Impairment losses recognised	(81,925)	0	(1,162)	(2,422)	0	(85,509)
<b>Net carrying amount 31 March</b>	<b>205,507</b>	<b>3,613</b>	<b>142,920</b>	<b>185,511</b>	<b>71,507</b>	<b>609,058</b>
Gross carrying amount	502,129	209,764	814,095	336,331	187,074	2,049,393
Accumulated depreciation	(296,622)	(206,151)	(671,175)	(150,820)	(115,566)	(1,440,335)

	2005	2004
	R	R
<b>8. INVESTMENTS</b>		
Unlisted – Novel Garments SA (Pty) Ltd		
200 share at cost	7,563,497	0
Directors valuation	<b>7,563,497</b>	<b>0</b>

The financial statements of Novel Garments SA (Pty) Ltd are not consolidated into the Agency financial statements as control is intended to be temporary because the subsidiary is acquired and held exclusively with the view to its subsequent disposal in the near future. On 9 March 2005 the Agency acquired 100 per cent of the issued share capital of Novel Garments SA (Pty) Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 march 2005

	2005 R	2004 R
<b>9. ACCOUNTS RECEIVABLE</b>		
Accrued Income	3,250,000	1,440,000
Other receivables	571,058	288,785
	<b>3,821,058</b>	<b>1,728,785</b>

**10. CASH AND CASH EQUIVALENTS**

Cash at bank	2,821,756	538,887
Cash on hand	2,000	2,000
Funds on call at the Corporation of Public Deposits	14,842,092	3,312,442
<b>Total</b>	<b>17,665,848</b>	<b>3,853,329</b>

As required in section 7(2) of the Public Finance Management Act, the National Treasury has approved the local bank where the bank accounts are held.

**11. PROVISIONS**

	Leave pay R	Other R	Total R
Opening balance	200,223	46,794	247,017
Utilisation of provisions during the year	(54,060)	(25,432)	(79,492)
Provisions made during the year	102,230	0	102,230
<b>Closing balance</b>	<b>248,393</b>	<b>21,362</b>	<b>269,755</b>

The leave pay provision relates to the Agency estimated liabilities arising as a result of services rendered by employees.

	2005 R	2004 R
<b>12. PROJECT FUNDS ADMINISTERED</b>		
<i>IKapa Funding - Trade activities - Funded by the Provincial Government of the Western Cape</i>		
Balance at beginning of the year	3,311,000	0
Income	0	3,311,000
Expenditure	(2,409,000)	0
	<b>902,000</b>	<b>3,311,000</b>

*Khayelitsha CBD project - Funded by the City of Cape Town*

Balance at beginning of the year	40,000	0
Income	0	150,000
Expenditure	(29,816)	(110,000)
	<b>10,184</b>	<b>40,000</b>
	<b>912,184</b>	<b>3,351,000</b>

The balance of R912,184 on project funds have been committed.

**13. DEFERRED INCOME**

Government Grant - Dreamworld Film City Ltd	15,000,000	0
Government Grant - Novel Garments SA (Pty) Ltd	1,992,355	0
	<b>16,992,355</b>	<b>0</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

for the year ended 31 march 2005

	2005 R	2004 R
<b>14. CHANGES IN ACCOUNTING ESTIMATES</b>		
Increase in depreciation	<b>144,311</b>	<b>0</b>
<i>The depreciation rate on furniture and equipment was previously 10%. Furniture and equipment has no been split into two separate asset categories to better reflect the classification of the assets. Depreciation rates have been increased for furniture and fittings to 16.7% and office equipment to 20%.</i>		
<b>15. CASH GENERATED FROM OPERATIONS</b>		
Surplus/(deficit) for the year	7,242,353	(3,629,611)
Adjusted for:		
Depreciation on property, plant and equipment	391,916	270,726
Impairment loss on equipment	85,509	0
Loss on disposal of property, plant and equipment	28,110	25,435
Interest received	(386,903)	(130,067)
Interest expense	110,151	0
	<b>7,471,136</b>	<b>(3,463,517)</b>
<b>Working capital changes</b>	<b>14,250,295</b>	<b>6,748,184</b>
Decrease/(increase) in receivables	(2,092,273)	3,374,697
(Decrease)/increase in payables	16,342,568	3,373,487
<b>Cash generated from operations</b>	<b>21,721,431</b>	<b>3,284,667</b>
<b>16. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
Book value of assets disposed of	35,240	53,737
Loss on disposal	(28,110)	(25,435)
	<b>7,130</b>	<b>28,302</b>
<b>17. TAXATION</b>		
No provision has been made as the Agency is exempt from taxation.		
<b>18. SUBSEQUENT EVENTS</b>		
With effect from 1 April 2005 the Agency was deregistered for VAT purposes due to changes to the VAT Act with regard to public entities.		

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS - continued

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*for the year ended 31 march 2005*

**19. CHANGE IN ACCOUNTING POLICY**

During the year, Wesgro changed its accounting policy with respect to the treatment of auditors' remuneration. To conform to statement of generally accepted accounting practice, AC130 Wesgro does not provide for such expenses. The comparative amounts have been appropriately restated. The effect of this change is follows:

	2004
	R
Decrease in deficit for the year	2,900
Increase reserves at beginning of 2004	32,100
Decrease in provisions	36,594
Decrease in accounts receivable - VAT portion	4,494

**20. CAPITAL COMMITMENTS**

In terms of the Memorandum of Agreement between Wesgro and the Department of Economic Development and Tourism, Wesgro has to make a loan of R15million to Dreamworld Film City Ltd and utilise the loan and interest accruing to the loan to acquire 10% shareholding in Dreamworld Film City Ltd.

THE WESTERN CAPE IN CONTEXT



## THE WESTERN CAPE REGIONS

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