



2008 ANNUAL REPORT

Providing full support for emerging black business.





“Funding is up significantly on the prior year and the efficiency and effectiveness in the utilisation thereof continues to improve with many of the original funders continue to support the project.”

CONTENTS:

Chairman’s report	page 2
Director’s report	page 3
Audited financial report	pages 4 & 5
Notes to annual financial statements	pages 6,7 & 8
Detailed income statement	page 9
Board members and organisational structure	page 10
List of funders	page 10
Legal status and banking details	page 10

CHAIRMAN’S REPORT

It’s always very daunting to make the decision to start one’s own business where financial security is uncertain and the challenges in creating a successful and sustainable business model too numerous to mention. For some people it is a conscious decision to move from salaried employment to greater opportunities provided by the ability to work for oneself. For many in the SMME sector, it is the only alternative to going hungry in an economy where unemployment is at unacceptable levels and individual skills are not sought after in the formal economy. Can you imagine trying to do this in a situation where you have been subjected to an inferior education, have no capital, do not qualify for credit from traditional institutions, are unfamiliar with administrative procedures to set up and run a business, cannot afford office infrastructure or transport, lack business skills and have been exploited to a large extent in an inconsistent working career? If you can, you will understand why a total of 80% of all new businesses in South Africa collapse within 2 years and why the entrepreneurs in this country contribute only 35% of GDP, compared with 60% in countries like India and Brazil.

Like all great stories, the story of Black Umbrellas starts in a place very different from where it finds itself now - in a container “at a dusty crossroads” in Gugulethu, to coin a phrase. The initial intention was to provide opportunities to unemployed people to create sustainable retail businesses. However, the benefit created by the project did not seem to justify the resources required in order to sustain it. Nonetheless, an invaluable lesson was learnt in that rather than trying to assist people by developing skills to run a particular business, greater benefit could be created by providing people who already have a particular skill or an idea for a business with the resources and assistance to create their own self-sustainable business. Hence the Black Umbrellas model was developed and continues to evolve.

It was very encouraging to see that the needs addressed by the organisation’s model were identified in the Global Entrepreneurship Monitor South African Report for 2007 as some of the specific recommendations for entrepreneurship development, particularly that entrepreneurs must be taught that making mistakes is one way of learning; the development of financial support systems, particularly one which allows for trial and error, and the development of mentoring systems on different levels.

It is very pleasing to see how the organisation has grown over the last year. The organisation continues to benefit from its strategic relationship with Charles Maisel and Innovation Shack as its primary fundraiser. Funding is up significantly on the prior year and the efficiency and effectiveness in the utilisation thereof continues to improve. It is also comforting to see that many of the original funders continue to support the project. The number of SMMEs utilising the services of Black Umbrellas grew to over 60 by the end of June.

We welcomed Kevin de Wet to the organisation as project director in March of this year. Kevin has a background in commerce and spent most of his working years in the fuel industry, where he helped develop and manage the Entrepreneurship Programme run by Total SA. In the short time he has been with the organisation, Kevin has made a significant impact; from the “al fresco” type workstations to the streamlined systems and controls and enhanced operational framework.

A very exciting development in the last year, was the decision by Absa Bank to become the primary provider of finance to the SMMEs who have signed agreements with Black Umbrellas. There are normal credit criteria in place, but with the commitment from Absa to the principles embodied by Black Umbrellas and limited security provided by the organisation, financing is far more accessible to the SMMEs than may otherwise have been the case.

“It was very encouraging to see that the needs addressed by the organisation’s model were identified in the Global Entrepreneurship Monitor South African Report for 2007.”

Although the success of the Black Umbrellas model is based upon “on the job” training and mentoring which has been very successful to date, I believe more work needs to be done in terms of formal training on business and allied skills together with the implementation of a measurement tool to determine how the SMMEs are growing in terms of their skills and knowledge base and application thereof. In addition, a culture of good corporate citizenship needs to be instilled within all the SMMEs using the services of the organisation and we hope to see this realised in the year ahead.

I’m very excited about the potential opportunities for the organisation. The Black Umbrellas model has shown that it works and is nearly ready to be rolled out to other centres in the Western Cape, nationally and indeed the rest of Africa. Significant interest has been expressed and the funding to make this a reality is imminent.

There are many ways in which you can contribute to the success of Black Umbrellas and the sustained growth of the SMMEs who use its services, including mentoring a business, donation of cash or equipment, adopting a business or a donation via the SA Social Investment exchange (SASIX). It is estimated that every sustainable SMME creates employment opportunities for 5 people. We need to grow as many businesses as we can.

Mark Frankel

DIRECTOR'S REPORT

Having become involved in Black Umbrellas, full time, as of March this year 2008 I have grown! I would like to thank the board of Black Umbrellas for having the confidence in me to undertake the management of this meaningful organisation, the staff for their support of me and the SMMEs for their contributions to our mutual growth.

To understand the Enterprise Development and the SME sector in South Africa, one has to understand the nature of South Africa, our past, our future, our people's aspirations and goals and our economic and legal playing fields, our socio economic circumstances and so much more - in short it's a very interesting and challenging environment!

“Our physical capacity to deliver services has grown by 300% since the beginning of the year and our membership has grown by the same amount.”

Black Umbrellas has evolved significantly since its inception almost two years ago but its initial goals of redressing past imbalances and addressing vital economic issues of black economic empowerment, enterprise development and job creation have remained constant. Through careful management, attention to detail and a constant focus on the overall vision, Black Umbrellas has grown into what it is today - the only full support organisation for small enterprises in South Africa. I have come in at an important time and have set goals based on the boards and my vision for Black Umbrellas. The Black Umbrellas enterprise development programme is aimed at entry-level business development, where entrepreneurs with established skills in a specific service or manufacturing/production-oriented environment can receive support in the form of infrastructure, support services, access to capital, and continuous mentoring with regular on-the-job training.

In order to consolidate and grow the organisation going into the future, my goals included:

1. Firstly, a consolidation phase where I consolidated certain key aspects of the organisation, its staff and its finances. This phase essentially was akin to laying a solid foundation on which to build the organisation.

2. Secondly, my goals were to put in place and manifest good corporate governance - the process involved putting the requisite legal agreements in place with staff, suppliers and service providers; it involved writing a policies and procedures manual for all operations at Black Umbrellas and it involved ensuring that staff were focused and attentive to our overall vision of providing specific and world class services to the SMMEs as per our mandate and agreements. Black Umbrellas prides itself on its good corporate

governance with a comprehensive approach to HR management considering all statutory and legal obligations, with a detailed policies and procedures manual encompassing all its work and a professional code of practice for all staff. The organisation has a Finance Committee which meets on a quarterly basis to review the financial results and position of the organisation. The organisation has a functional and robust board of members including accountants, business professionals, psychologists and a range of industry specific skills. The board members also meet on a quarterly basis to review the performance of the organisation and its adherence to its objectives and governance standards. The business is committed to sound corporate governance and endorses the ethical principles that are outlined in the King report, being fairness, transparency, honesty, non-discrimination, accountability and responsibility; as well as respect for human dignity, human rights and social justice.

3. Finally the goal of growing the organisation included increasing our capacity to deliver to the SMMEs a more refined and better offering of services. The capacity and the level of offering has improved significantly as expressed by the SMMEs themselves. Our physical capacity to deliver services has grown by 300% since the beginning of the year and our membership has grown by the same amount.

Challenges going forward are numerous and diverse. I believe we have refined and perfected our services to the SMMEs. A start-up company or existing business person can successfully manage and operate from our premises with the services on offer at a nominal and affordable fee. We have delivered in terms of our agreements. Through education, coaching and enforcement we aim to assist the SMMEs to understand and deliver on their business responsibilities and duties - to pay the required fees and to report on their finances - and together we will be able to take this world class model to another level.

Kevin de Wet

“Black Umbrellas enterprise development programme is aimed at entry-level business development, offering entrepreneurs support in the form of infrastructure, access to capital, and mentoring with on-the-job training.”

AUDITED FINANCIAL REPORT

BALANCE SHEET

Figures in Rand	Notes	2008	2007
Assets			
Non-Current Assets			
Property, plant and equipment	2	316,713	250,973
Current Assets			
Trade and other receivables	3	342,716	125,345
Cash and cash equivalents	4	675,845	2,802,313
		1,018,561	2,927,658
Total Assets		1,335,274	3,178,631
Equity and Liabilities			
Equity			
Retained income		611,230	608,754
Liabilities			
Current Liabilities			
Operating lease liability		7,899	-
Trade and other payables	5	716,145	2,569,877
		724,044	2,569,877
Total Equity and Liabilities		1,335,274	3,178,631

“Black Umbrellas’ initial goals of redressing past imbalances of black economic empowerment, enterprise development and job creation have remained constant.”





INCOME STATEMENT

Figures in Rand	Notes	2008	2007
Revenue	6	3,242,343	1,452,285
Other income		6,745	-
Operating expenses		(3,246,612)	(881,215)
Operating profit	7	1,018,561	2,927,658
Profit for the year		1,335,274	3,178,631

STATEMENT OF CHANGES IN EQUITY

Figures in Rand	Share capital	Retained income	Total equity
Balance at 01 July 2006	-	37,684	37,684
Changes in equity			
Profit for the year	-	571,070	571,070
Total changes	-	571,070	571,070
Balance at 01 July 2007	-	608,754	608,754
Changes in equity			
Profit for the year	-	2,476	2,476
Total changes	-	2,476	2,476
Balance at 30 June 2008	-	611,230	611,230

CASH FLOW STATEMENT

Figures in Rand	Notes	2008	2007
Cash flows from operating activities			
Cash (used in) generated from operations	9	(1,957,840)	3,048,573
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(254,652)	(262,670)
Proceeds on disposal of property, plant and equipment	2	86,024	-
Net cash from investing activities		(168,628)	(262,670)
Total cash movement for the year		(2,126,468)	(2,785,903)
Cash at the beginning of the year		2,802,313	16,410
Total cash at end of the year	4	675,845	2,802,313

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Property, plant and equipment

	2008			2007		
	Cost/ Valuation	Accumulated Depreciation	Carrying Value	Cost/ Valuation	Accumulated Depreciation	Carrying Value
Furniture and fixtures	21,138	(841)	20,297	-	-	-
Motor vehicles	287,632	(62,754)	224,878	194,309	(22,832)	171,477
Office equipment	100,874	(58,120)	42,754	97,773	(18,277)	79,496
IT equipment	7,779	(952)	6,827	-	-	-
Computer software	23,273	(1,316)	21,957	-	-	-
Total	440,696	(123,983)	316,713	292,082	(41,109)	250,973

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	-	21,138	-	(841)	20,297
Motor vehicles	171,477	156,823	(50,452)	(52,970)	224,878
Office equipment	79,496	3,101	-	(39,843)	42,754
IT equipment	-	50,317	(40,766)	(2,724)	6,827
Computer software	-	23,273	-	(1,316)	21,957
Total	250,973	254,652	(91,218)	(97,694)	316,713

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Depreciation	Total
Motor vehicles	-	194,309	(22,832)	171,477
Office equipment	21,274	68,361	(10,139)	79,496
Total	21,274	262,670	(32,971)	250,973

3. Trade and other receivables

Trade receivables	318,078	98,268
Prepayments	638	-
Deposits	24,000	24,000
Other receivables	-	3,077
Total	342,716	125,345

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,000	4,000
Bank balances	462,052	268,891
Short-term deposits	211,793	2,529,422
Total	675,845	2,802,313

Figures in Rand	2008	2007
5. Trade and other payables		
Trade payables	-	1,054
Other payables	683,206	2,529,422
Accrued expenses	17,027	24,401
Accrued audit fees	15,912	15,000
Total	716,145	2,569,877
6. Revenue		
Rendering of services	91,059	110,817
Investment income	8,480	683
Donations received	3,142,804	1,340,785
Total	3,242,343	1,452,285
7. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
- Contractual amounts	119,893	36,480
Loss on sale of property, plant and equipment	5,194	-
Depreciation on property, plant and equipment	97,695	32,971
Employee costs	528,541	137,192
8. Auditor's remuneration		
Fees	15,000	15,000
Adjustment for previous year	2,100	-
Tax and secretarial services	912	-
Total	18,012	15,000
9. Cash (used in) generated from operations		
Profit before taxation	2,476	571,070
Adjustments for:		
Depreciation and amortisation	97,695	32,971
Loss on sale of assets	5,194	-
Movements in operating lease assets and accruals	7,899	-
Changes in working capital:		
Trade and other receivables	(217,371)	(125,345)
Trade and other payables	(1,853,733)	2,569,877
Total	(1,957,840)	3,048,573

Figures in Rand	2008	2007
10. Related parties		
Relationships		
Directors	Cl Maisel	
	K de Wet	
Control by director	Innovation Shack CC	
Related party transactions		
Consulting fees paid to related parties		
Innovation Shack CC	288,880	212,500
11. Director's emoluments		
Executive		
2008	Emoluments	Total
In connection with the affairs of the company	149,249	149,249



DETAILED INCOME STATEMENT

Figures in Rand	Notes	2008	2007
Revenue			
Rendering of services		91,059	110,817
Investment income		8,480	683
Donations received		3,142,804	1,340,785
Total	6	3,242,343	1,452,285
Other income			
Other income		6,745	-
Operating expenses			
Accounting fees		53,550	-
Advertising		12,284	4,440
Auditors remuneration	8	18,012	15,000
Bad debts		103,868	137,246
Bank charges		6,580	3,797
Computer expenses		57,493	3,388
Consulting fees		333,880	222,500
Depreciation, amortisation and impairments		97,695	32,971
Disbursements on behalf of the Dep. of Social Welfare & Development projects		1,541,492	-
Employee costs		528,541	137,192
Entertainment		722	-
Fines and penalties		-	300
Insurance		21,720	9,359
Lease rentals on operating lease		119,893	36,480
Legal expenses		570	15,992
Loss on disposal of assets		5,194	-
MSR transport		29,715	-
Motor vehicle expenses		39,878	7,682
Office supplies		-	2,121
Other expenses		-	3,297
Petrol and oil		57,674	60,933
Postage		-	1,675
Printing and stationery		30,455	5,134
Project management		18,368	-
Refreshments		10,225	1,979
Repairs and maintenance		7,067	12,228
Security		6,800	-
Telephone and fax		94,586	131,803
Transport and freight		39,738	34,161
Travel - local		846	-
Utilities		6,311	1,537
Write off of cash		3,455	-
Total		3,246,612	881,215
Profit for the year		2,476	571,070

Board Members:

Mark Frankel	Chairman
Charles Maisel	Director
Kevin De Wet	Director
Ricardo Brink	Member
Mthuthuzeli Jantjies	Member
Nigel Adriaanse	Member
Shamiel Dollie	Member
Rajesh Sukha	Member

Organisational Structure:

Kevin de Wet	Program Manager
Esmerelda Hendricks	PA and Receptionist
Leonard Bilombo	Driver
Richard Brink	Driver
Valerie Coetzee	General Worker

Contractors:

Dorah Tafeni	Bookkeeper
Lungile Kewana	Projects Manager

Auditors:

Wilder Lockitch Chartered Accountants SA

Operational Funders:

The Open Society Foundation
BOE Government Funds - Black Umbrellas
BOE Government Funds - Projects
Master Currency
G Raimondo
Breadline Africa
D Jones
Nussbaum Foundation

Enterprise Development Funders:

Miton Optimal
Hansgrohe Bathrooms
First Storage
Fresh In Time
FPD Seed

Legal Status:

Black Umbrellas is an association incorporated under section 21 of the Companies Act (A non-profit company)
Registration number: 2005/002546/08.

Banking Details:

Black Umbrellas
ABSA Bank
a/c 4061981407
Cheque account
Branch 632005





Cape Town Head Office
38 Lower Church Street
Woodstock, Cape Town
t: 021 447 4799
f: 021 447 5658
www.blackumbrellas.org
reception@blackumbrellas.org

