

Black Umbrellas

Developing Africa's Future
Black Businesses Together



2018 Annual Report

Black Umbrellas

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What we stand for



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.



What we stand for

The fundamental purpose of 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 Africa.

Promoting entrepreneurship

as a desirable career choice. Building the profile and image of existing entrepreneurs and Black Umbrellas businesses as role models through our media, networking and public relations activities;

Creating employment opportunities

by recruiting and supporting those businesses which have the potential to generate at least four jobs on becoming sustainable;

Assisting Black Umbrellas businesses

that are finance ready to access funding through third party service providers;

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;

Enabling procurement opportunities

for emerging 100% black-owned businesses through the Blackpages initiative – www.blackpages.africa.

Growing our knowledge and quality of service

offering by accurately measuring, monitoring and reporting on all that we do.

Our Mission

What we stand for



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.

Down to earth
authentic, grounded and African.

Entrepreneurial
visionary, bold, and confident.

Open
generous, warm, approachable, and sincere.

Enabling
empowering, dynamic, responsible and progressive.



Cyril Ramaphosa, Chairperson, Cyril Ramaphosa Foundation

A message from the Cyril Ramaphosa Foundation Chairperson

Cyril Ramaphosa
FOUNDATION

Entrepreneurs are integral to the development of economic growth. Countries that fail to invest in entrepreneurial development stifle their own growth potential and limit the prosperity of their people. In South Africa, the National Development Plan enjoins all social partners to work together to create fertile conditions to grow small enterprises.

Black Umbrellas has answered that call. It continues to be an innovative and influential part of an entrepreneurial ecosystem that is building a new generation of black businesses.

Since its formation Black Umbrellas has worked to overcome the many constraints to the development of entrepreneurship in South Africa. Rooted in the exclusionary laws of the past, these constraints include a limited asset base, a restrictive regulatory environment, high barriers to entry, inadequate training, limited access to markets and, the lack of a robust entrepreneurial culture.

By providing start-up businesses with support, knowledge and networks, Black Umbrellas is contributing to empowerment and transformation.

Its clients join a growing cohort of companies that are creating jobs for thousands of people and building a more diverse, competitive and dynamic economy. Thanks to the organisation's work, black entrepreneurs are earning a living, acquiring skills, building up assets and improving not only their lives, but the lives of their employees too.

Black Umbrellas also effectively involves established businesses in the work of enterprise and supplier development. It has enabled larger companies to partner with small businesses to grow an inclusive economy. It provides them with an opportunity to mentor entrepreneurs and invest in young talent.

The outstanding work that Black Umbrellas does is integral to realising the vision of the Cyril Ramaphosa Foundation, which seeks to promote meaningful social change through developing the skills and capabilities of the people of this country.



Cyril Ramaphosa
Chairperson, Cyril Ramaphosa Foundation

“Black Umbrellas has answered that call. It continues to be an innovative and influential part of an entrepreneurial ecosystem that is building a new generation of black businesses.”



Yvonne Themba, Chairperson, Black Umbrellas

A word from the Black Umbrellas Chairperson

The Black Umbrellas Board's Governance Journey

Just as Black Umbrellas has evolved as an organisation, so has the Board's role in steering this growth. During the formative years of Shanduka Black Umbrellas (SBU), as it was known then, the Board took care to ensure that the regulatory and governance affairs of SBU were in place as required by the law and King III. In line with the King III guidelines on corporate governance, the Board applied the code's specific recommendations for non-profit organisations, namely:

- King III allows for flexibility in application according to the nature, size and complexity of the organisation.
- King III is aspirational and therefore perfect implementation is expected to be a continual journey.
- Not applying a King recommendation because it is not in the best interest of the organisation also achieves compliance.

King III's so-called 'apply or explain' principle allows for flexibility in the application of the code. Thus, SBU undertook a 'light-touch' implementation strategy, explaining our approach in achieving the organisation's objectives.

Within seven years, SBU grew from one incubator with a handful of employees to a non-profit with a countrywide footprint. The resulting organisational capacity meant that the Board was no longer required to be as hands-on as in the foundational phase. SBU's structures were now firmly in place—meeting the needs of nine incubators in as many provinces and steered by both the first and second CEOs of the organisation. During this time, the organisation was also rebranded as Black Umbrellas (BU).

This rapid growth laid bare the need for proper corporate governance and so the Board began to give effective meaning to the processes of Board Performance Assessment, Board Governance and the Board Work Plan Implementation, which saw the following steps undertaken:

1. The Institute of Directors South Africa (IoDSA) reviewed the BU Board Charter and assisted with the first Board assessment process.
2. The Board assessed and re-evaluated the current BU Memorandum of Incorporation (MOI) in line with the recommendations by the IoDSA as it related to the Board Charter. This included the sign-off and implementation of the in-camera and Board-only sessions to the Board agenda and meeting process. It was further agreed that final amendments would be effected only after the Memorandum of Agreement (MOA) between the Cyril Ramaphosa Foundation (CRF) and BU had been finalised.
3. After much debate about the nature of the relationship between the CRF and BU, the draft CRF & BU MOA captured the principles of agreement.
4. With the finalisation of the CRF & BU MOA in due course, the CRF will engage legal assistance to ensure that no conflicts exist between this MOA and BU's existing Deed of Trust, MOI, and the BU Charter.
5. The Board strategy – Vision 2030 – and its current policies and projects were reviewed to ensure continued alignment.
6. As per the dictates of the Board Charter, a Board Work Plan was developed. Currently the Board Work Plan is being interrogated by the various Board Sub-Committees to ensure that:
 - i) Potential conflicts with external MOUs (with funders for instance) are identified and eliminated.
 - ii) The work allocation does not result in work overload across the reporting year.
 - iii) That work streams are allocated chronologically and logically to support the completeness of reporting.
 - iv) That the work load is allocated fairly to the various Board members and according to their experience and strengths, making the annual Board member evaluation process more objective and outcomes based.

An important result of the Board Charter development and review process was the creation of a rigorous, considered and in-depth Board Induction Programme. A second important consequence was the enforcement of a Board Member Training Budget, wherein the current year will have Board members electing training courses. Going forth, all training will be recommended based on Board members' performance evaluation in order to close the performance gap and increase knowledge.
7. As an extension of the Board Work Plan, specified KPIs will be set annually, effectively reflecting the mandatory delivery principles of the Charter. The KPIs that the Board agrees on annually will be prioritised, based on progress, resources and continuity.
8. The Implementation Plan drawn up for the Board Work Plan will guide the Board's objectives during the reporting period, allowing for objective monitoring and evaluation of Board performance.

The steps taken as part of the Board Performance Assessment, Board Governance and Board Work Plan Implementation have led to the greater corporatisation of the Board and its processes. Just as BU has grown and matured, the Board's governance has become more focused to ensure continuous and incremental improvements to help BU achieve its objectives.

On this journey so far, experience has been the best teacher, as the adage tells us. The BU Board's governance process will continue to learn, shape and re-shape its objectives based on best practices and governance experience in order to apply the best strategy to ensure BU's continued growth.



Seapei Mafoyane, CEO, Black Umbrellas

Message from the CEO

Dear Colleagues and Supporters,

It is with great pleasure that I present to you our 2017/18 annual report. The year has been incredibly challenging for Black Umbrellas (BU) and yet most fulfilling. Your continued support has sustained us and enabled us to continue the much needed work of creating the most dynamic SMEs.

I am excited by the growth prospects for Black Umbrellas in the country, regionally and continentally and the opportunities that this presents for African SME's everywhere. In 2016, Black Umbrellas undertook to craft an audacious plan we call Vision 2030. Through this, BU plans to extend its reach as a social enterprise in order to ensure long-term sustainability for the incredible models which we already deliver.

Vision 2030 looks ahead at the next 12 years and tactically responds to the growing needs of SMEs within our country, beyond the horizon. This refining strategy intentionally predicts every foreseeable eventuality in the small and medium enterprise space and creates enduring advancements for their support. At the heart of BU's fervour is ensuring that small and medium enterprises are afforded the most conducive ecosystem, supported through a dynamic network of business development stakeholders, professionals and performance environments.

In late 2016, Black Umbrellas established Nextgen PTY (Ltd), a wholly owned subsidiary of Black Umbrellas whose primary driver is to achieve financial value through profit making initiatives. This has been done for the sole purpose of driving social value through Black Umbrellas which is a Public Benefit Organisation (PBO). This social enterprise will thus deliver self-sustaining reinvestments into Black

Umbrellas. The social enterprise described above will become society's change agent, a pioneer of innovations which benefit and enrich the SME landscape.

Nextgen Academy (The Academy), located at 22 on Sloane in Bryanston, was the first of the Nextgen initiatives to launch in early 2017. The Academy is a business and entrepreneurship development training organisation. It partners with business schools, the private sector, skills authorities and the government to develop and promote entrepreneurship skills and to harness entrepreneurial activity. The goal of The Academy is to boost the SA economy through the provision of distinctive education and training for SMEs. The Academy is focused on strengthening the entrepreneurship ecosystem through bespoke offerings, in an exciting era, to stimulate the South African economy at different developmental levels of business and across broad areas of business including franchises, innovators micro enterprises.

Over the past 5 years, Black umbrellas has observed a growing trend by corporates to develop their own ESD programmes internally in order to fulfil their requirements. Being that ESD is not core business for most corporates, these organisations have tended to reach out to Black Umbrellas to seek guidance and advice for their internal programmes. This culminated in the formation of Nextgen Consulting which was officially registered in November 2017. Nextgen Consulting offers Advisory services focused on B-BBEE and Supplier Development at full market rates.

The third and most prominent of the Nextgen PTY (Ltd) projects will become its biggest annual showcase. It's an exciting project that will see our third year and graduate businesses benefit from an opportunity to expand their businesses.

This project has already secured its trademark but will only launch in 2019. We look forward to sharing more details with all our colleagues and stakeholders as this journey unfolds.

At the end of June 2018, BU hosted the 6th annual National Enterprise and Development Awards. This 6th instalment saw even greater achievements in the performance of the SMEs in incubation. It continues to inspire our resolve and give credence to the incredible work that our teams are involved in. In 2017, I was excited about the combined Turnover of our clients which was at R2 billion and while that number keeps growing, the individual impact on the SMEs we support is becoming more pronounced.

In 2015, 5% of the SMEs we had in incubation were turning over in excess of R1million. That number doubled the following year to just over 10% in 2016 and by the end of 2017, more than 20% of the businesses we incubate had achieved that milestone. That is a great deal of progress to celebrate for not only the SMEs but for our country. We look forward to reporting a further doubling of this milestone for the 2018 calendar year in next year's annual report.

On a more personal note, I would like to extend my warmest gratitude to the Black Umbrellas team throughout the 9 regions. The men and women who chose to invest their careers in an organisation that is undoubtedly changing the outlook of entrepreneurs in South Africa, one at a time. To our broader Black umbrellas family, our Board, funders, media supporters, mentors and advisors, thank you for continuing to partner with us on this incredible journey.



Emmanuel Mdhuli, COO, Black Umbrellas

The COO's Report

Over the past year or so, the economic and operating environment has been a great challenge for both Black Umbrellas (BU) and SMEs. It has meant that a number of businesses have had to review their investment plans and cost structures. This has had a negative effect on small businesses and their ability to continue to operate as going concerns and plan for growth. This is evidenced by the increase seen in bankruptcies reported. The challenges have also meant that potential entrepreneurs/SMEs have had to review their plans, especially joining incubation programmes such as BU. Many would-be entrepreneurs have had to try to get back in the job market instead of running and growing their businesses.

Operational efficiency and constantly reviewing the operating model, processes and evaluating whether these still serve the organisation and its clients; finding ways to do things better without compromising on cost, quality and impact. These are some of the operational intricacies that are constantly reviewed to ensure continued effectiveness and positive results and impact for both BU and its clients. There is also an appreciation that due to the nature of the operating cycles within BU, there will be a time lag in some instances in realising the results of the work being done.

Strategic Operational Growth

The challenging operating environment poses growth tests for both BU and its SME clients. Even against this backdrop, it is very encouraging and impressive to see growth by our clients and their businesses growing to being sustainable businesses of the future.

The collective SME Turnover grew by 33% year on year from R2bn to R2.66bn. Job creation and preservation also saw solid growth of 15% on a year on year basis from 10 137 to 11 687 to total jobs created since inception. For the year under, despite a difficult operating environment BU was able to remain operationally efficient with the average cost per job figure deteriorating by only 12% on a year on year basis from R32 286 to R36 262 at the end of the financial year. Despite the drop the figure is still extremely competitive and is testament to the continued operational prudence employed within BU to ensure that capital and resources are optimised for greater impact.

Infrastructure

Infrastructure upgrades and management continue to be a key area of focus as we continue to ensure that we offer our SME clients a great incubation and development experience and that our offering lives up to expectations and provides a good operating platform for the businesses. The Pretoria incubator moved to new premises with an upgraded look and feel to

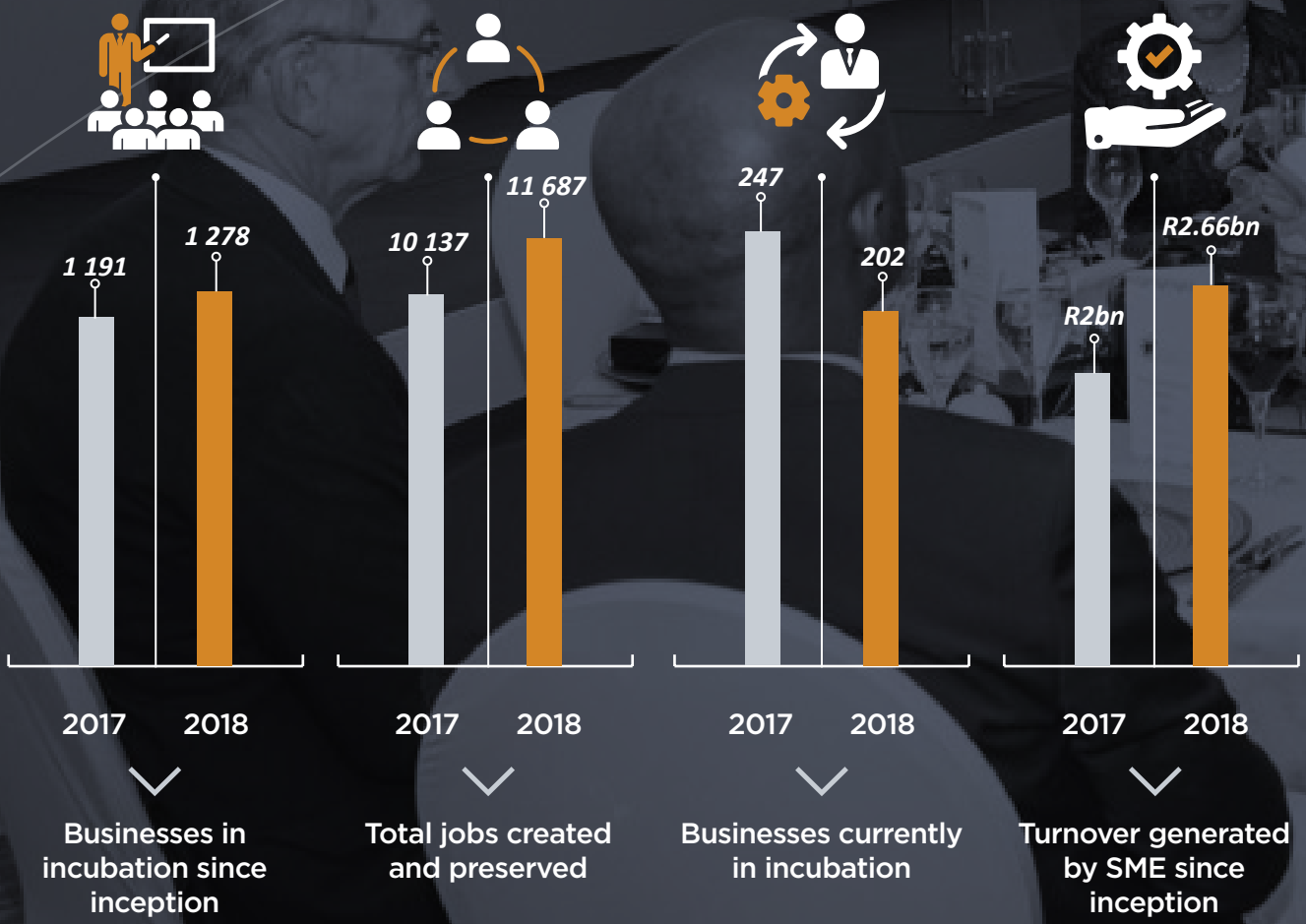
represent the new brand positioning of the organisation. This new look and feel has now been set as the benchmark for all BU incubators and the rest of the incubators will undergo to some degree a similar process to upgrade the look and feel in the new financial year to ensure a similar positive experience of the Black Umbrellas brand and incubators.

Outlook

Operational effectiveness and efficiency remain core to sustainable growth in BU operations. Brand strengthening and presence through increased communications and marketing activities will be increased in the new financial year. The incubation programme will also be worked on to improve customer experience and value add. People development within BU will also be implemented to bring to life the goals and objectives set in the BU Holistic People plan. Above all, the continued growth and success of the BU incubation programme SME clients will remain at the centre of all that we do to ensure their long-term sustainability.

“Even against this backdrop, it is very encouraging and impressive to see growth by our clients and their businesses growing to being sustainable businesses of the future.”

Our Power Milestones

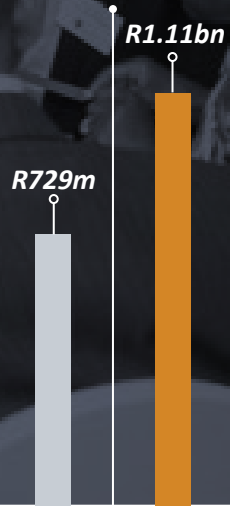


BU Power Milestones as at 30 June 2018



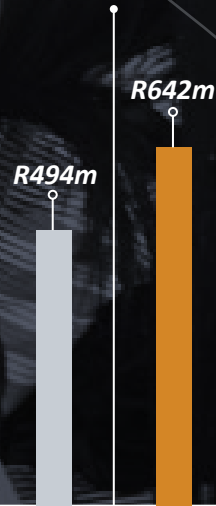
2017 2018

Average cost per job



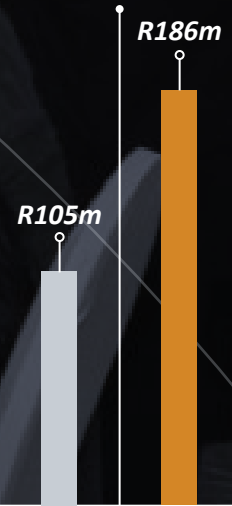
2017 2018

Net asset value



2017 2018

Salaries paid



2017 2018

Tax paid by SMEs



BU Enterprise Development
AWARDS 2018

The 2018 National Enterprise Development Awards



CRF Chairperson, Cyril Ramaphosa with the winners on the night

Top performing SMEs were recognised at the Black Umbrellas 6th annual National Enterprise Development Awards in Johannesburg.

Black Umbrellas established the NEDAs in recognition of the achievements of the entrepreneurs in their business incubation programme. These awards highlight the hard work and dedication that goes into ensuring that black-owned businesses are sustainable, profitable and that they create job opportunities for those in their communities.

The prestigious 2018 ceremony was hosted in Sandton and was attended by some of the most influential entrepreneurs, prominent business people and the Honourable President of the Republic of South Africa, Mr Cyril Ramaphosa, who at the event was wearing his Cyril Ramaphosa Chairperson hat. The businesses within the Black Umbrellas incubation programme over the past 6 years have collectively generated a turnover of R2.6 billion, created over 11 000 jobs and have a combined Net Asset Value of R 1.1 billion.

The overall winners for the night were as below:

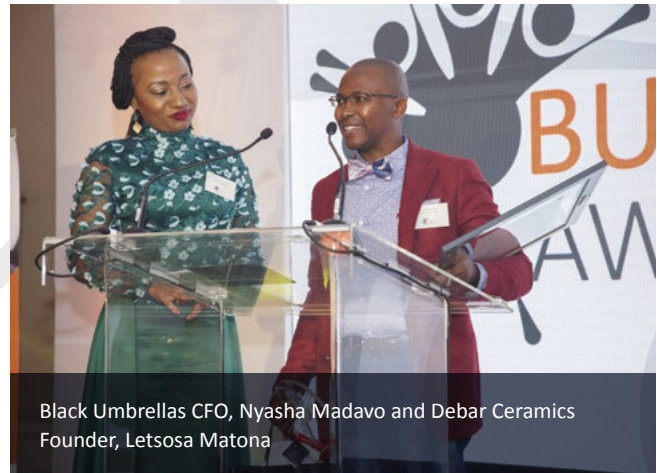
					
Most Jobs Created Debar Ceramics	Best Performing Company Modi Mining	Best BU Ambassador HSE Matters	People's Choice Award Recycle 1 st	Incubator of the year Lephalale Incubator	National Overall Winner Debar Ceramics

Speaking at the ceremony, Black Umbrellas CEO, Ms Seapei Mafoyane said, “The NEDA awards are more than just a ceremony, they are a celebration of black excellence in business. We are proud of all the SMEs within our programme. They have performed admirably over the past year and have changed thousands of lives through job creation and economic contribution to the country.”

The 2018 National Enterprise Development Awards continued



CRF Chairperson, Cyril Ramaphosa delivering the keynote address



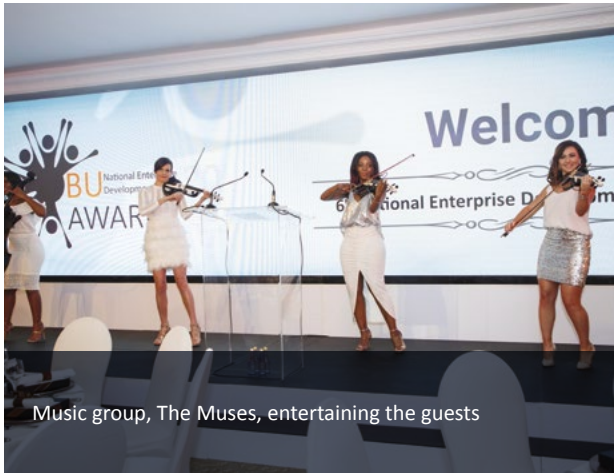
Black Umbrellas CFO, Nyasha Madavo and Debar Ceramics Founder, Letsosa Matona



Event host for the night, Andile Khumalo



Black Umbrellas Graduate, Dorian Engle



Music group, The Muses, entertaining the guests



Panel host, Andile Khumalo, Mmathebe Zobwo and Seapei Mafoyane



Guests on the night



Black Umbrellas graduates, Sam Sekgolea, Timekeeper Trading, Bathabile Ramatong, Brite Communications, Dorian Engle, Nerm Applications and Testing Pty (Ltd), Langa Nxumalo, Ceracure Pty (Ltd)

Women's Day 2018

A seat at the table – The Black Umbrellas Women's Day celebration

In recent years, women around the world have become more determined to take their seats at the tables of leadership. The 'Lean In' phenomenon has seen women take on leadership roles in all fields, and using their positions to drive change in the workplace, creating a business environment more sensitive to the unique challenges women face, and finding new ways for them to thrive.

Black Umbrellas has always fostered the development of women in business, both in the small and medium-sized enterprises we develop, and within BU itself. This year, the women of BU celebrated Women's Day by taking a seat at a table of their own making.



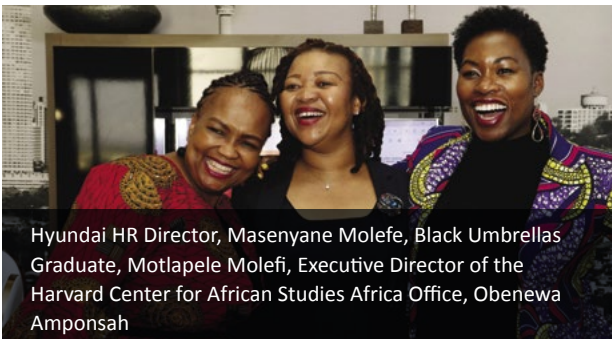
Black Umbrellas Women's Day Celebration attendees

In the third annual Black Umbrellas Women’s Day celebration, CEO Seapei Mafoyané hosted a luncheon of 30 inspiring women, who shared ideas, insights—and some laughs—on how to make the South African business environment more open to female empowerment. Held at The Capital in Sandton on 24 August, the event was sponsored by Perrier Jouët champagne.

Guest speakers at the event included Nunu Ntshingila, Facebook’s Head of Africa, who shared her experiences on “the process of

becoming.” Ms Ntshingila also discussed the significance of digital technology in business. Then Motlapele Molefi, the co-founder of Modi Mining and an alumnus of the Black Umbrellas incubation programme, spoke about the importance of partnership in growing a business.

The shared empowerment evident at the luncheon reflected the understanding that when women succeed, so do their communities at large.





Black Umbrellas



Developing Africa's Future
Black Businesses Together





Click on the 'play' icon to
view our latest advert



Rajesh Sukha, Director, Black Umbrellas

Governance Report

By plain definition, corporate governance is the system by which a legal entity like a company is directed and controlled. A romanticised perspective may take the view that the Board's role in governance is to plot a course to a future on the horizon. In reality the Board relies on its 'compass' - the collective experience and insights of the directors and management - to direct each step of the company's journey.

Yet, even such a reliable 'compass' cannot always predict the ravines and peaks of the terrain the company must navigate to reach its future destination. For this reason, the Black Umbrellas' (BU) Board has devised a way to chart the risks that may lay ahead to ensure the organisation's success on its journey.

Stepping away from this metaphor for a moment, BU's sustainability ultimately depends on diligent strategy implementation. This requires meticulous risk management to forecast and evaluate probable risks and their mitigators. Typically risk mitigation implies that an organisation either avoids the identified risks or seeks to minimise their impact on the entity. Risks are differentiated according to operational and strategic risks, with varying adequate responses.

In 2017 I reported that BU invested in a modern and scalable risk management system to assist with the identification and impact assessment of the various risks that may manifest in the organisation. All BU staff were trained on the risk systems to ensure bottom-up insights through a detailed reporting mechanism to the Risk Committee, which meets twice a year.

Initially the focus was on identifying and mitigating operational risks. A comprehensive risk register was developed and segmented into risks related to funding; client attraction and retention; infrastructure and physical facilities; financial performance; organisational governance; and, reputational and stakeholder trust. Each category had an assigned risk tolerance with a risk owner reporting on it. The reporting looked at whether the risk was consolidated or incubator specific and if the improvement or deterioration of any of the risks was internalised by management and ultimately referred to the Risk Committee and the Board, where necessary.

This year, I am pleased to report that there has been significant improvement in the understanding and appreciation of the risks on the risk register. Through diligent application of the process, several risks relating to under performing incubators and funding were mitigated, allowing the organisation to stay the course despite the deteriorating economic circumstances that continue to act as headwinds in the enterprise development space.

The risk register has been enhanced with the inclusion of strategic risks and special project risks, which stem from BU's for-profit funding strategy. The same process of assessment and escalation are applied to these new categories. It is sufficiently detailed, robust and subject to the kaizen management philosophy of incremental and continuous improvement to ensure successful mitigation. The risk register gives the Board a more reliable and robust 'compass' that is prepared for any risk as the company moves toward its future.

“...there has been significant improvement in the understanding and appreciation of the risks on the risk register. Through diligent application of the process, several risks relating to under performing incubators and funding were mitigated.”

Our Board & Leadership



Board of Directors and Executive Committee

Back Row: L-R: Emmanuel Mdhuli (COO),
Rajesh Sukha (Director), Nyasha Madavo (CFO),
Yvonne Themba (Chairperson)

Front Row: L-R: Seapei Mafoyane (Director and CEO),
Charles Maisel (Director), Donné Nicol (Director),
Duma Mxenge (Director)



Yvonne Themba
Chairperson



Rajesh Sukha
Director



Donné Nicol
Director



Charles Maisel
Director



Duma Mxenge
Director



Seapei Mafoyané
Director and CEO



Nyasha Madavo
CFO



Emmanuel Mdhuli
COO



Precious Tshabalala
General Manager-
Inland Operations

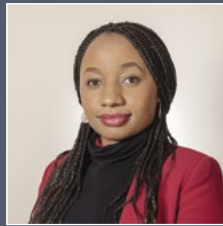


Jerome Eckles
General Manager-
Coastal Operations

Our Management



Seapei Mafoiyane
Director and CEO



Nyasha Madavo
CFO



Emmanuel Mdhuli
COO



Precious Tshabalala
General Manager – Inland Operations



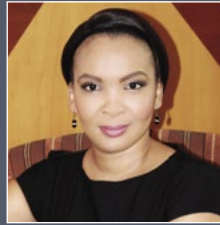
Jerome Eckles
General Manager – Coastal Operations



Kim Willoughby
Head of Nextgen Academy



Mzingaye Kahla
Regional Manager – Johannesburg



Tebogo Matolo
Regional Manager – Richards Bay



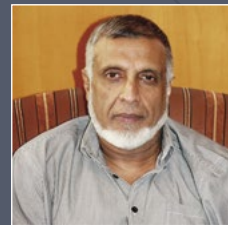
Ezzad Fakier
Regional Manager – Cape Town



Thina Hlophe
Fundraising and Marketing Manager –
Inland



Masechaba Mthembu
Fundraising and Marketing Manager –
Coastal




Ahmed Mayat
Finance Manager

We believe in the endless potential of this continent's entrepreneurs.
We are the engine room that catalyses that potential.

We are **bold**. We are **confident**.

We are **Black**
Umbrellas







Nyasha Madavo CA(SA), CFO, Black Umbrellas

Financial Highlights

Despite another year of economic challenges, Black Umbrellas' (BU) overall financial performance has improved compared to the previous year. This is largely due to receiving more enterprise and supplier development donations in the 2017/18 financial year compared to the year prior, not only from our existing donors but from new donors as well. We are very grateful for the continuous support that we receive from all our funding partners and other key stakeholders, in what continues to be a tough economic environment.

BU is one of the projects of the Cyril Ramaphosa Foundation (CRF), and we continue to receive unwavering support from the foundation as one of our key donors organisation-wide.

Six of the BU incubators are supported by anchor donors, namely:

- Transnet for the Richards Bay and Port Elizabeth incubators, with a third incubator to be established;
- The Jobs Fund for the Pretoria incubator;
- Lonmin for the Mooinooi incubator, and;
- Transnet and Exarro for the Lephalale incubator.

The remaining BU incubators are supported by a wide combination of donor partners.

Income

As a recipient of enterprise and supplier development funds, 90% of the BU income relates to donations income, with the balance consisting of client fee revenue for programme services rendered, as well as interest and other forms of income.

Donations

Donations income for 2017/18 increased by 131% from the previous year to R 44.5M. Ninety five per cent of donations income consists of cash donations, while the balance relates to donated services.

Donations in cash

The significant increase in current year donations compared to last year can be attributed to all key donors increasing their donations for the current year. No donation was received from Transnet last year due to a timing difference and this has contributed to an increase in the current year's donations. The

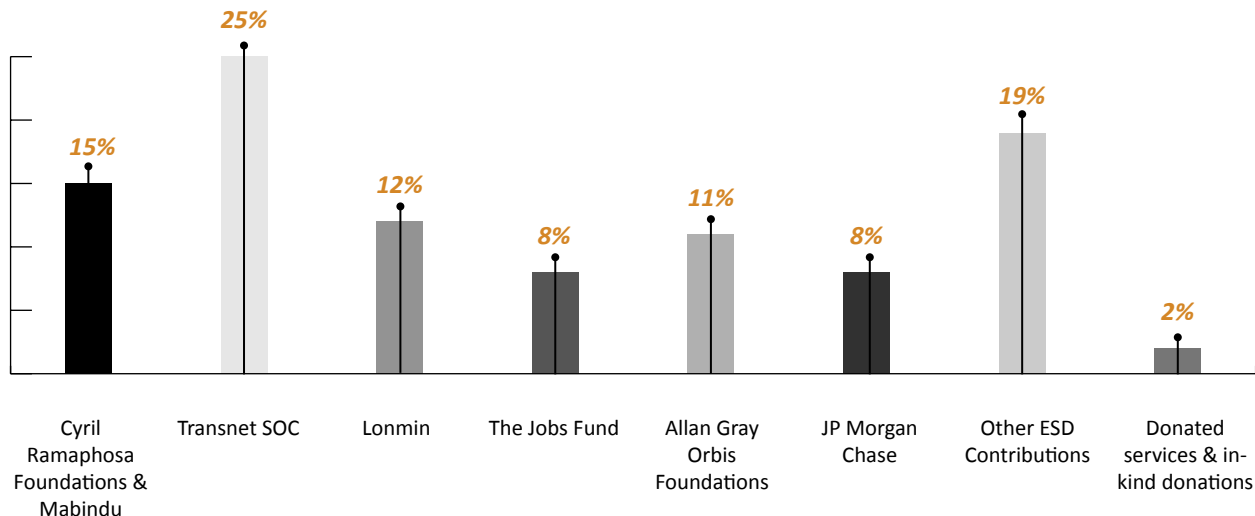
new donors who have joined our stakeholder network have contributed significantly to the overall increase in cash donations.

Donors

Relationships with key BU donors have remained intact. Twenty five new donors have joined BU. Taking the donors lost into consideration, there has been an overall decrease in the total number of donors from 91 in the previous year to 81 in the current year.

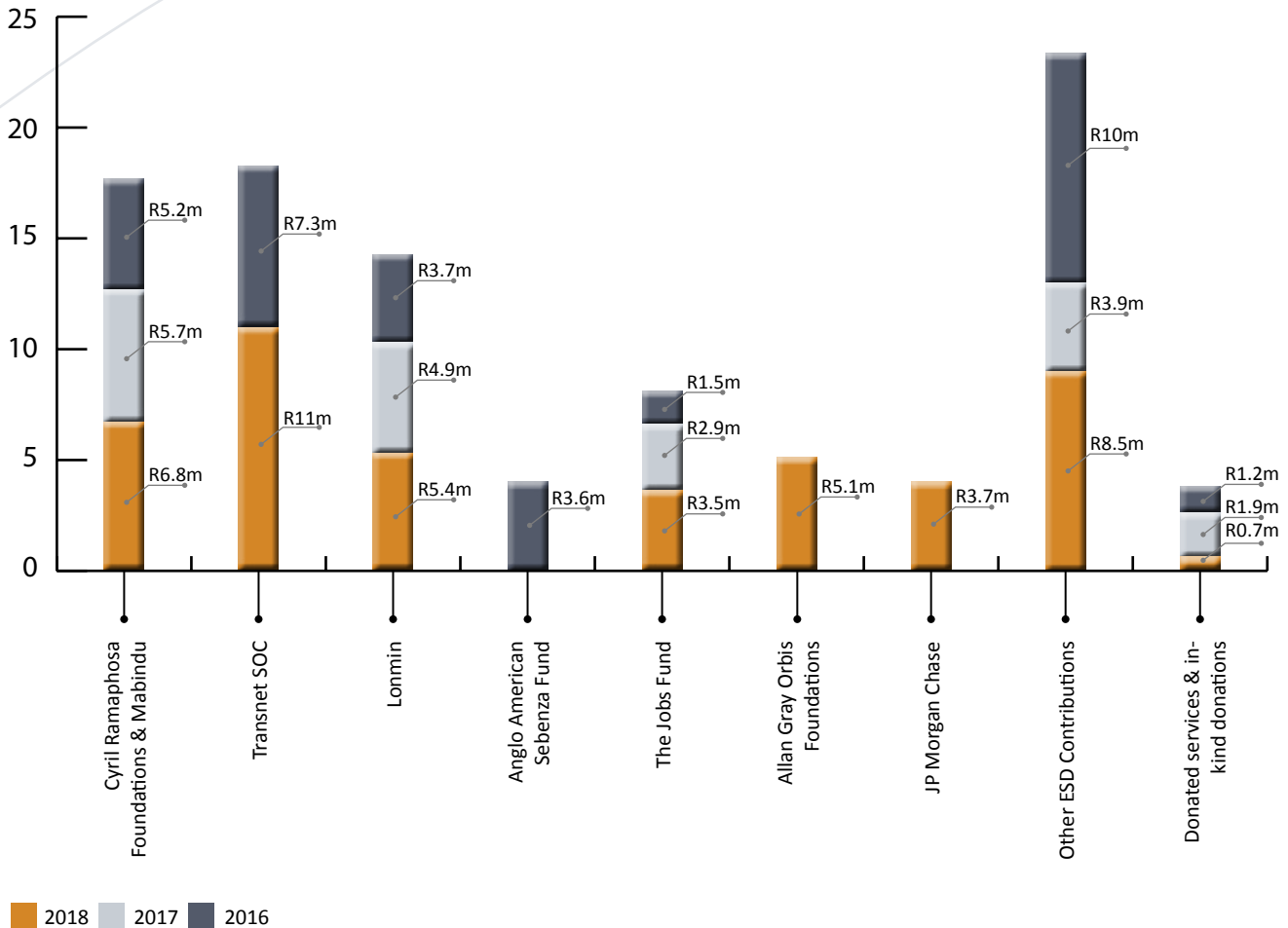
The composition of the donations income of R44.5M, along with the key donors for the current financial year, are depicted in the diagram:

Enterprise and Supplier Development Contributions



Financial Highlights continued

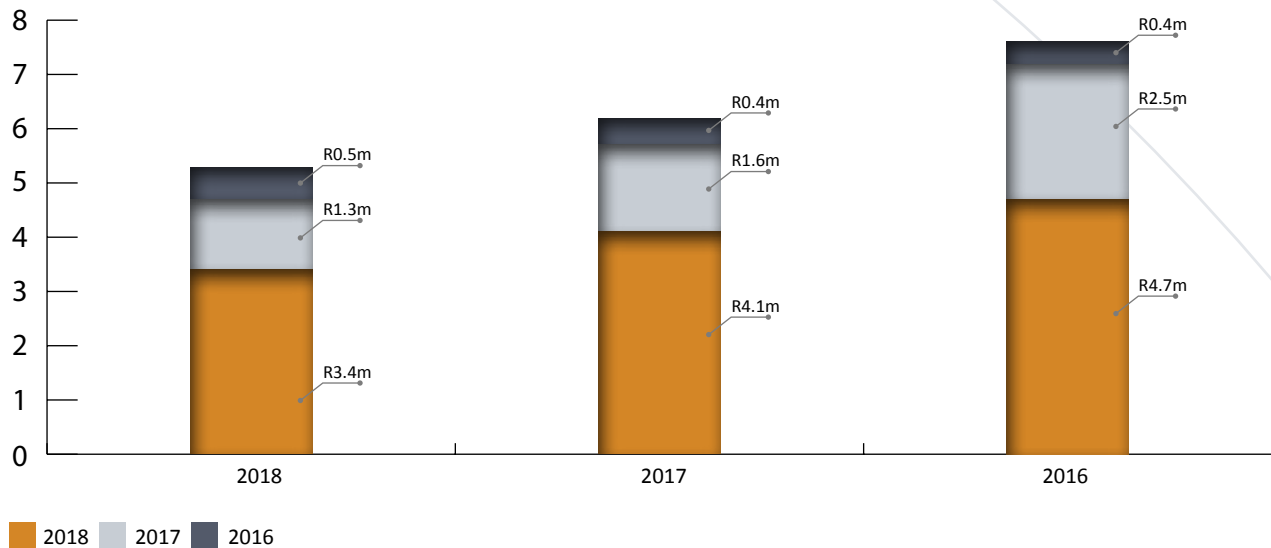
The graph below shows the trend in donations income and key donors over the last three years, as follows:



Client fee revenue, interest and other income

Between the current and previous year, total client fee revenue, interest and other income have decreased by 15% to R5.2M. This is mostly due to the decrease in client fee income, which is directly attributed to the decrease in the number of incubation clients in the current financial year compared to the last financial year.

The three year trend for client fee revenue, interest and other income is shown in the graph below, as follows:



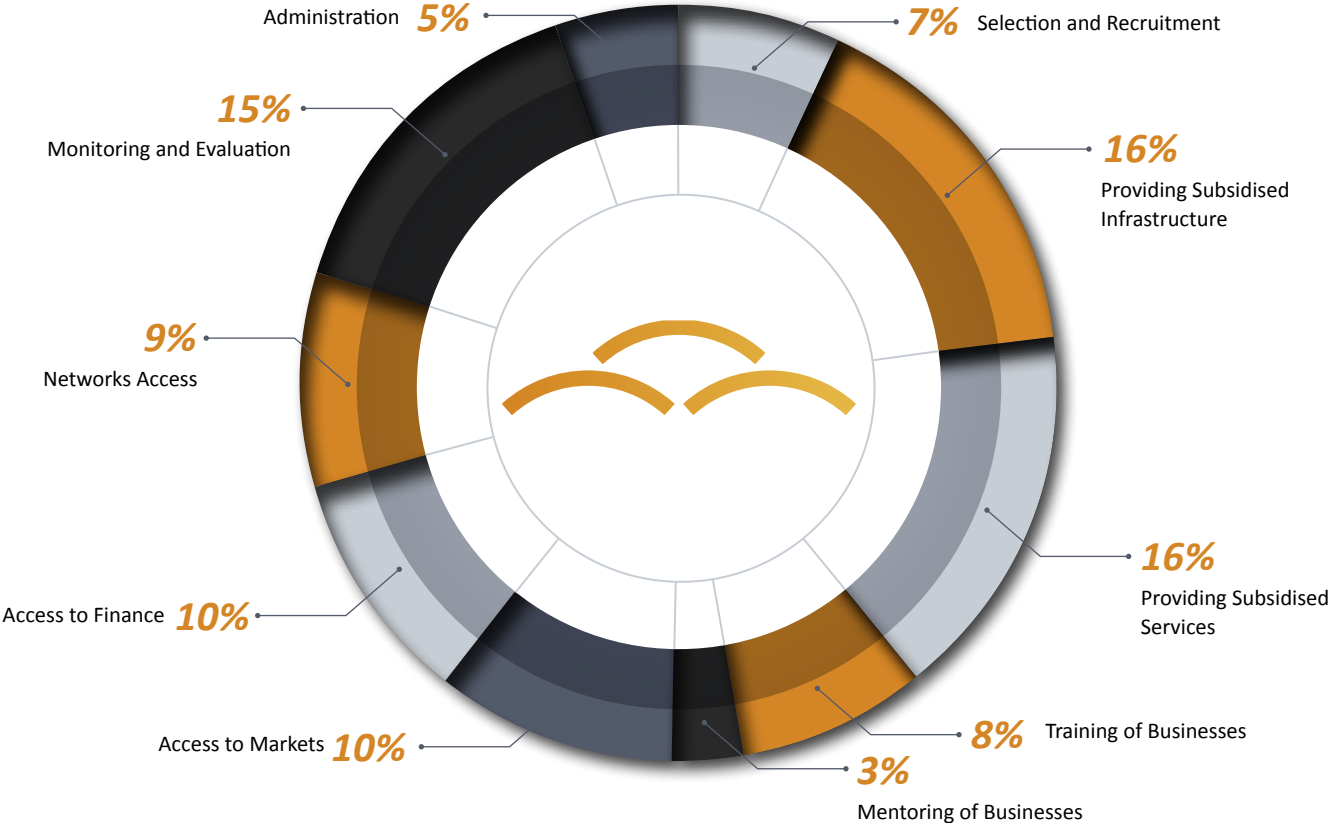
Expenses

The annual expenditure for 2017/18 was approximately R50.4M, down from R65M in the year prior. The main reason for the decrease is largely due to previous year expenses including an exceptional expense in the form of a loss on an investment disposal of R13M. Excluding this expense item, annual program expenses have decreased by 3% and are well within budget. BU continues to prioritise cautious decisions on expenditure.

Financial Highlights continued

Expenses for 2017/18 were incurred in providing the key support services and programme activities depicted in the graph below:

Expense Composition 2018



The largest portion of expenses in the current financial year relates to providing subsidised infrastructure and services to clients in the physical BU incubators across the country. Each incubator consists of office space equipped with infrastructure, including the necessary furniture, fittings, computers and Information Technology. BU provides clients with a suite of subsidised services such as printing and related services, bookkeeping and vehicle usage.

BU invests significantly in monitoring and evaluation to measure and track the impact of the overall programme on its beneficiaries and to enable stakeholder reporting. Client compliance is a key focus area and client progress, with the performance and sustainability metrics that underlie the BU incubation model, is tracked on a monthly basis. This is supported by monitoring system performance to enable effective and efficient monitoring and evaluation capability. Through improved incubation performance, BU is working towards making a positive impact on staff and, incubated clients, while meeting donor and other key stakeholder requirements.

Training continues to be a pivotal aspect of the BU incubation programme. Our network of training partners is supplemented by the direct support provided by the BU incubator staff. The overall training programme and its performance is overseen by the national training team to ensure that the quality is consistent and that our training programmes continue to add value to our clients. Our training programmes are reinforced by our mentorship programme. This is implemented through our valued network of mentors who invest in developing BU businesses by sharing their knowledge and experience. They go further by introducing incubated clients to their networks.

We create a platform for all incubated businesses to access finance from our funding partners, once they are funding ready. Grants

to clients are issued on the back of donations received for this specific purpose. Our holistic management body is now more closely involved in sourcing donor funding and this has contributed to increased donations in the current year. Through continuous stakeholder engagements, there has been an increase in access to markets for incubated businesses and a broadening of the BU network. This is also supported by conducting regular procurement workshops and the BU's online procurement portal, Blackpages.

Tax

BU does not provide for tax as a result of the BU taxation exemption status granted by the South African Revenue Service.

Assets

Total assets amount to approximately R26M, and 91% of this balance relates to current assets. In turn, 94% of the current assets consist of cash and cash equivalents, equating to R22M at year-end.

Liquidity and Debt Ratios

The BU liquidity ratio at the end of the 2017/18 financial year is approximately 1.5, and the debt ratio is approximately 0.6.

Annual Financials

The BU annual financial statements for the year ending 30 June 2018 were audited by the newly appointed auditors, BDO. The audit was conducted in accordance with International Standards on Auditing, International Financial Reporting Standards and the Companies Act 71 of 2008. A copy of the annual financial statements is available on request or via download on the Black Umbrellas website.



Letsosa Matona

Our Clients



Are entrepreneurs born or raised? This is the question that continues to dominate the entrepreneurship debate around the world. In the case of Letsosa Matona, consummate entrepreneur and owner of the Debar Ceramics, it seems the former rings true. From his first humble venture selling sweets as a child to a multi-million rand award-winning company today, Matona's entrepreneurial journey further proves that there is no such thing as overnight success in business.

After eight years working in the wear resistant industry in Lephalale, Matona spotted the need for a black owned company in the region and across the country. The five major role players at the time were majority white-owned and concentrated in Gauteng. The existing players were also finding it increasingly difficult to satisfy the transformational and localisation agendas of the various mining firms. Matona formed Debar Ceramics in April 2014 as a 100% Black Owned Enterprise Development initiative of Kram Engineering, with a core focus on the sale, installation and maintenance of non-ferrous wear-resistant materials.

As a beneficiary of the Anglo American Zimele fund, Matona was initially intrigued by the partnership of Anglo American and Black Umbrellas (BU) at the Lephalale incubator and the doors this partnership could open for his nascent business. What's more, Matona's lifelong passion for mentoring other emerging black owned entrepreneurs resonated well with BU's own values. All of this motivated him to join the programme.

"Black Umbrellas provided a different enterprise development platform from the ones I've previously come across," explains Matona. "Most enterprise development service providers focus a lot more on financing mechanisms, whereas Black Umbrellas focuses on all aspects of enterprise development that are inclusive of business management training."

Debar Ceramics joined the BU programme in July 2015 with a staff compliment of 18 and a turnover of R4.9 million in its first year of operation. By the time the company graduated from the programme in June 2018, it boasted a turnover of well over R152 million and a staff of 185 dedicated men and women who service both their wear lining maintenance contract and industrial plant cleaning contract at Exxaro Grootegeluk mine in Lephalale. Debar Ceramics has also become a consistent top performer in the national BU programme.

Matona credits the various BU training interventions for not only forcing him to scrutinise and understand his financial reports, but also highlighting the importance of being compliant with the various statutory requirements.

Matona's determination to apply the skills he has learned have earned him several accolades in just a few years. At the Annual Black Umbrellas Regional Awards in April 2017, the company walked away with three awards, winning first place in the Best Performing Company category, second place for Most Jobs Created, as well as second place in the Best Shanduka Black Umbrellas Ambassador category. Again at the April 2018 awards ceremony, Debar Ceramics walked away with the top spot in the Best Performing Company and Most Jobs Created categories.

They were placed second for Best BU Ambassador category at the same awards. Debar Ceramics continued their winning streak at the recently held sixth Annual National Enterprise Development Awards (NEDA) in Johannesburg, where Matona's company earned the prestigious National Overall Winner award, as well as the Most Jobs Created award.

When Matona walks into a room, those who don't know him could be forgiven for thinking he is another rookie on the rise. Beneath his natural poise and humility, however, is a seasoned entrepreneur set to become one of Africa's renowned black industrialists. Matona's passion for mentoring other emerging black-owned businesses will continue well after Debar Ceramics' graduation from the BU programme through his participation in the Volunteer Mentorship Programme.

What's next for this dynamic entrepreneur? "The ultimate goal is to grow the Debar Ceramics flagship to the northern parts of Africa and make a difference in our employees' lives by establishing a shareholding scheme for them," says Matona.

Our Impact



Turnover

September '13 | Inception

96 290

August '16 | Graduation

14 572 896

3 year % growth

15034%



No. of Jobs
Created

September '13 | Inception

1

August '16 | Graduation

5

3 year % growth

400%



Net asset
value

September '13 | Inception

95 451

August '16 | Graduation

8 312 147

3 year % growth

8608%



Net profit/
(loss)

September '13 | Inception

22 732

August '16 | Graduation

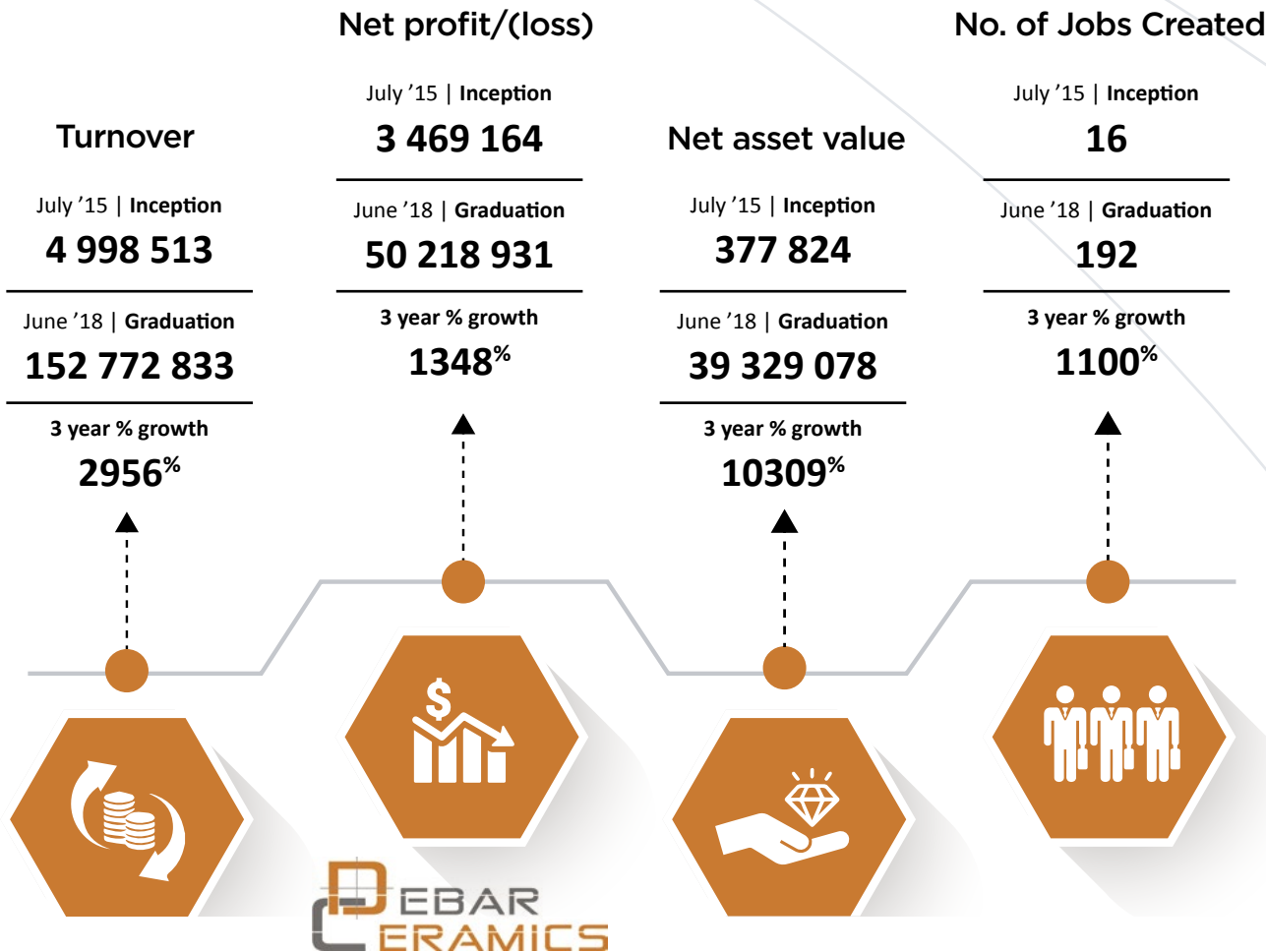
5 206 291

3 year % growth

22803%



ceracure
ENGINEERING TECHNOLOGY



Our Impact continued

Turnover



July '15 | Inception

2 098 332

June '18 | Graduation

48 875 780

3 year % growth

2229%

July '15 | Inception

650

June '18 | Graduation

12 106 055

3 year % growth

1862370%

Net profit/(loss)



No. of Jobs Created



Net asset value



July '15 | Inception

1 023 460

June '18 | Graduation

31 565 177

3 year % growth

2984%

July '15 | Inception

2

June '18 | Graduation

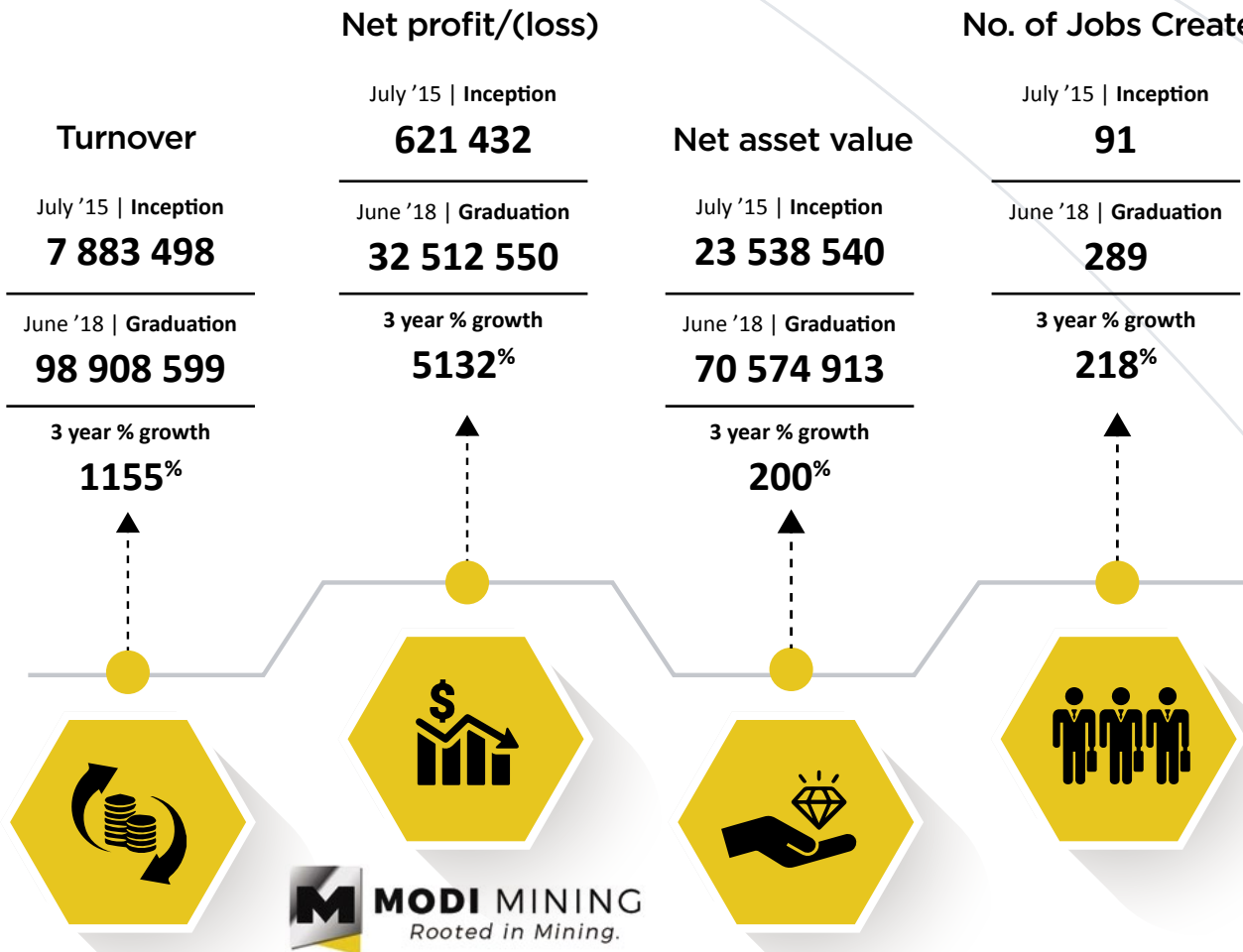
6

3 year % growth

200%



FUELSEERVE
PETROLEUM





Chief Executive Officer, Anthony Farr

Our Donors: Allan Gray Orbis Foundation Endowment



The Allan Gray Orbis Foundation Endowment and Black Umbrellas partner to create jobs through entrepreneurship

The Allan Gray Orbis Foundation has, for more than a decade, dedicated more than a decade to fostering a community of responsible, high impact entrepreneurs. This dedication is guided by the belief that entrepreneurship is an important and effective mechanism for the creation of new employment opportunities, meaningfully addressing the crisis of unacceptably high-levels of unemployment in South Africa.

The Allan Gray Orbis Foundation Endowment (the Endowment) was primarily established to financially support this work. In recognition of the continued urgency surrounding the unemployment crisis in South Africa, the Endowment initiated a once-off, more immediate programme named 10KJ (ten thousand jobs) that began in January 2018. Through a rigorous selection process, Black Umbrellas was chosen as one of ten well-established organisations with an excellent track record in directly addressing unemployment to partner with the Endowment.

Black Umbrellas and the Endowment are very much aligned in a shared vision to support high potential entrepreneurs and promote job creation in South Africa. Black Umbrellas has done so by incubating the development and sustainability of small and medium black-owned businesses in various sectors, thereby promoting inclusive economic growth. By leveraging off Black Umbrellas' extensive implementation expertise and prior successes, these businesses have a solid foundation on which to fulfil their potential and scale for the future.

The Endowment's funding is earmarked to support 50 entrepreneurs over a three-year period in Black Umbrellas' Johannesburg incubator. In the first six months, 33 entrepreneurs were fully supported and 13 are in the pre-incubation period. This has already resulted in R90 million in turnover, R14 million in salaries paid, R35 million in Net Asset Value and the creation of 49 new permanent jobs.

We look forward to continuing the journey with Black Umbrellas as we address unemployment together, creating an enabling environment for greater economic participation and job creation through entrepreneurship. We believe that these entrepreneurs will positively impact their communities, cities and country.

Anthony Farr | Chief Executive Officer
Allan Gray Orbis Foundation Endowment

“Through a rigorous selection process, Black Umbrellas was chosen as one of ten well-established organisations with an excellent track record in directly addressing unemployment to partner with the Endowment.”



Black Pages

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, 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 Blackpages database.

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.

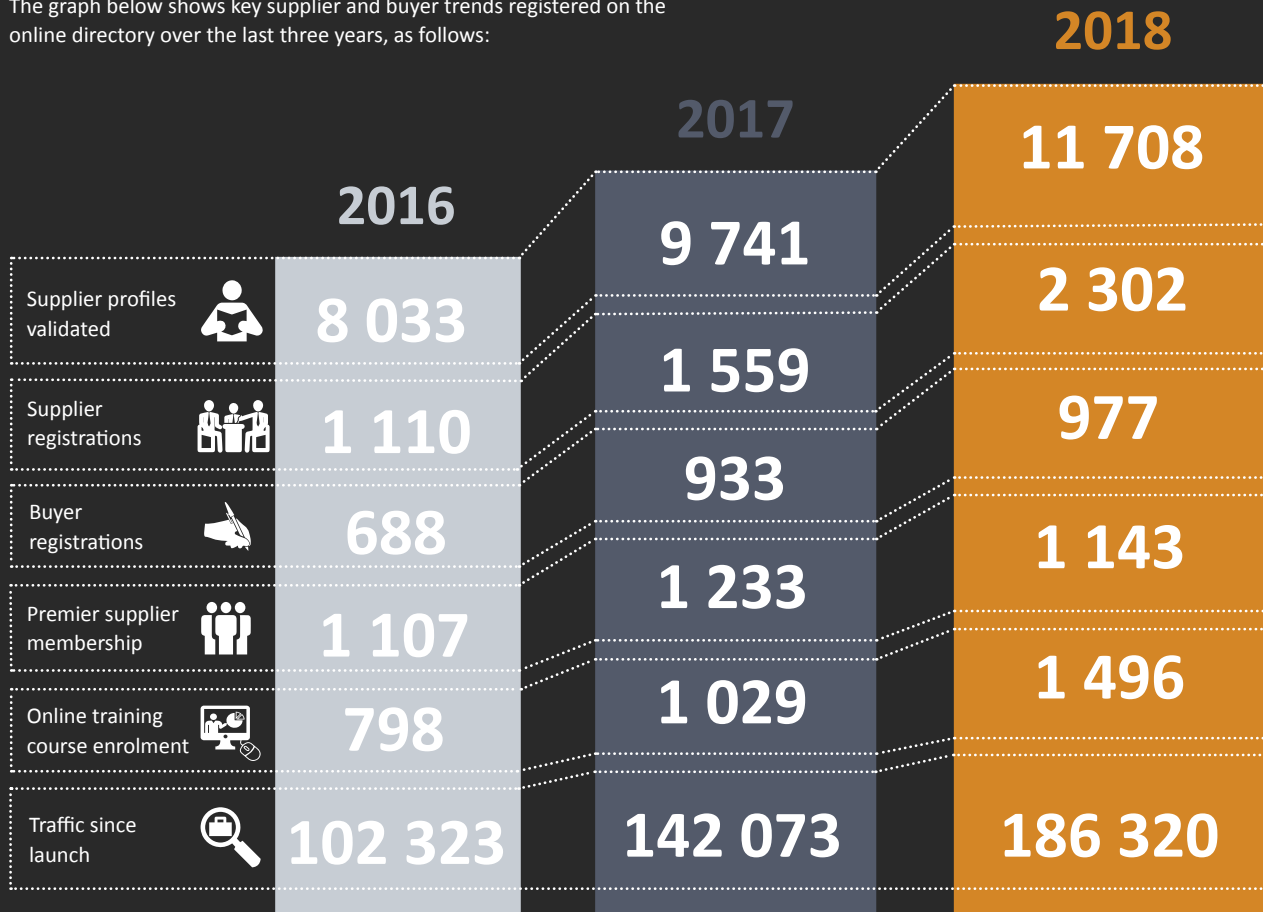
Blackpages provides meaningful enterprise and supplier development assistance to registered members. Our online procurement portal exposes SMEs to corporate procurement opportunities. It also grants access to live tender bulletins, financing opportunities and a range of discounted products and services.

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.blackpages.africa*](http://www.blackpages.africa)

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




Get Involved



“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 109. In order to achieve any level of credibility on the scorecard (above Level 4), points must be earned in this pillar; as this is a priority pillar like Ownership and Skills Development.”

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, statistics show that small businesses have only a 37% chance of surviving for four years and only a 9% chance of surviving for ten years. A further 70% to 80% of small businesses fail in their first year, and only about half of those that survive remain in business for the next five years. In South Africa, 80% of these businesses are black-owned.



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

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

The ESD element of the B-BBEE codes has real potential to create economic growth and jobs, by building sustainable businesses and linking them to supply chains. Enterprise Development is recognised as the key to poverty alleviation, as the development of sustainable businesses ultimately 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 meet and exceed the B-BBEE scorecards on enterprise and supplier development as well as preferential procurement. ESD is the single most important pillar in the B-BBEE scorecard, with a weighting of 40 points (with a bonus 4 points that can be obtained) out of a possible 109. In order to achieve any level of credibility on the scorecard (above level four), points must be earned in this pillar. ESD is a priority pillar, just like the ownership and skills development pillars.

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% NPAT for supplier development. Black Umbrellas also helps measured enterprises procure from emerging micro enterprises, black women-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 suppliers appropriately undertake ESD, its 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 Qualifying Small Enterprises (QSEs) must engage all five pillars.

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

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BU enterprise and supplier development



We are **passionate**. We are **committed**.
We are **Black Umbrellas**.

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For all your enterprise and supplier development consulting and advisory services, entrepreneurial training and small business investing opportunities, Nextgen (Pty) Ltd has a suite of service offerings tailor made to fit your needs.



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