



PROUDLY
SOUTH AFRICAN



Annual Report 2005/2006



Support our country. Buy Proudly South African.

Proudly SA Communications Team.

I pose a question: what is different about a company that carries the Proudly South African symbol? Yes, it meets the standards set by the campaign with regard to the level of local content, quality and labour practices. But perhaps there is a deeper and more significant difference. Such a company is not necessarily bigger, better or more successful. But it is making a statement that is at once a statement of origin, a statement of purpose and a statement of optimism. The symbol imbues such a company with a unique and uplifting national identity: it brands its products with the same sense, and provides the people in that company with a motivation and unifying principle that ties their work to a larger purpose - the building of our country.

Buy Proudly South African and help build the pride and prosperity of our nation.



Proudly South African Founder Sponsors



Founder Broadcast Partner



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BACKGROUND AND RATIONALE

Proudly South African's (Proudly SA) existence is informed by the socio-economic agenda of the country – the need to protect and create jobs, to eradicate poverty and to ensure overall prosperity for all. The Campaign resulted from the deliberations of the 1998 Presidential Job Summit called by former President Mandela.

Preceded by international research, the Campaign, which is based on the Australian model, was established in 2001 by the National Economic and Labour Council (Nedlac) which unites all major constituencies – government, organized business, organized labour and the community - under a single umbrella. The necessity of the Campaign was reinforced during the 2003 Growth and Development Summit. The core objectives are also reflected in the Accelerated and Shared Growth Initiative of South Africa (Asgi-SA).

The distinguishing characteristic or essence of the Proudly SA brand is our pride as a nation, our patriotism. This pride in our own, backed by Proudly South African member companies' commitment to quality and the other Campaign fundamentals, is used to create a demand for locally-produced products and services that are identified by the Proudly SA logo.





VISION

The Proudly South African Campaign will encourage the Nation to make personal and organisational contributions to economic growth and prosperity in South Africa, thereby increasing employment opportunities and reinforcing national pride.





MISSION

To be an economic prosperity and competitiveness driver and business partner for all South African producers and service providers who are serious about quality and are committed to creating and sustaining employment and meaningful gain for local industries, by joining the Campaign.





FROM THE OVERALL CONVENORS

The 2005/2006 financial year was a strenuous period for the Proudly South African Campaign. Having established itself significantly in terms of overall awareness during Phase 1 (2001 – 2005), the Campaign now entered its fifth year, faced with the challenge of adopting a new approach to enable Proudly SA to get down to the core of its mandate – by changing consumer behaviour in favour of products and services of Proudly South African businesses. This need culminated in the launch of Phase 2 of the Campaign towards the end of the 2005/06 financial year.

Government Constituency

During Phase 1 government had provided seed funding to Proudly SA in the form of a grant of R18m, payable over three years. Funding from this source came to an end in 2004, necessitating Proudly SA to become self-sufficient through membership fees and the selling of promotional items.

Most government departments believe in the value of the Campaign and treasure its values. Regrettably this positive attitude has not yet impacted significantly on their buying behaviour.

The 2003 Growth and Development Summit Agreement, amongst others, commits municipalities to strengthen their procurement from local suppliers.

Going forward, a more pro-active approach needs to be taken by municipalities to ensure that their procurement processes are in place and that local companies get the first option when tenders are considered. Ideally preference points also need to be awarded to Proudly SA member companies who tender for government projects or tenders.

Labour Constituency

Proudly SA has again actively supported the clothing and textile sector through, amongst others, participating in the increasingly popular Cape Town and Durban Fashion Festivals aimed at strengthening this sector, protecting and creating jobs. It seems that the efforts of the Campaign have not yet resulted in a significant positive/direct impact on job creation. To take the Campaign forward, all constituencies will need to actively lobby for local procurement in order to realise a measurable impact on the bottom line in terms of the number of jobs created or saved.

Business Constituency

The 2005/2006 financial year saw a number of companies turning away from the Proudly SA Campaign due to a perceived lack of sufficient return-on-investment.

This situation can, to an extent, also be attributed to unrealistic or unfulfilled expectations about what the Campaign can offer them.

Big business in particular measures the value of their Proudly SA membership in terms of increased profitability, and therefore look for an increase in their recruitment figures (number of jobs created). This situation was aggravated by the fact that it is difficult to measure the real impact of the Campaign on their profitability. A number of large corporates started to lose faith in the Campaign and some publicly voiced their reservations about the value of the Campaign – something which had a negative



impact on the Campaign's public profile and image. Fortunately this negative trend was balanced (in terms of the number of members, not the revenue from membership) by a big increase in the number of SMMEs that joined the Campaign or had found it beneficial to renew their membership.

In advancing the interests of the Campaign, the business constituency acknowledges that much more needs to be done to educate businesses on the aims and objectives of the Campaign. Black-owned companies are not well represented in Proudly SA. Future member recruitment initiatives should, therefore, also focus on attracting companies that fit the required profile.

Businesses also need to be educated that their relationship with Proudly SA requires two-way interaction and that Proudly SA can only deliver on expectations if these expectations are known. Enhanced and continuous communication between Proudly SA and its members is, therefore, imperative.

Community Constituency

Research by Markinor has confirmed that the community at large are aware of and understand the Proudly South African brand. However, the Campaign's educational drive has not yet firmly established the link between their buying behaviour and a preference for local goods/services, with an uptake of only 23% (Markinor research results) being registered in respect of Proudly SA branded products and services. Future educational campaigns need to focus on educating consumers about Proudly SA products and services and the reasons why these should be procured/supported.

In conclusion, the sustained success of the Campaign is dependent on the active support and direct involvement of all constituencies in the activities of the Campaign. This should include lobbying on behalf of Proudly SA to advance the interests of the Campaign amongst all key stakeholders and sectors.

To be an economic prosperity and competitiveness driver and business partner for all South African producers and service providers who are serious about quality and are committed to creating and sustaining employment and meaningful gain for local industries, by joining the Campaign.



FROM THE CHAIRMAN OF THE BOARD



The past fiscal year has been a very challenging and dynamic one for the Proudly South African Campaign – characterised by numerous changes at a strategic level aimed at progressively escalating the Campaign's business model through the various dimensions – namely brand awareness, through the social dimension (appeals to national pride and patriotism) to the business value add dimension. The latter is being pursued, amongst others, through a Sector focus with dedicated assistance to Campaign members in priority sectors (especially marginal sectors or sectors under threat, such as the Clothing, Textile and Footwear Industry; Tea Industry; and Television industry).

Amidst growing insistence by some member companies and sponsors to see a more tangible return on their Proudly SA investment and a measure of discontent amongst some member companies, the Board had taken a number of actions and provided strategic directives for the implementation of a

turnaround strategy to strategically reposition the Campaign to grow and achieve the desired brand loyalty (Buy Local behaviour) envisaged for the Campaign's Second Phase. This included giving permanence to the administration through the appointment of a full-time Chief Executive Officer (from November 2005), mandating an organisational re-organisation with a focus on enhanced Customer Relationship Management, member retention and growth; and good corporate governance. An Interim Executive Management Committee consisting of a number of Board members was put in place early in the period under review to provide guidance to the administration, pending the appointment of the permanent CEO. A process was simultaneously put in motion to source a Non-Executive Chairperson for the Campaign which culminated in the inauguration of Adv. Dali Mpofu as the new incumbent in the new fiscal year (July 2006).

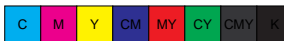
The Board activated a number of Sub-committees with Board members dedicated to ensuring progress in key areas such as Membership, Finance, Remuneration and Compliance. As could have been expected, the scale of change gave rise to a degree of uncertainty, fuelled by speculative reporting and negative publicity which had impacted negatively on the Campaign's growth and financial resources. This had necessitated a closer scrutiny of the Campaign's sources of finance, especially in view of the fact that government seed funding of the Campaign was terminated in the previous fiscal period.



Although a number of critical challenges remain, I am pleased to report that Proudly South African has weathered the tide of change and has emerged stronger, both from a Board and administrative perspective to play its part in South Africa's socio-economic agenda. I can state, without fear of contradiction, that the constituencies represented in the Campaign – organised business, organised labour, government and community organisations – have all, to some degree, played their part in ensuring that the Campaign is developed into a strong and viable tool to execute its mandate, also through the decisions of the Presidential Growth and Development Summit of June 2003, to help build a better life for all.

Thank you to my fellow Board members, members and stakeholders, as well as the management and staff of Proudly South African for their support and assistance in the past year. Policies and directives are necessary – but it is only through the dedication, commitment and positive attitude of people that anything of value can be achieved. I look forward to working alongside you to help build a prosperous future for the Campaign and its members in the year to come.

HERBERT MKHIZE, CHAIRPERSON



FROM THE CEO



Constant change/adaptation is a business imperative for survival and the Proudly South African Campaign has not escaped this requirement. The Campaign has grown phenomenally during its founding years and has now reached the stage where the successes achieved in terms of overall awareness during Phase 1 need to be converted into the appropriate (tangible) consumer behaviour in Phase 2 – “Buy Local” on a grand scale.

Fulfilling the requirements of the Second Phase of the Campaign is quite a challenge, by any measure. The need for streamlining the operations of the Campaign was further exacerbated by signs of growing discontent, especially amongst larger companies which have increasingly begun questioning the ability of the Campaign’s initial benefits to enhance their profit levels.

It became increasingly clear during the year under review that a fully functional, dynamic, cutting-edge and correctly staffed administration – synchronised with the future business needs of the Campaign and tailored to ensure that it remains relevant to members needs and meets their expectations, was critical to achieving lasting future sustainability for Proudly SA.

Therefore the approach has been to ensure permanence in the administration, after an extended period of temporary executive arrangements, by appointing a permanent CEO from November 2005. The most critical requirement was to spearhead an organisational transformation aimed at enhancing the organisation’s capacity to optimally serve the needs of members and to prepare the administration for implementing the strategic direction required for Phase 2.

The new strategic direction of the Campaign has been informed by a strategic analysis of problem areas, highlighted through some negative publicity in October 2005 and February 2006; a thorough audit of all business processes and systems which pointed to, amongst others, a lack of front- and back-office integration which had made it impossible to construct a single view of the Campaign’s members/customers and also exposed shortcomings in the membership data-base leading to unfounded speculation about



the size of the Campaign's membership base. Remedial actions were focused on repositioning the Campaign to fulfil its Phase 2 mandate through, amongst others, an emphasis on quality, effectiveness and efficiency, as well as administrative and membership compliance in order to enhance the integrity of the Proudly South African brand.

The South African Bureau of Standards and the South African Quality Institute, amongst others, were enlisted to assist with the transformation processes relating to quality enhancement, while vacancies (as indicated in the enclosed organogram) critical to giving effect to the Campaign's new strategic thrust were filled, after assessing and re-assigning existing staff to more appropriate functional areas, where viable/suitable. A Sectors approach was also implemented, aimed at enhancing the interests of member companies with a similar focus. This included the allocation of Sector Managers dedicated to serving members of specific industry sectors.

Effective communication with members and stakeholders is deemed critical to the requirement of good corporate governance. Hence the point of departure in the organisational repositioning has been to encourage dialogue between Proudly South African and members in order to gain first-hand knowledge on members concerns, expectations and requirements.

In tandem with the organisational transformation, the Campaign developed and executed a number of successful marketing campaigns aimed at sustaining awareness and achieving core marketing and Campaign objectives, including gradually increasing the uptake of member companies' products and services, and in general promoting "Buy Local" and serving the interests of member companies. Full details of these campaigns, including the Absolutely, Christmas and Endorsement campaigns, as well as Proudly South African flagship projects such as Proudly SA Week, Proudly SA Homegrown Awards and other strategically relevant/appropriate events and opportunities supported by Proudly SA, such as the Cape Town Fashion Festival, SAA Durban Fashion Festival, SA Fashion Week, Nokia Cape Town Fashion week and Arbour Week are reflected elsewhere in this annual report.

In acknowledging the value of benchmarking its progress, the Campaign has again enlisted the assistance of member company, Markinor, in tracking consumer behaviour/perceptions relating to Proudly South African. A disappointing declining trend in terms of logo awareness (a decline from 77% in May 2005 to 72% in November 2005) was noticed timeously, allowing for the implementation of corrective measures in the form of the development and implementation of a repositioning statement (Nca! Campaign) and an increased focus on public relations, details of which are contained elsewhere in this report.

In the period under review membership of the Campaign increased by 15% - from 1 535 to 1 773 registered members (both active members and members whose renewal payment was due). Many of the new members represent smaller companies – and this is regarded as an encouraging sign that the



Campaign is proving its value and fulfilling its purpose of promoting local talent and entrepreneurship.

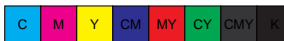
Regrettably the Campaign has lost a few high-value members, neutralising the potential revenue gain from the increased number of members. This situation, together with the discontinuation of seed funding provided by **the dti** in the previous fiscal period and the reluctance of some founder sponsors to renew their sponsorships of the Campaign has emphasized the need for establishing a consistent source of income for the Campaign – something which is critical to its long-term sustainability and progress. A counter strategy included a consistent focus on enhanced efficiency and Customer Relationship Management – membership retention and growth; a dedicated effort to establish the reasons for discontent amongst sponsors and the implementation of remedial measures to service sponsors more effectively; sourcing of new sponsors, as well as renewing dialogue with government with a view to acquire government funding to enable the Campaign to grow and fulfill its mandate.

Change is never easy, but I am confident that the results of the processes the Campaign has embarked on during the past year are substantive and will be most rewarding, as we have already begun to observe. I would like to thank the strong core of loyal members for their trust in and support of the Campaign. The Campaign has certainly witnessed many dynamic changes in the past year, but all-in-all it has made good progress in repositioning itself to amicably serve the interests of members and in pursuing the overall aim of establishing a predisposition amongst consumers for products and services that bear the Proudly South African mark.

Thank you to all members of the Board for their strategic direction and support, and especially to the Executive Director of Nedlac, Mr. Hebert Mkhize, who had serviced a number of portfolios in the absence of permanent functionaries, including that of CEO and Chairperson of the Board, in addition to his primary responsibilities. Lastly, to the Proudly South African Management Team and staff who have been working close to the coalface in the past year, bearing the brunt of all the organizational changes – thank you for your dedication and support. You and our members are, indeed, the face of the Campaign – and the Campaign's success is your success! I am looking forward to working with you and all our stakeholders and strategic partners to ensure that Proudly South African becomes the brand of choice for all quality conscious, discerning and patriotic South Africans! It is truly an honour to serve this worthy cause.

Yours Proudly

MANANA MOROKA (CEO from 1 November 2005)



BOARD OF DIRECTORS

(as at 28 February 2006)

Mr. Herbert Mkhize

Chairperson, Proudly SA
Executive Director, Nedlac

Ms. Manana Moroka

CEO, Proudly SA

Representatives of Organised Business:

Prof. Raymond Parsons

Nedlac Overall Convenor, Business

Mr. Michael McDonald

Chief Economist: Seifsa

Mr. Khehla Mthembu

CEO, Old Mutual, Gauteng

The following Board members represented Government:

Dr. Vanguard Mkosana

Nedlac Overall Convenor, Government

Director General, Department of Labour

Mr. Mxolisi Matshamba

Acting Deputy Director General: the dti

Mr. Les Kettleidas

Deputy Director General: Department of Labour

Representatives of Organised Labour:

Mr. Ebrahim Patel

Nedlac Overall Convenor, Labour

General Secretary: Sactwu

Mr. Joseph Maqhekeni

President: NACTU

Mr. Bheki Ntshalintshali

Deputy General Secretary, COSATU

Community representatives:

Mr. Sizwe Shezi

Nedlac Overall Convenor, Community

General Secretary South African Youth Council

Ms. Laura Kganyago

National Women's Coalition

Mr. Dumisane Mthlane

South African National Civic Organisation (SANCO)

8. MARKETING

8.1 CAMPAIGNS CONDUCTED

8.1.1 Absolutely campaign – September 2005



The Absolutely campaign was launched on 10 September 2005 with the theme, “Buy Proudly South African”. It primarily had an educational focus, aimed at establishing an understanding of the benefits of buying Proudly South African amongst consumers. A secondary objective was to create awareness amongst consumers who were not yet familiar with the Proudly South African Campaign.

Absolutely was targeted at two markets - the public (specifically the LSM 6 – 10 category) and the corporate market. The campaign was extensive, with national coverage in all major mediums, including television, radio, print (newspaper and magazines) and outdoor (billboards). The taxi industry was also targeted, with messaging in/on taxis and taxi ranks. The language mediums used were English and Afrikaans.



8.1.2 Christmas campaign – November to December 2005

This educational campaign commenced in November, culminating during the peak Christmas shopping period in December. The central messages were communicated in the form of print advertisements featuring Proudly SA members, products and services in the form of Christmas shopping lists. The themes, which were captured in two different lists, read - “Make the Right Choice” and “Make the Right Shopping List”.



8.1.3 Endorsement campaign

This long-term campaign was launched in November. The purpose is to garner broad public support for the Proudly South African Campaign through depicting the support of thought-leaders and role models in society across all spheres of life – including government, business (sponsors), sport and social life. The placements of advertisements were strategically timed as a counter-strategy to balance negative publicity about the Campaign featured in the media during October 2005 and February/March 2006.

The first print endorsement advertisement featured the President of South Africa, Mr. Thabo Mbeki, with the central message stating “Support your country. Buy Proudly South African”.

Other endorsees featured in the 2005/06 fiscal year included:

- Ms. Phumzile Mlambo-Ngcuka, Deputy President;
- Mr. Membathisi Mdladlana, Minister of Labour;
- Mr. Mandisi Mphahlele, Minister of Trade and Industry; and
- Dr. Reuel J. Khoza, Chairman of the Nedbank Group SA.

8.2 OTHER MARKETING ACTIVITIES

8.2.1 BEE workshops

Proudly South African members, Old Mutual and Nedbank, joined forces to address the important subject of Broad Based Black Economic Empowerment at a series of countrywide one-day workshops between May and September 2005. Proudly South African members could attend the workshops at a discounted rate.



8.2.2 Cape Town Fashion Festival



designs and industry.

Proudly SA again participated in the annual Cape Town Fashion Festival by providing financial support as well as media exposure (Public Relations). This project has been identified as a flagship project of the Campaign due to its significant impact on furthering the interests of the Clothing, Textile and Footwear industry – an industry which has experienced significant job losses in the past few years. The event, which ran from 16 March to 1 May, showcased South Africa’s designers, textiles in a bid to promote the local fashion industry. The theme was “Wear South African”.



8.2.3 SAA Durban Fashion Festival



This event was held at the Durban Convention Centre and showcased local talent in all areas of fashion while encouraging the public to buy locally-manufactured clothing, textiles and footwear. The Proudly South African Campaign proudly supported this important initiative aimed at promoting locally-produced clothing while saving jobs in this industry. The Festival was presented between 15 and 18 June and was covered by over fifty national and international fashion media reporters. It showcased collections from thirty designers.

Proudly South African viewed the Festival as an excellent networking opportunity for members to meet and interact with local fashion designers, media, key stakeholders and buyers. The Campaign, therefore, sponsored 200 tickets for the various shows. The central message of the event was: “Buy Proudly South African – Bye Bye Unemployment!”.

8.2.4 9th SA Fashion Week

During July up and coming local fashion designers and SMMEs were afforded an opportunity to market their products at the Sandton Convention Centre in Johannesburg. Proudly South African, together with its strategic partners attended the event, providing local designers with expertise and skills in ensuring that their fashion businesses are sustainable and viable. During the course of the event Proudly South African members as well as the public attended a series of workshops with the theme: “The Business of Fashion at the Arts and Culture Seminar”.





8.2.5 South African Quality Institute (SAQI) Quality Forum



One of Proudly South African's main criteria for membership is quality products and services. To emphasize this message, SAQI invited various quality practitioners to their annual Forum on 27 July. Delegates at the Forum deliberated and debated various challenges around quality management in most industries in South African.

8.2.6 Nokia Cape Town Fashion Week

The event, held between 10 and 13 August, showcased local talent in all fields of fashion while encouraging citizens to buy locally-manufactured clothing, textiles and footwear. The appointment of the Technical Task Team on the Clothing, Textiles and Footwear industry set up by the Minister of Trade and Industry was a step forward in addressing the challenges within this industry. The parties expressed support for the Proudly South African Campaign, welcoming the introduction of a label of origin on clothing, textiles and footwear articles, as well as the code of conduct by which retailers would support the local industry.

8.2.7 Arbor Week (1 – 7 September)

Proudly South African, together with Total SA (a Proudly SA member) and the Department of Water Affairs and Forestry (DWAF) celebrated National Arbor Week at the Johannesburg Zoo (also a Proudly SA member) where over 3 000 school children had gathered to learn more about the importance of planting and preserving trees.

8.2.8 Proudly South African Week (18 - 25 September)

Proudly SA week is another annual flagship event on Proudly SA's calendar. It is scheduled to overlap with Heritage Day and serves as a celebration of what South Africa has achieved. Proudly SA week also serves as a focused marketing tool aimed at changing consumer behaviour in favour of Proudly South African products and services – "Buy Local".



Proudly SA week is a generic benefit to all members and they are encouraged to participate as far as possible. For Proudly SA Week the Campaign, amongst others, secured media opportunities and competitions with leading consumer magazines, online consumer portals, television and radio programmes as well as collaboration with a number of shopping centres throughout the country. The week's



activities created exposure value of between R30 and R40 million for the Proudly South African brand (logo) and Proudly SA members.

Some of the activities that took place during the week included:

Johannesburg Zoo – Proudly South African animals: Johannesburg Zoo conducted guided daytime and nocturnal tours, briefing visitors on indigenous wetland birds, animals and antelope.

GSM car club: On heritage day (24 September) the GSM Car Club exhibited GSM darts and Flamingos at the annual Hermanus Whales and Wheels show. The club also participated in the Goodwood Pageant to celebrate this Cape Town suburb’s centenary.

Menlyn Park Shopping Centre (part of the Old Mutual Group): Menlyn Park celebrated Proudly SA week by hosting a number of events, including a Proudly South African movie marathon and a ballet production from the South African Ballet Theatre.

Cavendish Square: A Proudly South African fashion show was hosted by Cavendish Square.

WineX in Cape Town: South Africa’s premier event on the annual national wine calendar was hosted at the International Convention Centre. Proudly South African members such as Dewetshof Estate, Oranjerivier Cellars, Porterville Cellars and Robertson Winery participated in this expo.

Hermanus Whale Festival: The Welcome Whales Wave took place on 24 September and was aimed at uniting all people in a Proudly South African human chain of appreciation for our country’s natural heritage. It is a unique celebration of the environment, communities and the star performers - the Southern Right Whales.

Joburg Day: A Proudly South African member, 94.7 Highveld Stereo, invited Joburg to celebrate Heritage Day in true South African style with performances from the cream of the South African music crop on 24 September.



8.2.9 Proudly South African Homegrown Awards

The Homegrown Awards is an annual event for Proudly SA member companies. All active, paid-up members are eligible to enter and the entries are evaluated by a panel of adjudicators across a variety of sectors. The judges for the immediate past competition were:

- Mr. Peter Page General Manager: Marketing Division, WesBank
- Ms. Bronwynn Tippet Marketing: Brand and Communications, WesBank
- Mr. Christiaan Saaiman Director: Export Promotion, **the dti**
- Mr. Michael McDonald Head of Economic and Commercial Services, SEIFSA
- Ms. Tasneem Carrim Communications and Marketing Manager, South African Revenue Services (SARS)
- Mr. Tervern Jaftha Acting Managing Director, South African Quality Institute (SAQI)
- Ms. Sheryl Ozinsky Homegrown Awards Projects Manager, Proudly South African
- Mr. Shaun Govender Executive Manager: Corporate Services, Proudly South African
- Ms. Melanie Leloup Brand Manager, Proudly South African

Fewer than 200 entries were received for the 2005 Awards. The aim of the awards ceremony is to celebrate and reward the successes of Proudly SA's members. The awards ceremony was sponsored by Proudly South African member, WesBank. The winning entries were as follows:

Corporate winners

- Company of the Year National Brands Ltd
- Product of the Year Karan Beef (Pty) Ltd
- Service of the Year Karan Beef (Pty) Ltd
- Innovator of the Year First National Bank
- Exporter of the Year G.U.D Filters
- Bridge-builder of the Year Clover

SMME winners

- Company of the Year Cape Storm Outdoor Apparel
- Product of the Year Bandito's Chile Company
- Service of the Year Interactive Tutor / Media Works
- Innovator of the Year Cerdak Bioceramic Wound Treatment Devices
- Exporter of the Year Bandito's Chile Company
- Bridge-builder of the Year LSA School of Technology
- New Business of the Year The Lapdesk Company





8.3 COMPETITIONS

8.3.1 Proud to be a South African

During May and June 2005 readers had the opportunity to enter the competition by either drawing or taking a picture of what makes them proud to be a South African. The drawing category was won with an illustration of happy friendships in our rainbow nature as unique to South Africa. The winning photograph was taken in Kameelduin in the Kalahari with a goat walking past a curtain made of the old South African flag. Prizes included cash, digital cameras and sound systems.

8.3.2 Trolleys of Pride

Trolleys of Pride was a competition run in the print media with the aim of creating awareness and educating consumers about Proudly SA. Readers had to submit the bar codes of Proudly South African items which they had bought and then became eligible to win one of a hundred prize trolleys packed with quality Proudly South African products. The prizes were sponsored by various Proudly South African member companies.

Give Proudly South African this Christmas!

TROLLEY'S of PRIDE COMPETITION

100 Trolleys must be won!

Each trolley contains prizes worth more than R1000!

Win one of 100 amazing prize trolleys worth almost R200,000 packed with computers, groceries, tools, hardware, garden equipment. All great, high-quality Proudly South African products!

Great quality South African products made by South Africans for South Africa and the world.

easy to enter!

South African product and SMS the letters **38 B** and Prize Selection Code to 35556

A computers
 B health & beauty
 C hardware
 D assorted goodies
 E appliances
 F lucky dip

Keep your original product packaging for verification

Barloworld Plascon
 BLACK LIKE ME
 Lamin & Stax
 DENNY
 GALAXY & CO
 DISCOM
 Ackermans
 Club
 MANTELLI'S
 GardenShop
 tuffy
 aster reactions cc
 DEFY
 McCain

At least 50% local content under fair labour totally responsible.

with African logo on
 y-made products,
 cosmetics, garden
 books, magazines

Make a Difference Choose Proudly South African

8.4 CALENDAR OF MARKETING ACTIVITIES CONDUCTED

	April 05	May 05	June 05	July 05	Aug 05	Sept 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	March 06
Cape Town Fashion Festival (CTFF)	Other marketing activities											
BEE Workshops		Other marketing activities	Other marketing activities	Other marketing activities	Other marketing activities	Other marketing activities						
Proud to be a South African		Competitions	Competitions									
Durban Fashion Festival			Other marketing activities									
9th SA Fashion Week				Other marketing activities								
SAQI Annual Forum												
Nokia Cape Town Fashion Week					Other marketing activities							
Absolutely Campaign						Marketing Campaigns						
National Arbor Week						Other marketing activities						
Proudly SA Week												
Trolleys of Pride							Competitions					
Christmas Campaign								Marketing Campaigns				
Endorsement Campaign									Marketing Campaigns			
HomeGrown Awards											Marketing Campaigns	Other marketing activities

Marketing Campaigns
Competitions
Other marketing activities






8.5 RESEARCH

Research relating to awareness levels and support for the Campaign was conducted by a member company, Markinor, as part of its national M-Bus Survey, as well as a metropolitan based survey. The national survey involved

3 500 participants, while the metropolitan survey consisted of 2 000 adults living in metropolitan areas throughout the country.

8.5.1 Brand awareness

The overall awareness was 77% in May 2005, decreasing to 72% in November 2005.

What does this logo mean to you? Base: All respondents		
		LATEST DATA
	% Of each LSM who said that the logo means "Made in SA" Oct/Nov 2004	% Of each LSM who said that the logo means "Made in SA" May/June 2005
LSM 1	42	42
LSM 2	47	46
LSM 3	55	52
LSM 4	51	59
LSM 5	58	62
LSM 6	64	59
LSM 7	66	65
LSM 8	60	65
LSM 9	65	75
LSM 10	64	69



Per Province

A comparison of the data for the six-month-period May/June 2005 to October/November 2005 revealed a declining trend relating to awareness – both from the provincial and race perspective.

What does this logo mean to you?

Base: All respondents



	% in each province who said that the logo means "Made in SA" Oct/Nov 2004	% in each province who said that the logo means "Made in SA" May/June 2005	LATEST DATA % in each province who said that the logo means "Made in SA" Oct/Nov 2005	% increase or decrease since Oct/Nov 2004
GAUTENG	68	66	61	- 5%
KWAZULU-NATAL	45	58	63	+ 5%
WESTERN CAPE	56	59	56	- 3%
EASTERN CAPE	52	45	43	- 2%
LIMPOPO	55	47	60	+ 13%
NORTH WEST	44	54	52	- 2%
FREE STATE	78	64	61	- 3%
MPUMALANGA	64	56	71	+ 15%
NORTHERN CAPE	28	34	33	- 1%



Per Race

Have you seen this logo before?
Base: All respondents



		LATEST DATA
	% in race group who had seen the logo before May/June 2005	% in race group who had seen the logo before Oct/Nov 2005
BLACK	73	68
WHITE	94	94
COLOURED	87	81
INDIAN	97	92

8.5.2 Active buying behaviour

Per Race

A comparison between the data for May/June 2005 and October/November 2005 reveals a slight decrease in awareness amongst Black people, and increase amongst White and Indian consumers, and a significant decrease amongst Coloured consumers surveyed.

Have you bought any goods with the Proudly South African logo on them?
Base: Respondents who had seen the logo



		LATEST DATA
	% in race group who had bought goods with PSA logo May/June 2005	% in race group who had bought goods with PSA logo Oct/Nov 2005
BLACK	48	47
WHITE	70	75
COLOURED	51	42
INDIAN	66	72



8.6 PUBLIC RELATIONS

8.6.1 Media coverage

Proudly South African issued media releases on a number of issues to maintain and increase Campaign buy-in and to support member companies and their products and services. Newsworthy events about members have, amongst others, been profiled through media releases and articles posted on the Proudly South African website.

Public relations – consistently providing correct information/facts to the media - was also used as a tool to counteract negative publicity about the Campaign featured in some print media during October 2005 and at the beginning of 2006.

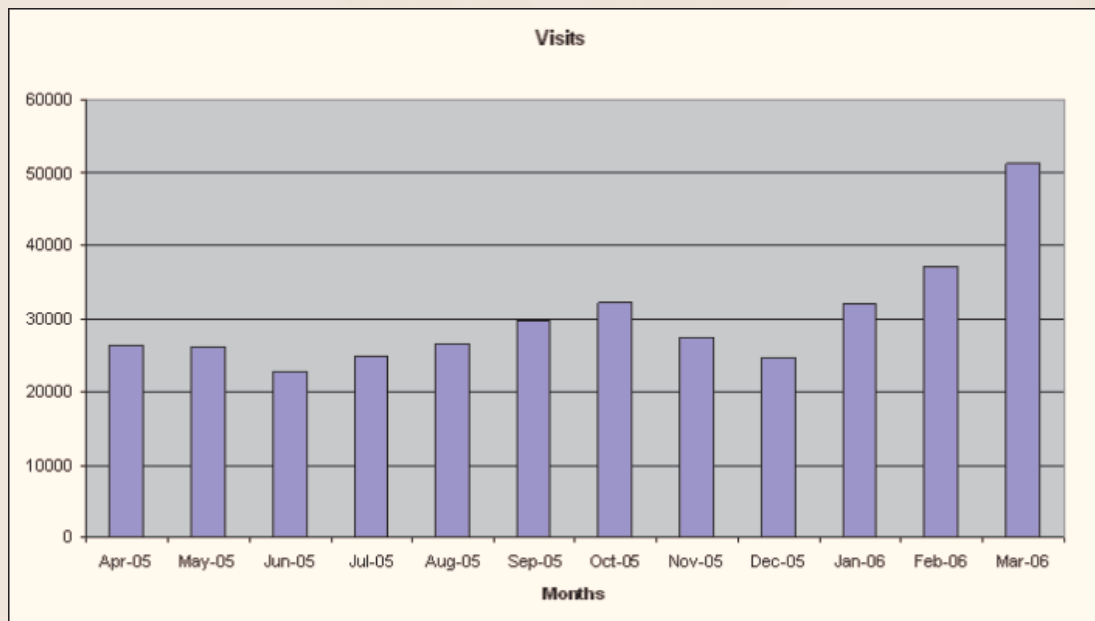
8.6.2 Events and Exhibitions

Proudly South African again maintained a strong presence at a number of high-profile exhibitions and fully utilised all opportunities to generate additional awareness about the Campaign amongst consumers, procurement specialists and key stakeholders.

8.6.3 Website

Proudly South African's website was improved to enhance its interactive capabilities, adding more value to members, the media, stakeholders and other role-players in interacting with and learning more about the Campaign. An improved Member Business Zone, providing access to information on procurement and tender opportunities was one of the areas that enjoyed priority attention.

An average of 30 000 viewers visited the site per month. The monthly visitors' figures are indicated in the graph below:

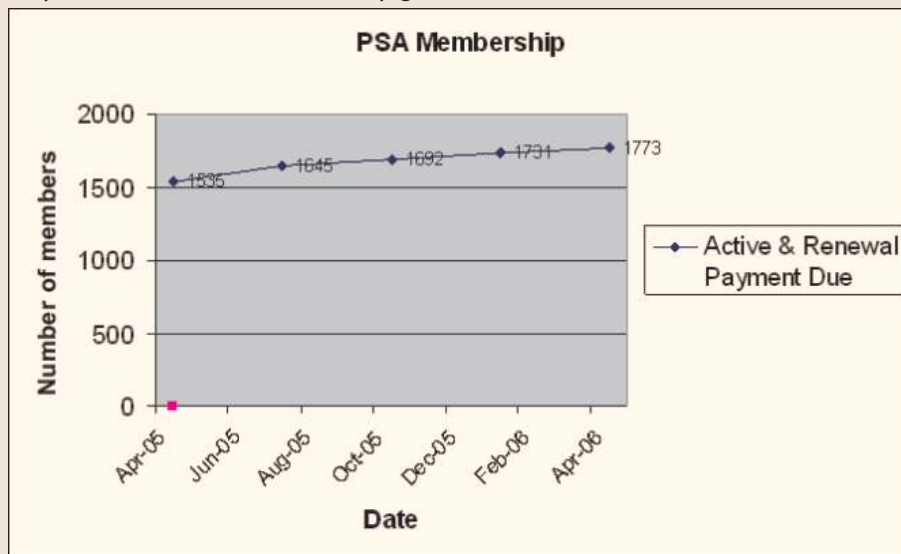




9. MEMBERSHIP

9.1 Growth rate

At the beginning of the 2005/2006 financial year (1 April 2005) the Campaign had 1 535 registered members (both active members and those whose renewal payment was due). By the end of the financial year (31 March 2006) membership had increased to 1 773. This gain of 238 members represented a 15% increase in terms of the total number of members, but not necessarily in terms of revenue from membership, since more low-value members were beginning to join the Campaign. The graph below is a visual representation of the membership growth.



9.2 Member benefits

The key benefits of Campaign membership as communicated to members included:

- Use of the logo to link members' products to the various advertising campaigns, which encouraged consumers and business buyers to support Proudly South African companies and products;
- Support from Proudly South African when members tender for private and public sector business;
- Exposure in the Proudly SA website's product listings, publications and through the Campaign's public relations activities;
- Opportunity to network with and build relationships with other members; and
- Free attendance of Proudly South African workshops aimed at enhancing member companies' competitiveness.

9.3 Keeping in contact with members

Newsletter: Proudly SA published a quarterly full-colour newsletter featuring member success stories for each quarter.

Email: Electronic mail was regularly sent to members (active members on the membership database) to sensitise them to opportunities, to brief them on the progress of the Campaign and to acknowledge their achievements.

10. SPONSORS

10.1 Founder sponsorship

Old Mutual, Eskom, SAA, Telkom, Barloworld, PetroSA and SABC (broadcast partner) were the Campaign's founding sponsors.

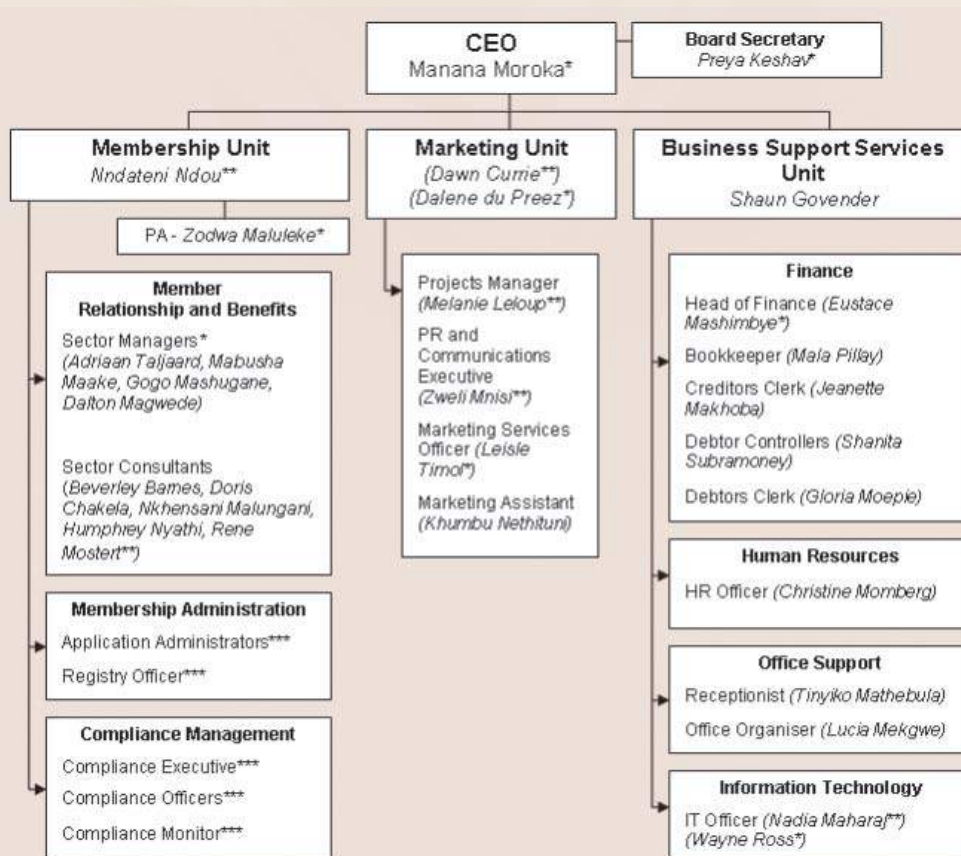
10.2 Founder Sponsors - walking the talk

Founder sponsor, Eskom announced plans to light up the Democratic Republic of Congo (DRC) through a massive 50-billion-dollar hydroelectric plant, while the Old Mutual Group unveiled its highly anticipated R7.1 billion black economic empowerment transaction in April 2005, confirming its commitment towards job creation and economic empowerment of South Africans.

11. HUMAN RESOURCES

11.1 ORGANISATIONAL STRUCTURE

This organisational structure was designed to address the changing demands of the Campaign. The emerging focus is that of changing consumer behaviour, compliance, efficiency, customer service, adding business value and delivering specific benefits to members.





11.1.1 Office of the CEO

The CEO is responsible for:

- Strategic management of the company in conjunction with the Board.
- Overall operational accountability of the Campaign.
- Communications with and reporting to the Board of Directors.
- Strategic procurement interventions.
- Stakeholder and sponsor management.
- Access to sustainable funding.

11.1.2 Membership Unit

The Membership Unit is headed by a Membership Manager. The Manager is responsible for the overall management of the unit and is also the final panel for all membership applications. The unit consists of three divisions that ensure that all aspects of membership management are properly serviced.

11.1.3 Marketing Unit

Proudly SA's marketing activities for the period under review aimed to achieve the following objectives:

- To change consumer behaviour.
- To sustain and enhance brand awareness through traditional and new marketing activities.
- To ensure effective member communication and public relations.

The marketing unit is responsible for the following:

- Defining and maintaining Proudly SA's Strategic Marketing Plan.
- Managing regular advertising campaigns for education and promotional purposes.
- Managing current and new brand building activities (for example the Homegrown Awards).
- Developing and managing sector-specific projects.
- Developing and executing a public relations and communications strategy.

11.1.4 Business Support Services Unit

This unit is headed-up by a Business Support Services Manager who is responsible for the overall management of the unit, which includes Finance, Human Resources and Information Technology. The unit provides all services and resources required to ensure the smooth operation of the Campaign in attaining its strategic goals.



11.2 EMPLOYMENT EQUITY

Groupings	AFRICAN		ASIAN		COLOURED		WHITE		DISABLED		TOTAL
	M	F	M	F	M	F	M	F	M	F	
Management Team	1	1	1	0	0	0	0	1	0	0	4
Staff	3	9	0	5	0	2	2	1	0	0	22
TOTAL	4	10	1	5	0	2	2	2	0	0	26
% Representation	15%	38%	4%	19%	0	8%	8%	8%	0	0	100%

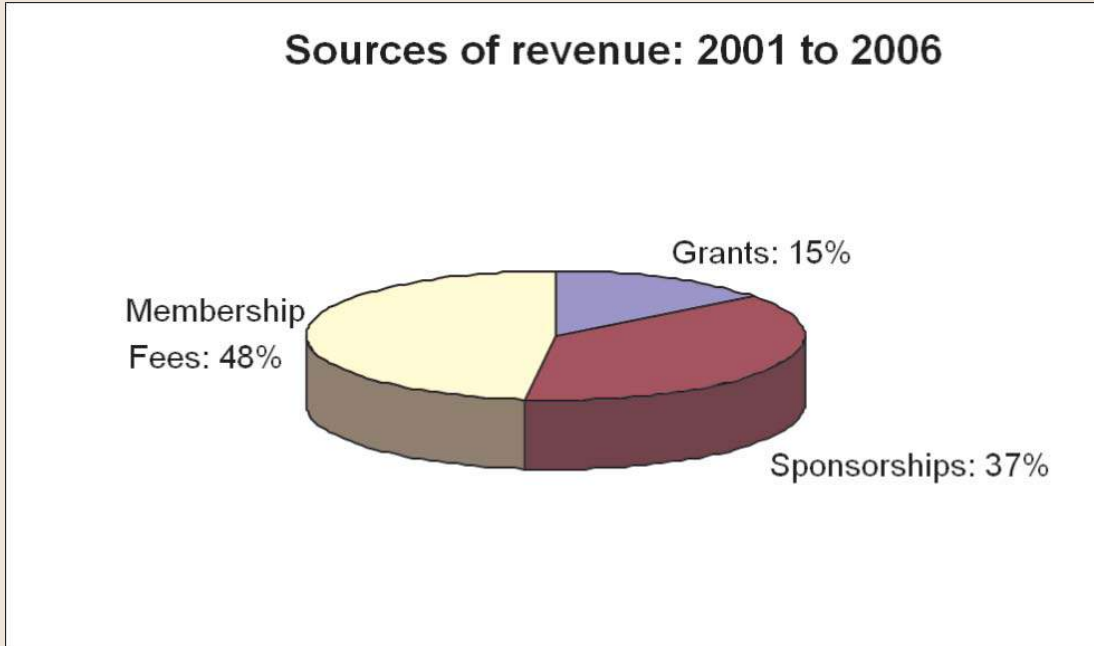
11.3 EMPLOYEE MOVEMENT

Groupings	AFRICAN		ASIAN		COLOURED		WHITE		DISABLED		TOTAL
	M	F	M	F	M	F	M	F	M	F	
Number of employees recruited in 2004/2005	3	3		1		1	2	1			11
Number of employees promoted in 2004/2005	1						1				2
Number of employees service terminated in 2004/2005	3	2	1	1		1		2			10

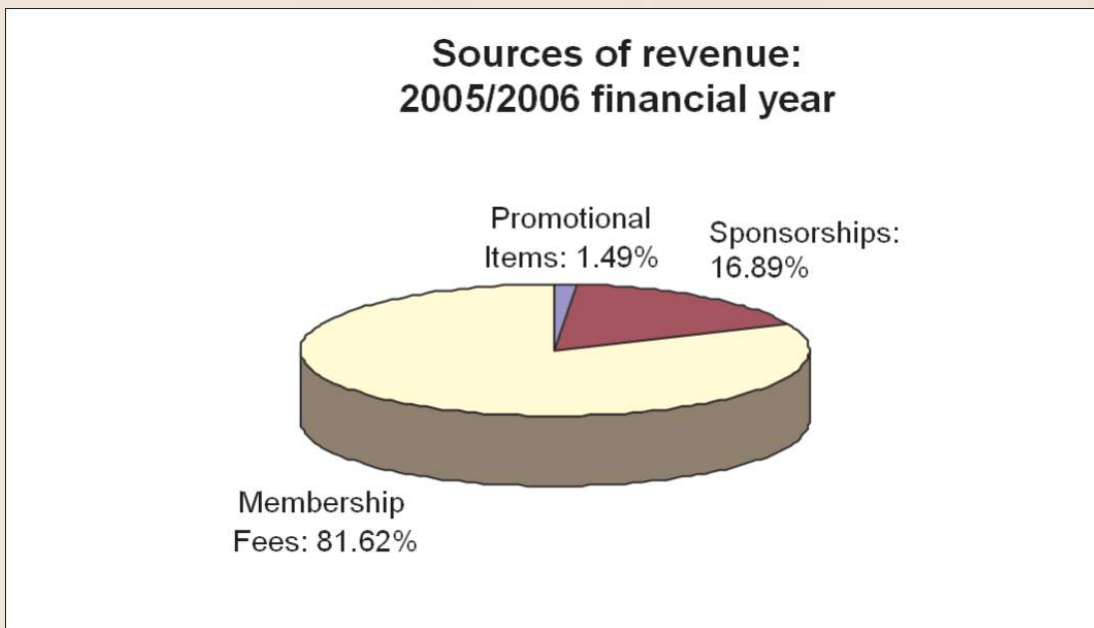
12. FINANCE

12.1 SOURCES OF REVENUE

At inception Proudly South African derived an income from three sources – membership, grants and sponsorships.

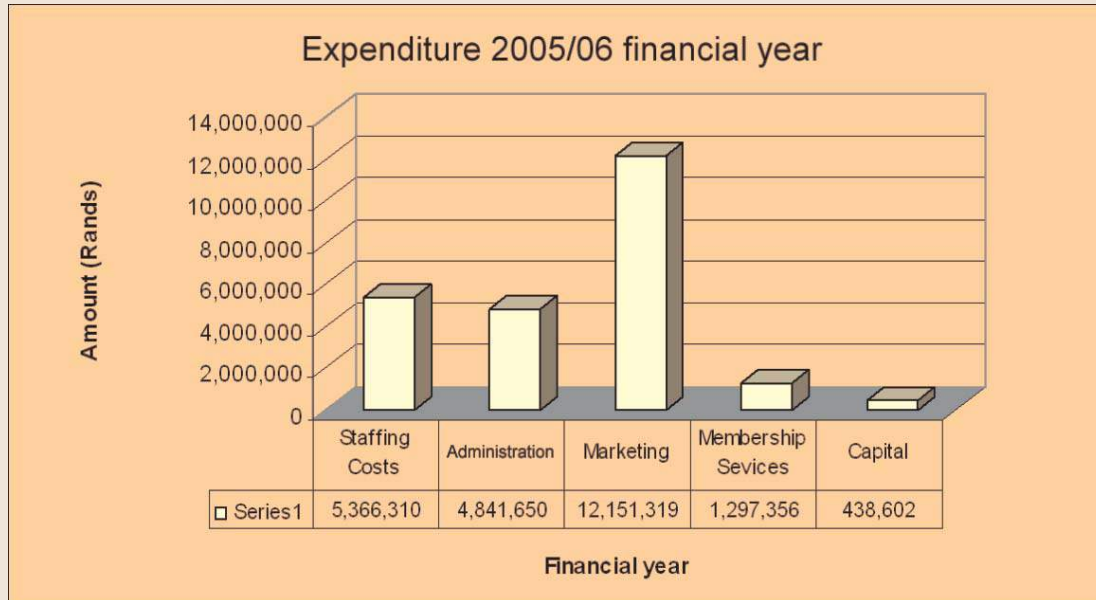


For the 2005/06 financial year, the Campaign’s income came from only two main sources, namely membership fees and revenue from sponsorships.



12.1 SOURCES OF REVENUE

At inception Proudly South African derived an income from three sources – membership, grants and sponsorships.



12.3 BUDGET FORECAST FOR THE MEDIUM-TERM PERIOD: 2006/2007, 2007/2008 and 2008/2009

Activity	2006/07	2007/08	2008/09
	Rands	Rands	Rands
Staffing costs	8,376,875	8,879,488	9,412,257
Administration	2,852,008	3,023,128	3,204,516
Marketing and member support	19,155,000	20,304,300	21,522,558
Membership services	1,640,000	1,738,400	1,842,704
Capital	533,160	565,150	599,059
TOTAL	32,557,043	34,510,466	36,581,094



REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PROUDLY SOUTH AFRICAN

We have audited the annual financial statements of Proudly South African set out on pages 5 to 14 for the year ended 31 March 2006. These financial statements are the responsibility of the company'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 the International 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 company at 31 March 2006 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Supplementary information

The supplementary schedules set out on page 15 to 17 do not form part of the annual financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

Gobodo Incorporated
Chartered Accountants (S.A.)
Registered Accountants and Auditors

Johannesburg
25 January 2007



PROUDLY SOUTH AFRICAN
(Registration number 2001/021636/08)
REPORT OF THE DIRECTORS
for the year ended 31 March 2006

The directors present their report for the year ended 31 March 2006. This report forms part of the audited financial statements.

1. Business and operations

Proudly South African is a campaign to recognise and reward South African products and services of high quality. It allows consumers to choose a product or service that conforms to these criteria, all of which help to maintain quality of products and quality of life for all South Africans.

It also rewards businesses that maintain these criteria by allowing them to become members, and awarding them the right to use the Proudly South African Logo on their products, or to be an endorsed service.

2. Statements of responsibility

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible for independently auditing and reporting on the fair presentation of financial statements in conformity with South African Auditing Standards. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act, 1973.

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

3. Financial results

The results of the company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

4. Fixed assets

There have been no major changes in the fixed assets during the period or any changes in the policy relating to their use.



PROUDLY SOUTH AFRICAN
(Registration number 2001/021636/08)
REPORT OF THE DIRECTORS
for the year ended 31 March 2006

5. Directors

The directors of the company during the accounting period and up to the date of this report were as follows:

	Appointments
B Ntshalintshali	2005/02/25
D Mthalande	2005/08/05
E Patel	2001/09/21
H Mkhize	2005/02/25
J Maqhekeni	2005/02/25
K Mthembu	2005/03/31
L Kganyago	2005/03/31
Les Kettleidas	2005/11/25
M Matshamba	2005/11/25
M McDonald	2001/09/21
M Moroka (CEO)	2005/11/25
R Parsons	2002/06/20
S Shezi	2004/08/05
V Mkosana	2005/02/25

6. Secretary

The secretary of the company was Masincazelane Business Solutions whose contract expired. A new secretary has not yet been appointed.

7. Auditors

Gobodo Incorporated will continue in office in accordance with section 270(2) of the Companies Act.

8. Events subsequent to balance sheet date

The directors are not aware of any matters or circumstances arising since the end of the financial year, not otherwise dealt with in the annual financial statements, which significantly affect the financial position of the company or the results of its operations.

Johannesburg

25 January 2007



PROUDLY SOUTH AFRICAN
(Registration number 2001/021636/08)
BALANCE SHEET
at 31 March 2006

	Note	2006 R	2005 R
Assets			
Non-current assets			
Fixed assets	2	997,220	1,044,843
Current assets			
Inventories	3	724,376	608,377
Trade and other receivables	4	3,234,417	1,617,488
Cash and cash equivalents		8,207,941	11,448,831
Total assets		<u>13,163,954</u>	<u>14,719,539</u>
Equity and liabilities			
Capital and reserves			
Distributable reserve		11,995,429	13,136,605
Current liabilities			
Trade and other payables	5	465,528	1,466,374
Bank overdraft		642,456	-
Provisions	6	60,541	116,560
Total equity and liabilities		<u>13,163,954</u>	<u>14,719,539</u>



PROUDLY SOUTH AFRICAN
(Registration number 2001/021636/08)
INCOME STATEMENT
for the year ended 31 March 2006

	Note	2006 R	2005 R
Revenue		22,597,115	19,059,626
Cost of sales		<u>(263,490)</u>	<u>(342,661)</u>
Gross surplus		22,333,625	18,716,965
Other income		1,650	450
Operating costs		<u>(23,768,788)</u>	<u>(27,178,080)</u>
Operating deficit	7	(1,433,513)	(8,460,665)
Investment income	9	618,786	567,510
Finance costs	10	<u>(326,449)</u>	<u>-</u>
Deficit for the year		<u><u>(1,141,176)</u></u>	<u><u>(7,893,155)</u></u>



PROUDLY SOUTH AFRICAN
 (Registration number 2001/021636/08)
CASH FLOW STATEMENT
 for the year ended 31 March 2006

	Notes	2006 R	2005 R
Cash flows from operating activities		(3,360,594)	(7,059,771)
Cash receipts from customers		20,486,184	14,590,167
Cash paid to suppliers and employees		(24,139,115)	(22,217,448)
Cash utilised in operating activities	15.1	(3,652,931)	(7,627,281)
Interest received		618,786	567,510
Interest paid		(326,449)	-
Cash flows from investing activities		(522,752)	(523,352)
<i>Expenditure to maintain operating capacity</i>			
Fixed assets acquired		(532,641)	(526,233)
Proceeds of disposals of fixed assets		9,889	2,881
Decrease in cash and cash equivalents		(3,883,346)	(7,583,123)
Cash and cash equivalents at beginning of the year	15.2	11,448,831	19,031,954
Cash and cash equivalents at end of the year	15.2	7,565,485	11,448,831



PROUDLY
SOUTH AFRICAN 
Annual Report 2005/2006