



**PROUDLY SOUTH AFRICAN  
ANNUAL REPORT 2010/2011  
(For the year ended 31 March 2011)**

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# 1. REPORT FROM THE CHAIRPERSON



## Advocate Dali Mpfu

### Your support makes me proud

When I look back over the last year, there is one thing that makes me very proud, our members. They have chosen to stay with us, loyally supporting the Campaign and enhancing its profile with their business calibre.

Through their continuing membership, our members have shown that they are in business not just to make a profit, but also to engage with and support those less fortunate. By caring for the welfare of their workers and the environment, and delivering quality products and services, businesses across the country can help to promote a better quality of life for all citizens. Our members hold up those values, which clearly articulate the Campaign's ethos.

### High praise, ongoing partnerships

The dti's IPAP2 Strategy specifically mentions Proudly South African. With government endorsement at that level, we can raise our profile and emphasise our role in helping the South African government and business to buy local. Having the support of government and all state organs is a major

step towards stimulating local production in South Africa. The Proudly South African campaign was born out of a collective idea. It has grown from strength to strength through its partnerships with Proudly South African members, suppliers, government departments such as The Presidency, the dti, GCIS, International Marketing Council, SA Tourism, the SABC and many more. By nurturing our existing relationships and cultivating new ones, we can ensure that our voice continues to be heard across the country and beyond.

### Proudly South African:

#### Many people, only one campaign

Although many organisations promote South Africa, Proudly South African occupies a unique place in the country's heart and mind. Only one organisation is endorsed by government, organised business, organised labour and community. That organisation is Proudly South African.

Eighty percent of South Africans recognise the Proudly South African logo, seeing it as a mark of

## 1. REPORT FROM THE CHAIRPERSON

locally produced products. Approximately fifty two percent of those who recognise the logo, make a conscious decision to buy local products as a way of contributing to socio-economic change in South Africa. Given South Africa's obsession with sport, we know we have done our job well when we hear 'I am Proudly South African', at sports events.

Proudly South African has woven itself into the core of our society.

### **Hard work bears fruit**

As for the future, we are now seeing the fruits of our hard work over the past few years. We have sown our seeds into fertile land and the Campaign is set to grow even stronger. Government has stated its objective to create five million jobs by 2020. As we become the National Buy Local Movement, we can draw on all our supporters to play a pivotal role in achieving that objective.

### **Education, influence, adoption**

More and more imported products are flooding the market. As that happens, South African business and the general public are realising the importance of buying local to prevent major job losses in various sectors.

During 2012 our main focus will be on education. We will also be focusing on changing behaviour and influencing purchasing decisions. Consumers will be able to look at labels to see where products and their ingredients come from. The result will be better informed consumers, business and state organs that actively and deliberately choose to support and buy locally produced products and services.

### **Proudly South African on an international stage**

South Africa is an important force on the continent of Africa. Proudly South African has helped and supported other African countries keen to start their own campaigns. We will continue to do so as this can only benefit our own people.

With South Africa's admission to the BRICS group of countries, Proudly South African has an even more important role to play locally. The Campaign promotes a common identity for South Africans. As a country-of-origin brand, Proudly South African offers a means to unite South Africans around common values and goals. The movement gives consumers a voice that positively impacts on our country.

### **Our people are stars**

In closing, I would like to thank our acting CEO, Mr Herbert Mkhize. Despite his busy schedule as Executive Director of NEDLAC, he served as CEO of the Campaign for almost two years.

I also want to acknowledge the role of the people who live and work for this Campaign. Their contribution makes me very proud to be part of Proudly South African, and a proud South African, too. Their belief in the Campaign has carried us through some challenging times. Their vision and hard work keeps the Campaign relevant and reinforces our determination to build a better South Africa.

### **Adv. Dali Mpofu**

#### **Chairperson**

## 2. REPORT FROM THE ACTING CHIEF EXECUTIVE OFFICER



### Mr Herbert Mkhize

#### Ke Nako! Capitalising on past successes

Looking back over 2010, I am particularly proud of the way South Africa successfully hosted the 2010 FIFA World Cup. The much-loved event mascot, Zakumi, was initially produced by Cora's Costumes, a Proudly South African member.

In addition to showcasing the country's infrastructure, hospitality and cultural diversity, the World Cup was an ideal opportunity to showcase the world-class products and services produced and delivered by Proudly South African members. These successes are a strong benchmark for the future of South Africa and the future prosperity of our member companies.

#### Paving a difficult road

Despite our optimism for the future, the Campaign is facing some significant challenges. Primarily, the Campaign has been struggling with a limited profile in the market.

A key objective of the Campaign's repositioning strategy is to enhance its profile and position it as an ambassador for job creation by encouraging consumption of locally manufactured products and services. We have appointed social marketing agency Draft FCB Social Marketing to help us drive various multi-pronged campaigns to build that profile. We will also take advantage of social marketing platforms, which are recognised as powerful communication tools.

We will be conducting research to determine the gaps in the market and to also define what interventions are needed to enhance, reinforce and build the Campaign's profile. Another crucial issue is the lack of sustainable funding for the Campaign. The Campaign requires a funding model that is sustainable enough to roll out substantial campaigns and activities, improve its profile and emphasise its value proposition on an ongoing basis. With these

## 2. REPORT FROM THE ACTING CHIEF EXECUTIVE OFFICER

funding streams in place, the Campaign can make meaningful progress towards achieving its core objective: to drive job creation by encouraging people to buy local products. Without this funding, we are unable to plan effectively. And the knock-on effect of insufficient planning is the inability to make any kind of meaningful impact.

### **Buying local: an economic shock absorber**

One of the key themes that underpinned the discussions at the Presidential Jobs Summit in 1998 was to revitalise local manufacturing and local procurement. At the summit, representatives of organised labour, organised business, community-based organisations and government agreed to support a Buy Local campaign under the banner of Proudly South African.

At the height of the Global Economic Crisis in 2008/9, as trading partners either froze or cancelled orders, most countries relied on their domestic market for survival. Local manufacturing and procurement of local products took on a new relevance. In addition, local procurement featured very prominently in the Government's Industrial Policy Action Plan and the New Growth Path.

Even without these government and business initiatives, I believe that the manufacturing sector will see significant growth in the next year. Many of these businesses have been hit hard by the influx of cheap legal and illegal imports, excessive product dumping, under-invoicing of imported goods and increased pressure from foreign government subsidies.

These factors have made it difficult for local companies to compete and, as a result, their sales have declined. To reverse this, there is a need for all manufacturers to scale up local production.

Minister Davies and Minister Patel recently announced the sectors and products designated for local procurement regulations. The new regulations ensure that all procurement processes will demand local content in designated products and services. If leveraged correctly, these procurement conditions could be a tangible shock absorber to cushion South African enterprises from the impact of the prevailing global economic uncertainties.

With Proudly South African as their partner of choice, manufacturers can take advantage of this position to drive consumption of local products.

### **Working together for mutual success**

A key strength of the Campaign is its holistic presence in the market, derived from the representation of organised business, organised labour, government and community organisations on its Board. This is a key strength that we can draw on to form strategically important partnerships across each of these constituencies.

When we work in partnership, we can help partnering organisations make the most of their resources to achieve more. They in turn can help the Campaign achieve its objectives. Through partnerships, we must open up offerings and projects that can contribute positively to the Campaign – and we must reciprocate.

Currently, our partners include local, provincial and national government departments and state-owned entities. The Campaign's partnership with Cosatu and organised labour has placed Proudly South African in an ideal position to promote consumer education, encourage local companies to support each other and also to support and promote the Campaign itself.

During the year under review we met with the Food and Allied Workers Union (FAWU) to explore

## 2. REPORT FROM THE ACTING CHIEF EXECUTIVE OFFICER

partnership possibilities. The discussions should be concluded in the new year. We will also take the same discussions to other Cosatu affiliates and labour federations in the next financial year. Business associations are another source of valuable partnerships, with their access to potential Campaign members. In the past, we have entered into partnerships with several associations. We also concluded a partnership agreement with the Financial Intermediaries Association last year.

### **We are Proudly South African**

There are many organisations in place that promote South Africa as a country. With our very specific mandate, Proudly South African does not compete with these organisations, but rather complements their role. Our objective is to promote the country's products and services. Our work in this area reinforces the local content with brands like South African Tourism and Brand South Africa that market South Africa as a business, tourism and hospitality destination. In this regard, partnerships are also important. Too much duplication will cause confusion in the market.

### **Reinforce, reinvigorate, reposition**

Proudly South African's greatest strength is the power of its name, or brand equity. During 2012, this brand value will be extended, enhanced and strengthened. New government interventions will also help to reposition the Campaign in the market.

The highlight for 2012 will be the launch of the repositioning strategy, led by the new CEO, Adv. Leslie Sedibe. This is an opportunity to reinforce the Campaign's value proposition, attract new members and regain the members who left the Campaign over the last few years. Adv. Sedibe will help to drive the repositioning strategy, drawing on his experience and track record to inject new energy into the Campaign. With sufficient funding, the Campaign will seek to roll out meaningful

campaigns to recruit and retain members, secure sponsorships, educate private and public consumers on the importance of buying local and improve its partnership drive. I wish the new Chief Executive Officer all the best and success and the strength to stay the course.

In short, 2012 is about lifting the Campaign's profile, encouraging South Africa to buy local, which will in turn create jobs. When we meet our objectives in that way, we will forge a new path to build personal, commercial and national success.

### **Giving credit**

I would like to thank the Board for its resilience during the difficult times, for steering the Campaign and making sure that the lights stayed on. Thanks also go to the management team and staff for understanding that working for a campaign like Proudly South African is not an ordinary job, but a national duty.

**Mr Herbert Mkhize**

**Acting Chief Executive Officer**





### 3. BOARD OF DIRECTORS



**Adv. D. Mpofo**  
Chairman



**B Ntshalintshali**  
Organised Labour



**D Mthlane**  
Community Constituency



**H Mkhize**  
Acting CEO  
Nedlac Exec Director



**I M Sharma**  
Government  
Resigned Sep 2010



**J Maqhekeni**  
Organised Labour



**J Vilakazi**  
Organised Business  
Resigned May 2011



**L Kettledas**  
Government



**L Kganyago**  
Community Constituency



**L Nare**  
Community Constituency



**M McDonald**  
Organised Business  
Resigned Nov 2010



**Prof. R Parsons**  
Organised Business  
Resigned Aug 2010



**R le Roux**  
Government  
Appointed Oct 2011

**Nkosi, sikelel'**  
**iAfrika**

**Maluphakanyisw' upondo lwayo**  
**Yizwa imithandazo yethu**

**Nkosi sikelela,**  
**thina lusapho**



If you have your hand across your chest, then you're a true South African. Born and bred. Just like the brands and companies that wear the Proudly South African symbol with pride. Show your patriotism.

*Be Proudly South African. Buy local to create jobs.*  
Tel +27 11 327 7778 or visit [www.proudlysa.co.za](http://www.proudlysa.co.za)

## 4. OPERATING REVIEWS

### 4.1 MARKETING

#### 4.1.1 The National Buy Local Campaign marketing campaign has five objectives:

- 4.1.1.1 Grow the Proudly South African membership base across all sectors and across the country.
- 4.1.1.2 Position the Proudly South African logo as a symbol of local content and quality.
- 4.1.1.3 Educate and influence consumers, South African businesses, state organs and all state-owned entities to buy locally produced products and services.
- 4.1.1.4 Raise awareness of the Proudly South African logo in all markets and sectors to maintain a robust presence in the minds of the Campaign's audiences.
- 4.1.1.5 Support national pride, patriotism and nation building.

#### 4.1.2 The National Buy Local Campaign's marketing campaign comprised several components:

- 4.1.2.1 Print and electronic advertising to raise awareness and provide ongoing education about the campaign.
- 4.1.2.2 Radio and television interviews.
- 4.1.2.3 Marketing events to facilitate an educational, recruitment and retention drive for existing and new members.
- 4.1.2.4 Relationship management and maintenance to improve member retention.
- 4.1.2.5 Partnership events, activities and outreach campaigns with the Department of Trade and Industry and Economic Development Department, amongst others.

#### 4.1.3 Advertising placements during the period under review:

- PSA 342 – Double Page Spread in the Business Woman & Diplomat SA (member profile)
- PSA 343 – African Mirror (trade exchange)
- PSA 344 – Trade Edge (trade exchange)
- PSA 345 – Tshwane International Trade & Infrastructure Investment Conference – Event corporate video (trade exchange)
- PSA 348 – Tshwane International Trade & Infrastructure Investment Conference advertisement (trade exchange)
- PSA 351 – Small and Medium Enterprises Magazine (trade exchange)
- PSA 353 – Double Page Spread in the Business Woman & Diplomat SA (member profile)
- PSA 354 – SQ Magazine (trade exchange)
- PSA 355 – Trade Edge (trade exchange)
- PSA 357 – Energy Info guide editorial (trade exchange)
- PSA 358 – Viral Marketing
- PSA 359 – Love Life Magazine profile
- PSA 360 – Trader's Friend Editorial (trade exchange)
- PSA 363 – SuperSport year book
- PSA 366 – African Outfitter (trade exchange)
- PSA 367 – Trade Edge SA Special Events (trade exchange)
- PSA 370 – Whole Lot Directory 2011 (trade exchange)
- PSA 371 – The Business Woman (member profile)
- PSA 372 – African Outfitter (trade exchange)
- PSA 373 – African Outfitter (trade exchange)
- PSA 376 – Best of South Africa
- PSA 382 – JumpStart (trade exchange)
- PSA 385 – SA Greatest Captain's Yearbook 2011
- PSA 388 – Business Brief (trade exchange)
- PSA 389 – Traders Friend (trade exchange)
- PSA 391 – Traders Friend (trade exchange)

**Shosholoza,**  
shosholoza  
**Kulezontaba**  
**Stimela**

Sphuma

e**South Africa**

Wenu

Yabaleka

**Wenu**  
**Yabaleka**

**Kulezontaba**

**Stimela**

Sphuma e**South Africa**



If you can hear the melody in your head, then you're a true South African. Born and bred. Just like the brands and companies that wear the Proudly South African symbol with pride. Show your patriotism.

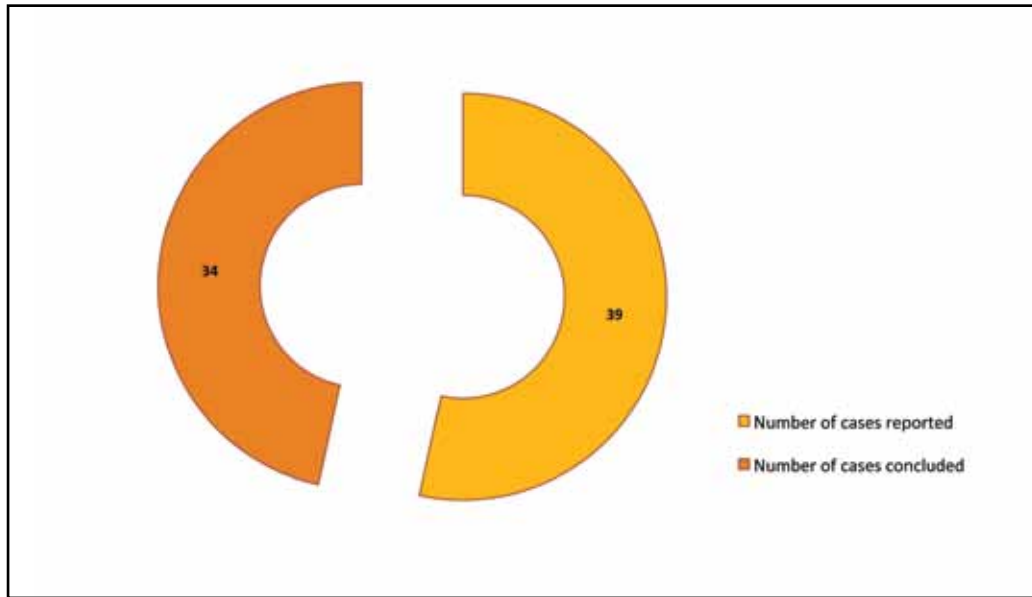
*Be Proudly South African. Buy local to create jobs.*

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## 4.1 MARKETING

### 4.1.4 Unauthorised use of the Proudly South African logo

The diagram below reflects cases reported for the period April 2010 – March 2011



During the period under review, 39 cases were reported directly to Proudly South African and 34 of these cases were concluded. Cases varied from former members, whose membership was cancelled but who were continuing to use the logo; to vehicle manufacturing companies using the logo or the "Proudly South African" phrase without permission. These cases demonstrate that the Proudly South African brand has retained its high value. It remains a brand with good attributes, and one that is worth supporting.

Some of the reported cases were handled internally. There were 25 serious cases in which the Campaign engaged the services of intellectual property lawyers Adams and Adams. During the period under review, the various Proudly South African trademarks were not fully registered and as such the basis of the Campaign had to proceed on common law rights. The trademarks registration was finalised in March 2011.



*Products bearing the Proudly South African trademarks illegally, were confiscated and destroyed.*

### 4.1.5 Advertising

In May 2010, Proudly South African appointed DRAFT FCB Social Marketing as its advertising agency. The agency is renowned for its approach to social marketing.

From August 2010 to October 2010 Mthente Research and Consulting Services (Pty) Ltd conducted research for the Campaign. It was mandated to conduct qualitative research to underpin the development of the social marketing campaign. The qualitative research included focus groups with consumers and members; in-depth interviews with selected current members, former members and companies who have never enquired about Proudly South African membership, and other relevant stakeholders.

### 4.1.6 The consumer focus groups revealed several key findings

- 4.1.6.1 There is a need for a major educational drive to inform consumers about the potential socio-economic impact of buying locally produced South African products and using South African services.
- 4.1.6.2 There is an overwhelming lack of awareness and understanding amongst consumers about the Proudly South African mandate and what the application process entails in terms of membership fees and membership criteria.

### 4.1.7 Company and stakeholder interviews revealed several key findings

- 4.1.7.1 There was a general feeling that the Proudly South African Campaign was not attracting sufficient members because of a lack of

tangible benefits.

- 4.1.7.2 Government should be doing more to support the Proudly South African Campaign.
- 4.1.7.3 Association with the positive image of Proudly South African was a perceived membership benefit.
- 4.1.7.4 Businesses that were successfully accredited and permitted to use the logo could clearly demonstrate their compliance with the stringent Proudly South African qualifying criteria. This was a key benefit that added value to the membership.

### 4.1.8 The member workshops revealed several key findings

- 4.1.8.1 Members felt that consumers lacked understanding of the Proudly South African brand and what the logo represents.
- 4.1.8.2 Consumer awareness of the Proudly South African brand did not translate into social change, nor increased uptake of members' products and services.
- 4.1.8.3 All government entities should lead by example and support Proudly South African member companies by buying local.
- 4.1.8.4 The Proudly South African Campaign should be more consumer orientated.
- 4.1.8.5 There is a need for more sector-specific workshops and activities.

Proudly South African acknowledged these and other findings of the report. The Campaign responded by developing a marketing plan that would educate and rally support from business, all state organs and consumers.

## 4.1 MARKETING

### 4.1.9 The 2010 FIFA World Cup South Africa

Proudly South African was part of the National Communications Partnership responsible for communication and marketing before, during and after the 2010 FIFA World Cup, the first ever held on African soil. This partnership included several organisations like International Marketing Council (IMC), Government Communications Department (GCIS), SA Tourism, the SABC and other key partners within the communication industry. Although the Campaign lacked resources, it was important that

its voice was heard as part of the preparation and execution of the successful event. The Campaign drew heavily on the national spirit that pervaded the entire country during the event and continued to ride the enthusiastic wave long after the World Cup ended.

In July 2010, Proudly South African released a radio advertisement called 'Show your Pride'. The advertisement encouraged South Africans to show their national pride by doing more than just wearing a South African jersey and to buy local to help create jobs.





## 4.1 MARKETING



### 4.1.10 100 days to the 2010 FIFA World Cup South Africa

Proudly South African celebrated this important day with Rosebank Primary School, a Proudly South African member. Among other activities, the national flag was hoisted as 100 balloons in the colours of the National Flag were released. These symbolised the countdown to the event and also our freedom and joy as a nation. School learners and Proudly South African staff also performed the world-famous diskidance.



## 4.1 MARKETING

### 4.1.11 Operation Khanyisa

Proudly South African is a core partner of ESKOM's Operation Khanyisa Campaign. Khanyisa is a Zulu word, which means 'to enlighten, explain or light up'. Other Operation Khanyisa participants include Business Against Crime, the South African Local Government Association, Business Unity South Africa and Primedia's Crime Line. The campaign seeks to address the serious problem of electricity theft in South Africa, which negatively impacts businesses and consumers' lives.

Operation Khanyisa's key message was to highlight how electricity theft causes revenue losses that contributed to major electricity price hikes, which in turn cut business profits and ultimately led to job losses.

The Proudly South African logo was included on billboards across the country and in all above-and below-the-line marketing material. Proudly South African's involvement reinforced the importance of the brand as a means to strengthen social messages.

### 4.1.12 Media coverage

Media coverage during this period was primarily related to member news, some media interviews and some public relations activities driven by Proudly South African.

Coverage values were as follows:

Print – R616 668.26

Radio – R72 858.93

Television – R430 187.34

Online – R224 990.86

## Taking back the power

**ARE SOUTH AFRICAN LEGISLATORS MISSING THE RIGHT CHOICE AND BRINGING THE RIGHT THING WHEN IT COMES TO ELECTRICITY THEFT?** The answer is certainly yes, if you look at the growing success of Operation Khanyisa. Operation Khanyisa is a campaign against electricity theft launched by Eskom and a coalition of nine partners in October last year. The campaign's aim is to build a movement for legal power use and include organisations like Business Against Crime SA (BACS), Business Unity SA (BUSU), Primedia, Crime Line and the South African Local Government Association (SALGA).

The strategy behind the campaign is to drive voluntary behaviour change. This approach is in keeping with the notion that the only sustainable way to lose crime is to do the right thing. One of the most successful areas of action for the campaign is the call for the South African public to report electricity theft. South Africans have responded with enthusiasm and are reporting electricity theft. Over 1700 reports have been received by Crime Line since the launch of Operation Khanyisa.

**THERE'S A SILENT CRIME TAKING PLACE IN SOUTH AFRICA**

**WHO IS YOUR POWER?**

**BE MORE ENERGY EFFICIENT TO BRING DOWN YOUR ELECTRICITY BILL.**

**WHAT CAN YOU DO?**

**BUT DON'T STOP THERE. WHETHER YOU ARE A PRIVATE RESIDENT, BUSINESS OWNER OR FARMER, ENCOURAGE OTHERS TO DO THE SAME.**

**START A CONVERSATION ABOUT THE DANGERS OF ILLEGAL CONNECTIONS AND METER TAMPERING.**

**BECOME A CHAMPION AND STAND FOR LEGAL POWER USE.**

**SELF-REGULATION FOR LEGAL POWER USE**

**MAKE SURE THAT ALL POWER IS USED SAFELY. DON'T BE ENTICED TO HAVE YOUR METER TAMPERED, BYPASSED OR HAVE AN ILLEGAL CONNECTION MADE TO SAVE MONEY IN THE SHORT TERM.**

**BE MORE ENERGY EFFICIENT TO BRING DOWN YOUR ELECTRICITY BILL.**

**Be a hero not a victim**

As much as electricity plays an important role in our daily lives, it is also very dangerous and needs to be handled with extreme care. It becomes more so when dangerous if wires are being tampered with, if illegal connections exist, and meters are being tampered or bypassed. Apart from the energy loss (both financial and in energy) due to electricity theft, the more serious impact is the loss of lives. Utility wiring used in illegal connections is not insulated and is simply thrown across rivers, sidewalks, fences, buildings, the road, and even in the open air. This is extremely dangerous as even small leaks of current can kill people.

Children are more often the victims as they play around the cables and are electrocuted when they touch their wires. Also, people who make illegal connections and tamper with meters tend to ignore safety precautions and leave wires at permanent risk of electrocution. It is never safe to fix illegal connections or tamper meters in farms, on farms or in businesses.

**Avoid the dangers of electricity theft:**

- Lines that look as if they have been tampered with should not be touched and must always be reported.
- Power lines should never be touched, even if they appear to be "dead".
- A power line should never be cut - this could result in electrocution.
- Electric appliances and transformers are located or situated for a reason - a member of the public should never enter these areas.

**Safety tips:**

- Using wet electricity causes us are responsible to keep our hands dry. There are some safety tips that you can easily employ your home:
  - Touch your clothes first to play with electricity.
  - Always use plugs and never put wires directly into plug points.
  - Replace worn and frayed electrical cords as these can lead to exposed wires and accidents.
  - Never use electricity near water. It is dangerous because water conducts electricity. Always make sure your hands are dry when using electrical appliances.
  - Overloading plug points is dangerous and can cause electrical fires. Use multi-plug adapters, but the more the, the more is a 15 Amp current maximum.
  - Don't pull plugs out by their cords - this could lead to electrical wires being exposed. Rather pull out the plug itself and always make sure the power is switched off before you pull it out.

When it all makes a contribution by ensuring we use electricity safely and wisely. Use electricity safely in your own home and report suspected electricity theft by sending an anonymous SMS to Crime Line 22211 (193396). Remember it's because information built as a basis for the description of the plan of the crime, name or description of the suspect and type of crime e.g. illegal connections, meter tampering, etc.

**UNITY IS POWER**

For more information on Operation Khanyisa visit [www.operationkhanyisa.co.za](http://www.operationkhanyisa.co.za)

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**UNITY IS POWER**

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# DANGER GEVAAR INGOZI

## UNITY IS POWER!

The movement for legal power use is growing. Electricity theft is not just a "township problem". Businesses are also not immune to electricity theft. It's time for the business sector to get its house in order. Ensure that you use power legally, safely and wisely. Ask your business partners and suppliers to do the same. Operation Khanyisa. The power is in your hands.

**32211**

Report electricity theft anonymously. Send a detailed SMS to Primedia Crime Line. (R1/SMS)



## 4.1 MARKETING

### 4.1.13 Proudly South African Al-Imdaad Foundation of South Africa food aid distribution project

In partnership with the Al-Imdaad Foundation of South Africa and the Muslim community, the Campaign hosts an annual drive to distribute food parcels in December. Al-Imdaad Foundation is an exemplary member of Proudly South African.

During the period under review, Out of the Box Skills Development Center – a Proudly South African member – was engaged to help distribute 250 food parcels to the needy living in an informal settlement at the corner of Tide and Knights Road in Germiston, Gauteng.

### 4.1.14 Proudly South African events and exhibitions

During the period under review, Proudly South African participated in various events and exhibitions which focused on sectors such as: arts and crafts, fashion, services and hospitality. The events included Proudly South African's own corporate social investment-related activities with the Al-Imdaad Foundation.

With no budget allocation, the Campaign was able to participate in these events thanks to the support from various stakeholders. Proudly South African showcased members' products and services at no less than 60 events, exhibitions and business forums, including:

- 4.1.14.1 World Intellectual Property Day and Expo
- 4.1.14.2 Diamond and Dust at the Barnyard Theatre
- 4.1.14.3 27th FEDHASA Imvelo Awards
- 4.1.14.4 Inxoxo – the Negotiation Launch
- 4.1.14.5 Three Department of Trade and Industry

Co-operatives inter-departmental workshops

- 4.1.14.6 Three Department of Trade and Industry Arts and Crafts steering committee workshops
- 4.1.14.7 Two Marie Claire awards: Beauty and Skincare Awards and Fashion Awards
- 4.1.14.8 Tshwane International Trade & Infrastructure Investment Conference – The City Of Tshwane Investment Conference
- 4.1.14.9 Tshwane Ambassadorial workshop
- 4.1.14.10 IS Partners – Jock event/workshop
- 4.1.14.11 ELP Launch – Operation Khanyisa
- 4.1.14.12 Payday Business Forum
- 4.1.14.13 South African Quality Institute Conference
- 4.1.14.14 APCA 2010 Conference
- 4.1.14.15 The Department of Trade and Industry Christmas Street Market
- 4.1.14.16 Two Hot Tables workshops with Women in Finance
- 4.1.14.17 Eco-Labeling workshops in Cape Town and Gauteng
- 4.1.14.18 Two CGF Workshops in Gauteng
- 4.1.14.19 Randburg Chamber of Commerce Expo
- 4.1.14.20 Randburg Women's Forum Chamber Expo
- 4.1.14.21 Glass Escapes Morningside Expo
- 4.1.14.22 Superbrands Tribute Event
- 4.1.14.23 Space Africa Art Expo Launch
- 4.1.14.24 Wings Corporate Travel Women's Day Event
- 4.1.14.25 Traceability and Eco-labelling tour to Egypt
- 4.1.14.26 National Conference on Reclaiming Ubuntu
- 4.1.14.27 Cotlands Annual General Meeting
- 4.1.14.28 Cotlands AIDS Day
- 4.1.14.29 Soweto Festival and Exhibition
- 4.1.14.30 2nd BUSA Anti-Corruption Business Forum
- 4.1.14.31 94.7 Santam Joburg Day
- 4.1.14.32 Randfontein Economic Opportunity Roadshow

- 4.1.14.33 Meetings Africa
- 4.1.14.34 The Department of Trade and Industry Consumer Protection Law Conference and Launch
- 4.1.14.35 The Department of Trade and Industry Consumer Protection Roadshow Middelburg
- 4.1.14.36 67 Minutes for Nelson Mandela Day at Alexandra Aids Home
- 4.1.14.37 Nedlac Summit
- 4.1.14.38 2010 FIFA World Cup 100 Days countdown
- 4.1.14.39 2010 Fan Ride Media Launch
- 4.1.14.40 2010 FIFA World Cup Bafana Bafana send off street march and dinner
- 4.1.14.41 Proudly South African and COSATU Expo
- 4.1.14.42 Automechanika
- 4.1.14.43 SEDA SMME Incubation Day
- 4.1.14.44 Cavendish Square Local Products Mall Promotion

Due to budget constraints Proudly South African did not initiate any roadshows during the period under review. Instead, the Campaign partnered with The Department of Trade and Industry, the Department of Economic Development and others. These roadshows were designed to raise awareness about the Campaign and to educate consumers, business and government about the positive impact of Buying Local.

These included the following:

- 4.1.14.45 The Department of Trade and Industry, Economic Development and COTII's roadshow to Hammanskraal
- 4.1.14.46 The Department of Trade and Industry, Economic Development and COTII's roadshow to Soweto
- 4.1.14.47 The Department of Trade and Industry, Economic Development and COTII's roadshow to the East Rand
- 4.1.14.48 The Department of Trade and Industry, Economic Development and COTII's roadshow to Nkandla/Ethikweni

Due to budget constraints, the Proudly South African business was limited only to the Gauteng region. Four business forums were held during the period under review.

The business forums offer a platform for members to network and to pursue business-to-business opportunities. The events were hosted and sponsored by members and also companies who were not members. The four forums were very popular amongst members and they were well attended. Each session was limited to a maximum of 30 to 35 attendees. The business forums focused on retaining current members and recruiting new members.

### 4.1.15 Proudly South African COSATU partnership

COSATU Western Cape appointed two staff members to the Proudly South African Campaign for 12 months. The staff members were jointly managed by COSATU Western Cape and Proudly South African. Proudly South African made a financial contribution to the staff appointments.

This partnership is part of a pilot project to educate COSATU's shop stewards and members about the Proudly South African Campaign. In return, the shop stewards could influence their respective companies to support the Campaign. If successful, COSATU will engage with the Campaign to roll this project out to all their members in the nine provinces.

## 4. OPERATING REVIEWS

### 4.2 MEMBERSHIP

#### 4.2.1 Overview

The global recession of 2009 continues to affect the Proudly South African Campaign, which relies on membership to generate a sustainable revenue source. Many members have withdrawn their membership. Others who have retained their membership are paying their renewal fees after the prescribed 30-day payment period. The graph below illustrates the decline in membership during the year under review.

It has been difficult to attract new members to the Campaign. Only 46 new members joined the Campaign between April 2010 and March 2011. During the same period 199 members withdrew their membership, or had their membership cancelled because they did not pay their fees. The Campaign has put measures in place to counter this trend. In particular, the compliance team has been working to engage with these members more frequently during the course of each year. Members continue to leave the Campaign, despite efforts to counter the decline. Reasons for departure include, amongst others:

- 4.2.1.1 Lack of perceived tangible benefits for members and potential members.
- 4.2.1.2 Like many businesses operating in South Africa, some SMMEs who are Proudly South African members are struggling to survive in the current economic climate. Some are closing their doors, some are being taken over, and others are merging with other businesses.
- 4.2.1.3 Government does not stipulate that companies must be a member of the Proudly South African Campaign as a preferential procurement requirement. Nor has government included membership of the Campaign in the Broad-Based Black Economic Empowerment (B-BBEE)

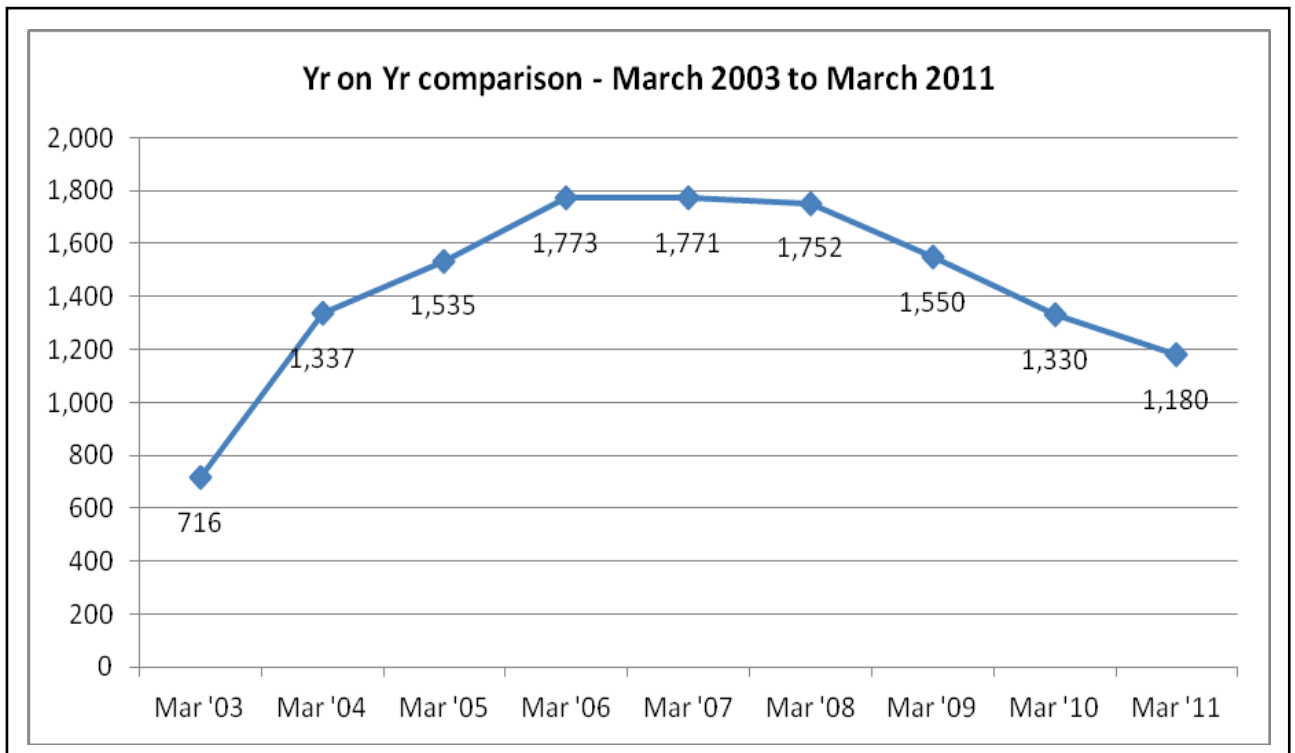
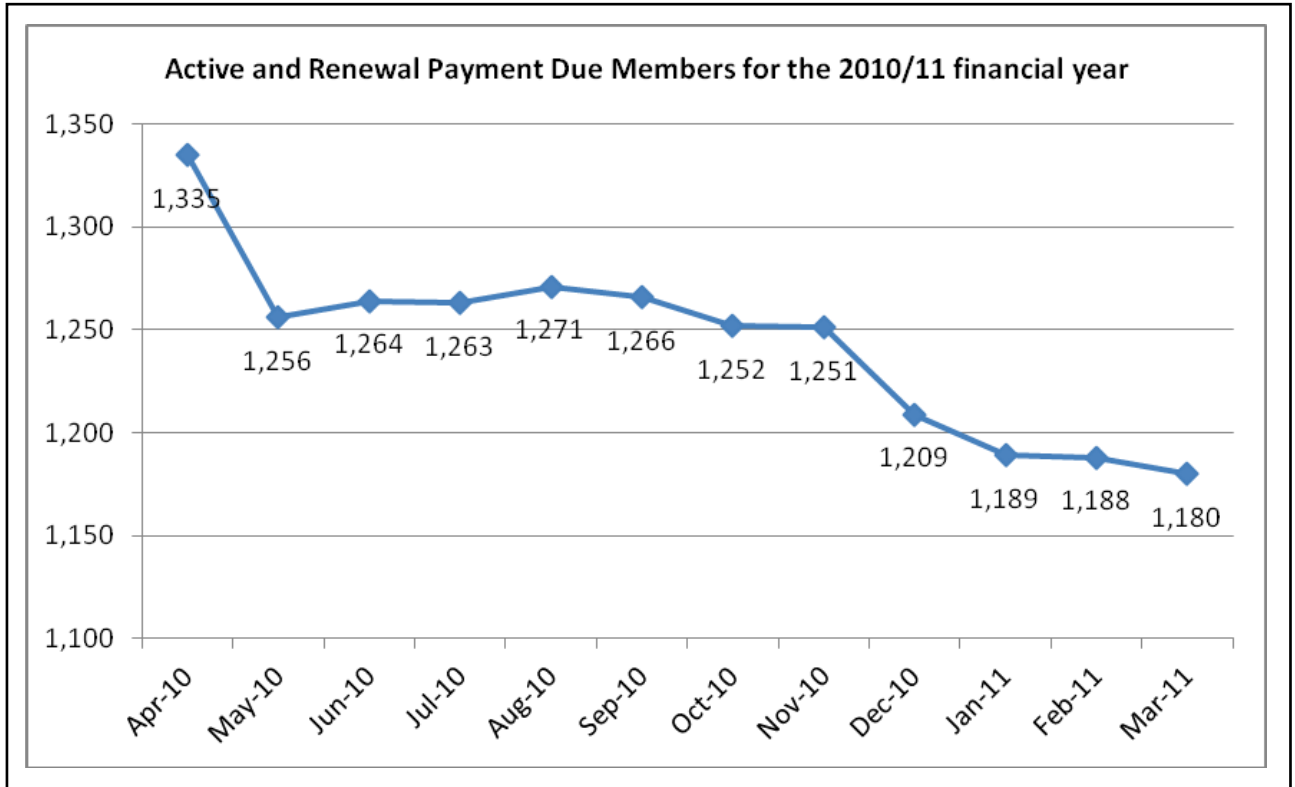
scorecard. This lack of action continues despite continued requests from the Proudly South African Campaign and its members for this to be added as membership benefits. This discourages existing members from retaining membership and potential members from joining.

- 4.2.1.4 A natural attrition rate is common to any membership organisation and it is no different for the Proudly South African Campaign. There is an expectation that members will leave and new members will join each year.
- 4.2.1.5 Some members are adopting a wait-and-see attitude in anticipation of the Repositioning Strategy. Once implemented in the next financial year, the strategy is expected to lift the profile of the Campaign in the market.

#### 4.2.2 Year-on-year trends

The Campaign has not been able to surpass the high levels experienced between 2005 and 2008. In March 2007, membership numbers reached 1 771. Instead, the Campaign has reflected a decline from March 2009. Since then, membership has dropped to its current level of 1 180. The year-on-year comparison diagram below illustrates the declining trend from March 2003 to date.

## 4.2 MEMBERSHIP



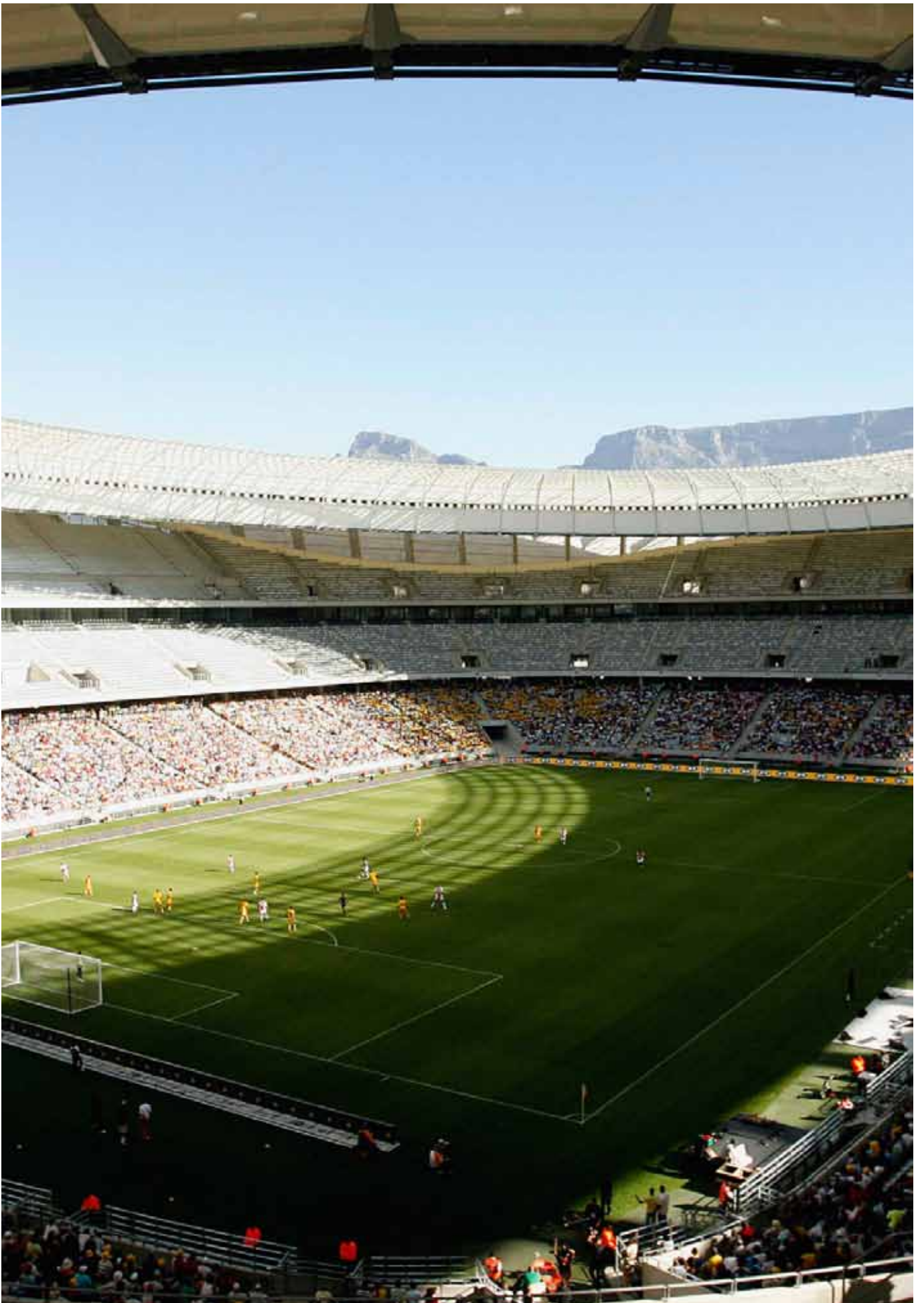
## 4.2 MEMBERSHIP

### 4.2.3 Sector representation

The Campaign has representation in at least 24 different sectors. The Education, Development and Training sector reflects the highest representation with 16.64% of total membership. The Manufacturing sector attracted the second highest membership representation with 10.73% of total membership. The table below presents a summary of the sector and industry representation of Proudly South African membership as at 31 March 2011.

Sector	%	Sector	%
Agriculture	2.95%	Media and marketing	8.09%
Section 21 companies (NGOs)	8.40%	Mining and beneficiation	0.47%
Construction engineering and architecture	1.56%	Professional services	9.64%
Crafts and home industries	2.02%	Property and real estate	0.16%
Culture, entertainment, music and arts	1.87%	Representative organisations	5.13%
Education, development and training	16.64%	Services (incl. professional services)	3.42%
Financial services	3.11%	Sport	0.62%
Food products	2.80%	Tourism, travel and hospitality	4.04%
Government	0.47%	Transport and logistics	1.87%
Healthcare	2.33%	Utilities and municipal services	0.62%
Industrial manufacturing	2.33%	Wholesale and retail trade	1.24%
Information technology and telecommunications	9.02%	Manufacturing	10.73%









## 4. OPERATING REVIEWS

### 4.3 COMPLIANCE

#### 4.3.1 Compliance process

The Proudly South African Campaign uses a set of criteria as a benchmark to evaluate membership applications. When companies apply for membership they are required to indicate their status in various areas, providing proof of compliance.

The criteria are:

-  **Local content:** the company spends at least 50% of the cost of doing business, producing or transforming their products, or rendering their service within South Africa's borders.
-  **Quality:** the company can demonstrate that their service or product is of reasonably acceptable quality and complies with standards or benchmarks set by their relevant industry sector.
-  **Fair labour:** the company adheres to fair labour practices as determined by South African labour legislation.
-  **Environmental practice:** the company can demonstrate that they follow sound environmental practices and environmentally responsible production processes or methods.

To ensure that the Proudly South African members remain consistently compliant with these requirements, the Campaign forges and strengthens strong partnerships with its membership base and also with key regulatory bodies in different industries. These partnerships help to enforce service excellence, quality and integrity of businesses involved in the Campaign.

#### 4.3.2 Membership renewals

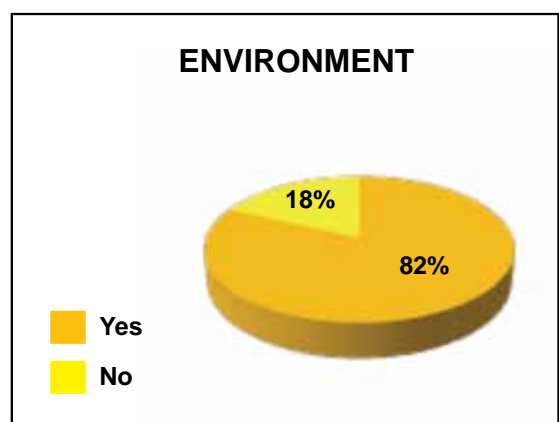
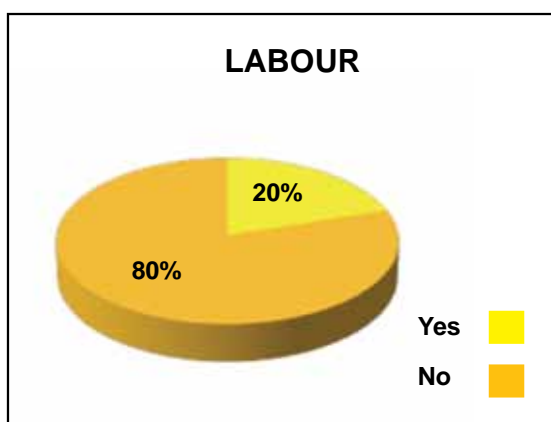
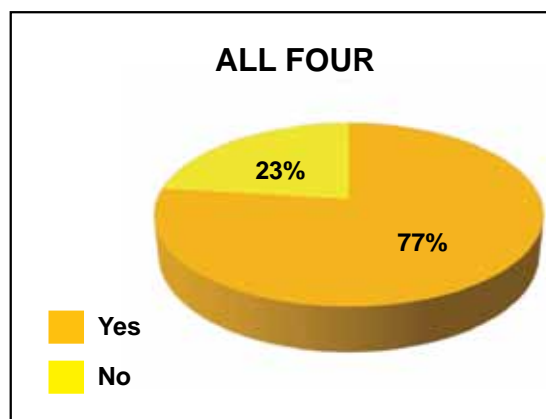
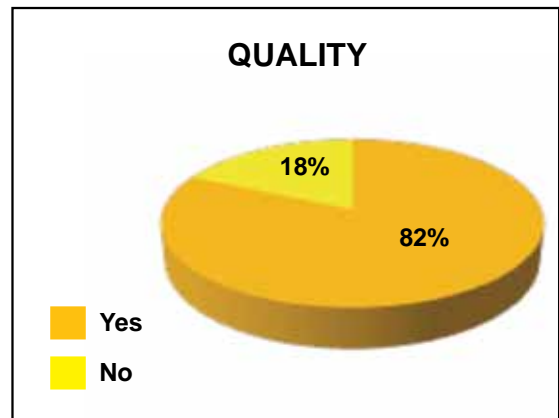
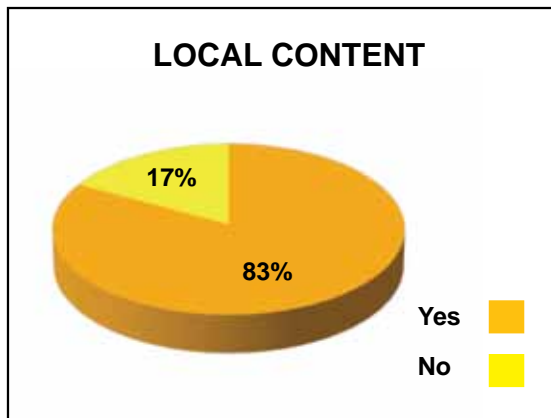
Members of the Proudly South African Campaign renew their membership every year. When members renew, the Campaign conducts compliance checks to ensure that all members maintain their compliance status at all times.

During the 2010/11 financial year, the Campaign successfully verified the credentials of 708 members. These verifications were conducted mostly through desktop compliance research.

The compliance team conducted physical visits to the premises of members operating within the Gauteng region.

The graphs on the next page show the overall members' compliance with the Proudly South African Campaign criteria. New documentation submitted by renewing members stood at 77%. While the remaining 23% may comply with one or more of the Campaign's criteria, they had not yet produced updated documentation to verify their compliance.

## 4.3 COMPLIANCE



## 4. OPERATING REVIEWS

### 4.4 HUMAN RESOURCES

#### 1. WORKFORCE PROFILE: CORE AND SUPPORT FUNCTIONS

Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	01										01
Senior management	01							01			02
Professionally qualified and experienced specialists and mid-management	01					01					02
Technically and academically qualified personnel, junior management, supervisors, foremen, and superintendents	01			02	07	02	02				14
Semi-skilled and discretionary decision making	01				01						02
Unskilled and defined decision making					01						01
<b>TOTAL</b>	<b>05</b>			<b>02</b>	<b>09</b>	<b>03</b>	<b>02</b>	<b>01</b>			<b>22</b>

#### 1.2 Core operation functions and support functions by occupational level

Core operation functions positions are those that directly relate to an organisation's core business and may lead to revenue generation, for example sales and marketing. Support function positions provide infrastructure among other enabling conditions for revenue generation.

##### 1.2.1 Core functions

Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	01										01
Senior management								01			01
Professionally qualified and experienced specialists and mid-management						01					01
Technically and academically qualified personnel, junior management, supervisors, foremen, and superintendents	01			01	04	02	01				09
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
<b>TOTAL</b>	<b>02</b>			<b>01</b>	<b>04</b>	<b>03</b>	<b>01</b>	<b>01</b>			<b>12</b>

### 1.2.2 Support function.

Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management	01										01
Professionally qualified and experienced specialists and mid-management	01										01
Technically and academically qualified personnel, junior management, supervisors, foremen, and superintendents				01	03		01				05
Semi-skilled and discretionary decision making	01				01						02
Unskilled and defined decision making					01						01
<b>TOTAL</b>	<b>03</b>			<b>01</b>	<b>05</b>		<b>01</b>				<b>10</b>

## 2. WORKFORCE MOVEMENT

The Campaign's staff numbers did not change significantly throughout the 2010/11 financial year, with an average of 22 full-time personnel and ten student interns.

In July 2010 one employee resigned and one was dismissed. Only one new appointment was made.

A more detailed analysis of the staff movement is captured below.

### 2.1 Recruitment

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Technically and academically qualified personnel, junior management, supervisors, foremen, and superintendents					01						01
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
<b>TOTAL</b>					<b>01</b>						<b>01</b>

## 4.4 HUMAN RESOURCES

### 2.2 Promotions

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Technically and academically qualified personnel, junior management, supervisors, foremen, and superintendents	01				04						05
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
<b>TOTAL</b>	<b>01</b>				<b>04</b>						<b>05</b>

### 2.3 Terminations

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Technically and academically qualified personnel, junior management, supervisors, foremen, and superintendents						01	01				02
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
<b>TOTAL</b>						<b>01</b>	<b>01</b>				<b>02</b>

### 3. TRAINING AND DEVELOPMENT

Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management	01							01			02
Professionally qualified and experienced specialists and mid-management	01					01					02
Technically and academically qualified personnel, junior management, supervisors, foremen, and superintendents	01			02	07	02	02				14
Semi-skilled and discretionary decision making	01				01						02
Unskilled and defined decision making											
<b>GRAND TOTAL</b>	<b>04</b>			<b>02</b>	<b>08</b>	<b>03</b>	<b>02</b>	<b>01</b>			<b>20</b>

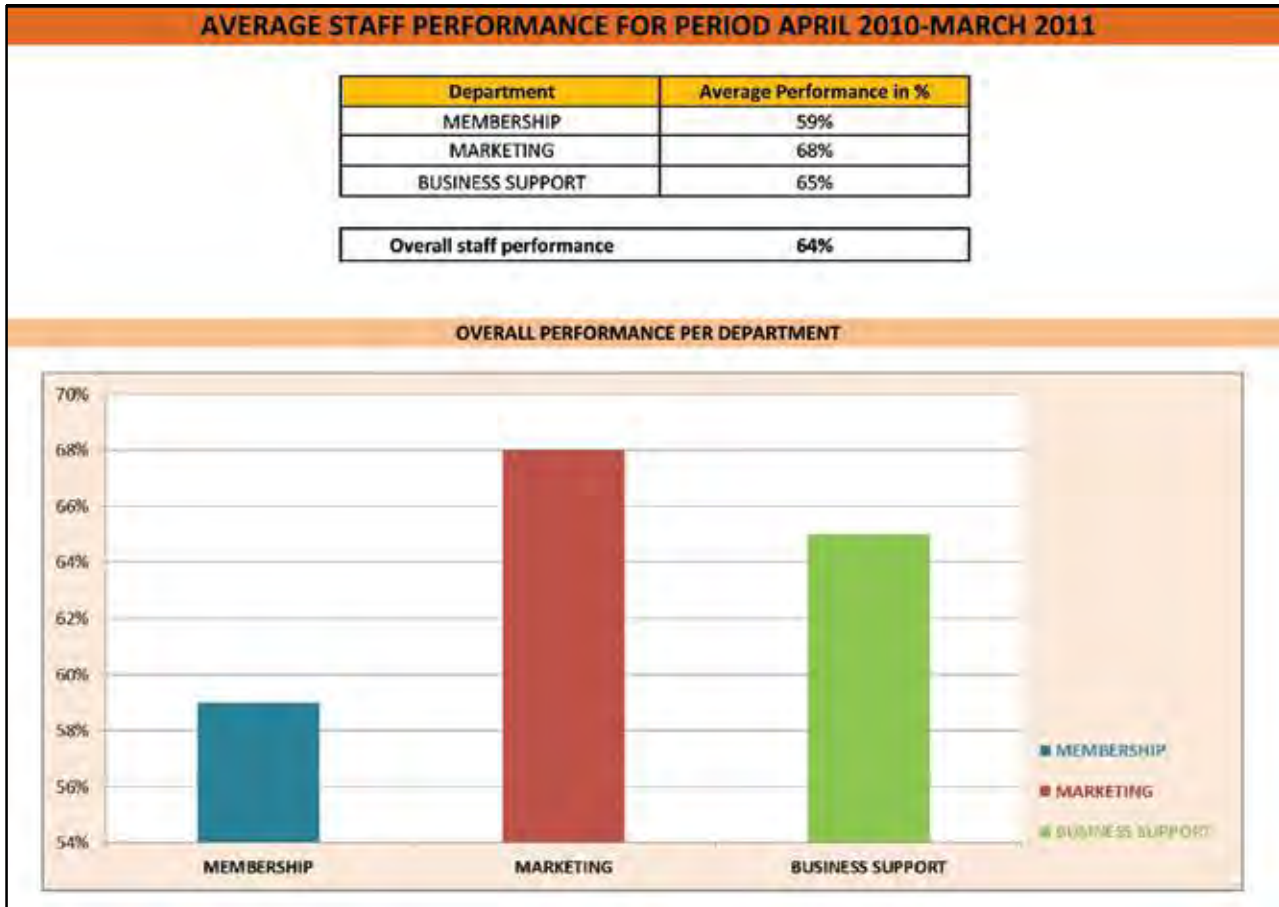
### 4. EMPLOYMENT EQUITY GOALS AND TARGETS FOR 2011/12 (including people with disabilities)

The diagram below shows the employment equity projected goals and targets for the 2011/12 period.

Occupational levels	Male				Female				Disabled		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	01										01
Senior management	02				01			01			04
Professionally qualified and experienced specialists and mid-management	01			01	01		01	01			05
Technically and academically qualified personnel, junior management, supervisors, foremen, and superintendents	05			01	14	01		01			22
Semi-skilled and discretionary decision making	03				03				01		07
Unskilled and defined decision making	01				01						02

## 4.4 HUMAN RESOURCES

### 5. OVERALL STAFF PERFORMANCE



### 6. SKILLS TRANSFER PROGRAMME

In line with the Campaign's mandate to create jobs, ten interns were taken on during the year 2010/11. Seven black female graduates and three male interns were appointed. These interns were placed across all three units for experiential training.

### 7. QUALITY MANAGEMENT

The Campaign has achieved ISO 9001 Quality Management System (QMS) certification, accredited by the South African Bureau of

Standards (SABS). This accreditation ensures that the quality of the Campaign's internal process output will improve customer service to all its stakeholders. ISO9001 accreditation will help the Campaign to manage risk, take corrective actions when risks do occur and to continually improve the entire business operation.

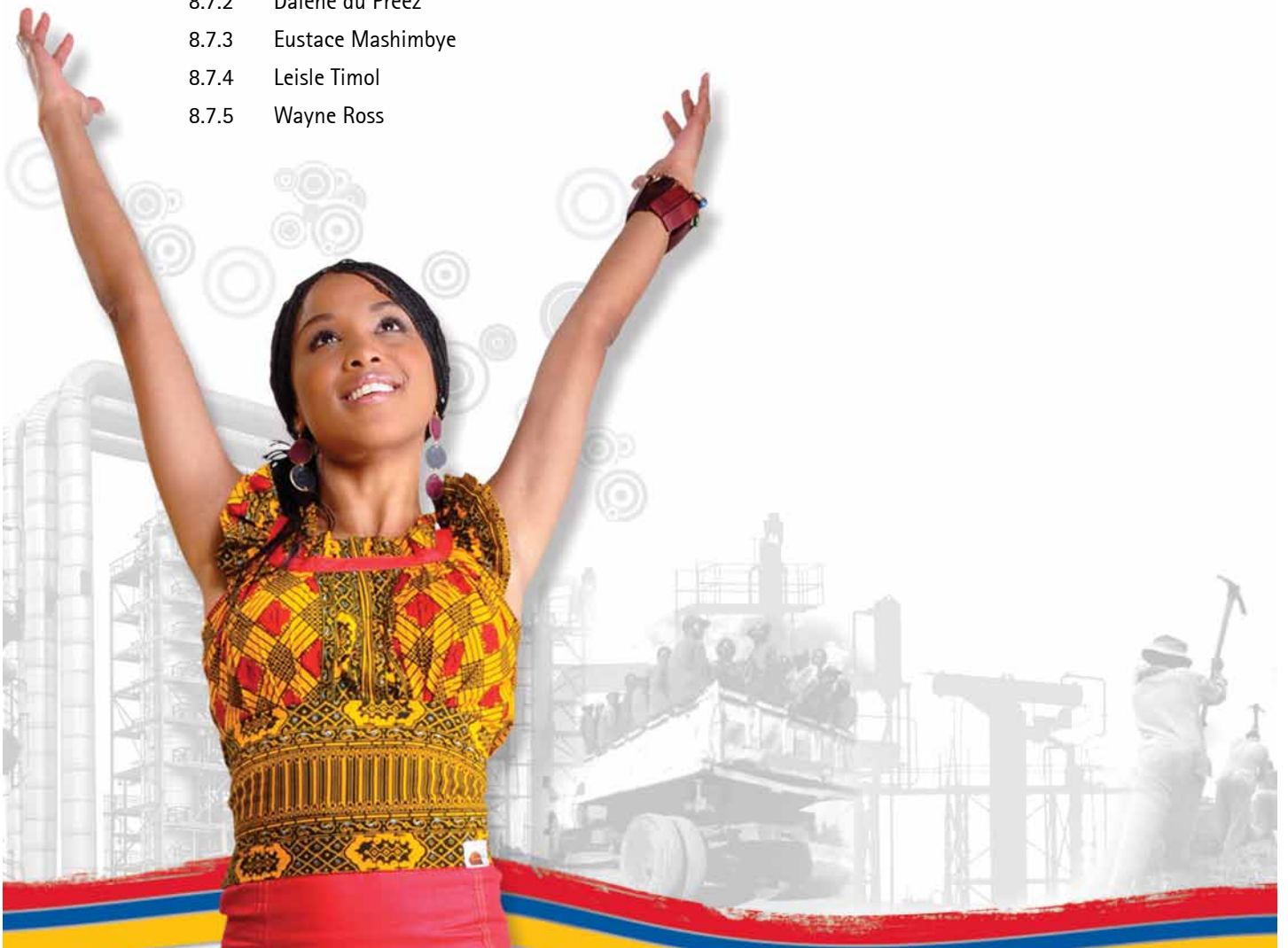
The SABS conducted two surveillance audits, one on 16 March 2010 and the other on 4 November 2010. The aim of these audits was to verify the Campaign's continued compliance with the requirements of the relevant QMS standard. The audits did not raise any non-conformities.



### 8. EMPLOYEE WELLNESS

During the 2010/11 year, the Campaign conducted various wellness activities, including:

- 8.1 A wellness day, hosted in November 2010
- 8.2 A year-end function
- 8.3 A team building event, held at Magaliesberg on 3 June 2011
- 8.4 Employee of the month:
  - 8.4.1 Richard Legge - January 2011
  - 8.4.2 Amy Williams - February 2011
  - 8.4.3 Martina Monewe - March 2011
  - 8.4.4 Anne Sengadi - April 2011
  - 8.4.5 Beverly Barnes - May 2011
- 8.5 Employee of the quarter:
  - 8.5.1 Preya Keshav - January to March 2011
- 8.6 Attendee of the quarter (Least absent Employee) :
  - 8.6.1 Mami Langa - January to March 2011
- 8.7 The following staff members received five-year service awards:
  - 8.7.1 Christina Kortjaas
  - 8.7.2 Dalene du Preez
  - 8.7.3 Eustace Mashimbye
  - 8.7.4 Leisle Timol
  - 8.7.5 Wayne Ross



## 4. OPERATING REVIEWS

### 4.5 Information Technology

The Campaign has adopted an integrated approach to its information technology infrastructure, to address the organisation's needs in several areas:

- Membership administration
- Customer relationship management
- Compliance administration
- Member invoicing processes
- Financial management and reporting
- Records management
- Web integration
- Integration with Outlook email exchange system

The system allows for payroll integration (VIP), which is not an immediate critical requirement. There are plans to explore its implementation during the next financial year.

The Campaign uses SAP Business One, an integrated system that the Proudly South African Campaign has used since October 2007. The system makes provision for continued improvement and future system development to cater for the organisation's ongoing, ever-changing needs. During the year under review, the Campaign upgraded its information technology hardware, replacing all PCs and laptops, many of which were over three years old. In parallel, the Campaign upgraded its software systems, including migrating from Windows 2003 to the Windows 2010 operating system.

At the same time, the Campaign conducted a security review. Additional security measures were added and all data backup systems were upgraded. The organisation also started doing work around its disaster recovery policy and processes.







## **4. OPERATING REVIEWS**

### **4.6 FINANCIAL OVERVIEW**

**PROUDLY SOUTH AFRICAN  
(REGISTRATION NUMBER 2001/021636/08)  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**Proudly South African**

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

**General Information**

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Campaign for South African products
<b>Directors</b>	Advocate D Mpofu (Chairperson) B Ntshalintshali D Mthalane H Mkhize (Acting CEO) J Maqhekeni L Kganyago L Kettledas L Nare R Le Roux
<b>Registered office</b>	14A Jellicoe Avenue Rosebank 2196
<b>Business address</b>	14A Jellicoe Avenue Rosebank 2196
<b>Postal address</b>	P O Box 1062 Saxonwold 2132
<b>Bankers</b>	Nedbank Rand Merchant Bank
<b>Auditors</b>	Gobodo Incorporated Registered Auditors
<b>Company registration number</b>	2001/021636/08

## 4.6 FINANCIAL OVERVIEW

### **Proudly South African**

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### **Index**

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The reports and statements set out below comprise the annual financial statements presented to the board of directors:

<b>Index</b>	<b>Page</b>
Directors' Responsibilities and Approval	39
Report of the Independent Auditors	40
Directors' Report	41
Statement of Financial Position	42
Statement of financial performance	43
Statement of Changes in Equity	44
Statement of Cash Flows	45
Accounting Policies	46 - 47
Notes to the Annual Financial Statements	48 - 52
Detailed Income Statement	53

### **Proudly South African**

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### **Directors' Responsibilities and Approval**

---

The directors are required in terms of the Companies Act of South Africa, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2012 and, in the light of this review and the current financial position, they are satisfied that the company has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 40.

The annual financial statements set out on pages 41 to 53, which have been prepared on the going concern basis, were approved by the board on 10 April 2012 and were signed on its behalf by:

**Adv. Dali Mpfu**  
Chairman

**Mr Herbert Mkhize**  
Director

**Johannesburg**  
10 April 2012

## 4.6 FINANCIAL OVERVIEW

### Report of the Independent Auditors

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#### To the Board of directors of Proudly South African

We have audited the accompanying annual financial statements of Proudly South African, which comprise the directors' report, the statement of financial position as at 31 March 2011, the statement of financial performance, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 42.

#### Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973. This responsibility includes: designing, implementing and maintaining internal control systems relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company as of 31 March 2011, and of its financial performance and its 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 of South Africa, 1973.

#### Supplementary Information

We draw your attention to the fact that the supplementary information set out on page 53 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

**Gobodo Incorporated**  
**Registered Auditors**  
**Per: Dan Govender**  
**Director**  
**Johannesburg**  
**09 December 2011**



### Proudly South African

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### Directors' Report

The directors submit their report for the year ended 31 March 2011.

#### 1. Review of activities

##### Main business and operations

Proudly South African is a campaign launched by Government, business, labour and community organisations to boost job creation by promoting SA companies as well as their local products and services.

There are four qualifying criteria for organisations who want to use the Proudly South African logo to identify their companies or their products, namely:

**Local content** – at least 50% of the cost of production must be incurred in South Africa and there must be "substantial transformation" of any imported materials.

**Quality** – the product or service must be of a proven high quality.

**Fair labour practice** – the company must practice fair labour standards - comply with labour legislation.

**Environmental standards** – the company must practice sound environmental standards and the production process must be environmentally responsible.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the company was R 19 509 774 (2010: R5 443 620 deficit).

#### 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

In order for the organisation to continue as a going concern, it requires funding from the Department of Trade and Industry and other sponsorships in order to be able to meet any shortfalls from its operations.

#### 3. Post balance sheet events

A full time CEO was appointed on 1 September 2011.

#### 4. Directors

The directors of the company during the year are as follows:

Name	Organisation	Changes
Advocate D Mpofu (Chairperson)	Independent	
Chairman		
B Ntshalintshali	Organised labour	
R Le Roux	Government	Appointed 01 October 2010
L Kganyago	Community Constituency	
D Mthlane	Community Constituency	
L Kettledas	Government	
H Mkhize (Acting CEO)	Nedlac Executive Director	
M McDonald	Organised Business	Resigned 30 November 2010
I Sharma Meer	Government	Resigned 30 September 2010
Professor R Parsons	Organised Business	Resigned 31 August 2010
J Vilakazi	Organised Business	Resigned 31 May 2011
J Maqhekeni	Organised Labour	
L Nare	Community Constituency	

#### 5. Taxation

Proudly South African has been granted an exemption from income tax and donation tax by the South African Revenue Services in terms of section 10(1)(d)(iii) of the Income Tax Act and section 56(1)(h) of the Donation Tax Act.

## 4.6 FINANCIAL OVERVIEW

### Proudly South African

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	566 766	251 960
Intangible assets	3	44 944	44 686
		<b>611 710</b>	<b>296 646</b>
<b>Current Assets</b>			
Inventories	4	224 172	145 294
Trade and other receivables	5	2 637 248	793 037
Prepayments	6	27 212	7 535
Cash and cash equivalents	7	17 926 241	1 060 350
		<b>20 814 873</b>	<b>2 006 216</b>
<b>Total Assets</b>		<b>21 426 583</b>	<b>2 302 862</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Accumulated surplus		19 837 430	327 656
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	1 487 350	1 284 506
Provisions	8	101 803	690 700
		<b>1 589 153</b>	<b>1 975 206</b>
<b>Total Equity and Liabilities</b>		<b>21 426 583</b>	<b>2 302 862</b>

## 4.6 FINANCIAL OVERVIEW

### Proudly South African

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### Statement of financial performance

Figures in Rand	Note(s)	2011	2010
Revenue	10	31 090 063	6 607 358
Cost of sales	11	(8 226)	(15 015)
<b>Gross surplus</b>		<b>31 081 837</b>	<b>6 592 343</b>
Operating expenses		(11 790 138)	(12 281 176)
<b>Operating surplus (deficit)</b>	12	<b>19 291 699</b>	<b>(5 688 833)</b>
Investment income	13	227 962	246 633
Finance costs	14	(9 887)	(1 420)
<b>Surplus (deficit) for the year</b>		<b>19 509 774</b>	<b>(5 443 620)</b>

## 4.6 FINANCIAL OVERVIEW

### Proudly South African

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

#### Statement of Changes in Equity

<b>Figures in Rand</b>	<b>Accumulated surplus</b>	<b>Total equity</b>
<b>Balance at 01 April 2009</b>	<b>5 771 276</b>	<b>5 771 276</b>
Changes in equity		
Total deficit for the year	(5 443 620)	(5 443 620)
Total changes	(5 443 620)	(5 443 620)
<b>Balance at 01 April 2010</b>	<b>327 656</b>	<b>327 656</b>
Changes in equity		
Total surplus for the year	19 509 774	19 509 774
Total changes	19 509 774	19 509 774
<b>Balance at 31 March 2011</b>	<b>19 837 430</b>	<b>19 837 430</b>

## 4.6 FINANCIAL OVERVIEW

### Proudly South African

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### Statement of Cash Flows

Figures in Rand	Note(s)	2011	2010
<b>Cash flows from operating activities</b>			
Cash generated from operations	16	17 099 179	(4 573 830)
Interest income		227 962	246 633
Finance costs		(9 887)	(1 420)
<b>Net cash from operating activities</b>		<b>17 317 254</b>	<b>(4 328 617)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(412 860)	(65 480)
Purchase of other intangible assets	3	(38 503)	(9 900)
<b>Net cash from investing activities</b>		<b>(451 363)</b>	<b>(75 380)</b>
<b>Total cash movement for the year</b>		<b>16 865 891</b>	<b>(4 403 997)</b>
Cash at the beginning of the year		1 060 350	5 464 347
<b>Total cash at end of the year</b>	7	<b>17 926 241</b>	<b>1 060 350</b>

## 4.6 FINANCIAL OVERVIEW

### Proudly South African

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### Accounting Policies

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#### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act of South Africa, 1973. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

##### 1.1 Property, plant and equipment

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Item	Average useful life (Years)
Furniture and fixtures	7
Office equipment	5
IT equipment	3
Cell phones	3
Sundry equipment	7

The residual value and the useful life of each asset are reviewed at each financial period-end. Should there be an indication that the asset is still of use although the value of the assets is reflected as zero there will be a change in accounting estimate, prior period error or change in accounting policy depending on the nature of circumstances giving rise to such reassessment. If there was an incorrect basis used in the original determination of the useful life of the asset, the resulting reassessment will be treated as prior period error, should market conditions have change which as increase the useful life of the asset, then the change will be accounted for as a change in accounting estimate, in all other in other instances a change in accounting policy will need to be applied.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

##### 1.2 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed annually.

Item	Average useful life (Years)
Computer software	3

##### 1.3 Financial instruments

###### Trade and other receivables

Trade and other receivables are carried at amortised cost less any accumulated impairment.

###### Trade and other payables

A liability is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. Trade and other payables are carried at amortised cost.

###### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### **Proudly South African**

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### **Accounting Policies**

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#### **1.4 Inventories**

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

#### **1.5 Impairment of assets**

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the company also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

#### **1.6 Provisions and contingencies**

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

#### **1.7 Government grants**

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

#### **1.8 Revenue**

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in an increase in equity, other than increases relating to contributions from equity participants.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for membership fees, sponsorship, grants, the value of trade exchanges and the sales of merchandise excluding value added tax.

Revenue arising from investments yielding interest and dividend shall be recognised when it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue can be measured reliably.

Revenue from membership fees is recognised on a cash receipt basis upon payment of a pro forma invoice by a member. If no payment is received on the pro forma invoice membership is terminated.

#### **1.9 Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### **1.10 Trade exchanges**

Trade exchanges are valued at market value and recorded as income with the corresponding amount reflected as a receivable. The receivable is reduced as and when the exchanged service or goods are utilised.

## 4.6 FINANCIAL OVERVIEW

### Proudly South African

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### Notes to the Annual Financial Statements

Figures in Rand

2011

2010

#### 2. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	691 723	(603 434)	88 289	691 723	(557 102)	134 621
Office equipment	44 554	(37 622)	6 932	39 100	(35 015)	4 085
IT equipment	1 399 119	(935 827)	463 292	991 713	(890 430)	101 283
Cell phones	20 952	(20 612)	340	20 952	(18 459)	2 493
Sundry equipment	14 820	(6 907)	7 913	14 820	(5 342)	9 478
<b>Total</b>	<b>2 171 168</b>	<b>(1 604 402)</b>	<b>566 766</b>	<b>1 758 308</b>	<b>(1 506 348)</b>	<b>251 960</b>

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	134 621	-	(46 332)	88 289
Office equipment	4 085	5 454	(2 607)	6 932
IT equipment	101 283	407 406	(45 397)	463 292
Cell phones	2 493	-	(2 153)	340
Sundry equipment	9 478	-	(1 565)	7 913
	<b>251 960</b>	<b>412 860</b>	<b>(98 054)</b>	<b>566 766</b>

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	201 762	-	(67 141)	134 621
Office equipment	7 353	-	(3 268)	4 085
IT equipment	80 282	57 126	(36 125)	101 283
Cell phones	4 734	-	(2 241)	2 493
Sundry equipment	2 319	8 354	(1 195)	9 478
	<b>296 450</b>	<b>65 480</b>	<b>(109 970)</b>	<b>251 960</b>

#### 3. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	1 214 679	(1 169 735)	44 944	1 176 176	(1 131 490)	44 686

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	44 686	38 503	(38 245)	44 944

#### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software	141 533	9 900	(106 747)	44 686



**Proudly South African**

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

**Notes to the Annual Financial Statements**

Figures in Rand	2011	2010			
<b>4. Inventories</b>					
Promotional stock	224 172	145 294			
<b>5. Trade and other receivables</b>					
Trade receivables	152 302	233 367			
Government grant receivable	2 000 000	-			
Deposits	600	600			
VAT	397 863	377 238			
Women's Coalition Network	-	1 000			
Staff loans	86 483	180 832			
	<b>2 637 248</b>	<b>793 037</b>			
<b>6. Prepayments</b>					
Smooth lining of lease payments	-	7 535			
Amounts paid to suppliers	27 212	-			
	<b>27 212</b>	<b>7 535</b>			
<b>7. Cash and cash equivalents</b>					
Cash and cash equivalents consist of:					
Cash on hand	1 295	10 192			
Bank balances	17 924 946	1 050 158			
	<b>17 926 241</b>	<b>1 060 350</b>			
<b>8. Provisions</b>					
<b>Reconciliation of provisions - 2011</b>					
	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for legal costs	80 000	-	(80 000)	-	-
Provision for salaries	527 187	-	(396 313)	(130 874)	-
Provision for leave pay	83 513	101 803	-	(83 513)	101 803
	<b>690 700</b>	<b>101 803</b>	<b>(476 313)</b>	<b>(214 387)</b>	<b>101 803</b>
<b>Reconciliation of provisions - 2010</b>					
	Opening balance	Additions	Reversed during the year	Total	
Provision for legal costs	-	80 000	-	80 000	
Provision for salaries	-	527 187	-	527 187	
Provision for leave pay	87 905	83 513	(87 905)	83 513	
	<b>87 905</b>	<b>690 700</b>	<b>(87 905)</b>	<b>690 700</b>	
<b>9. Trade and other payables</b>					
Trade payables	185 535	1 144 176			
Amounts received in advance	217	3 030			
Lease equalisation accrual	26 566	-			
Accrued expenses	1 274 532	136 800			
Unallocated deposits	500	500			
	<b>1 487 350</b>	<b>1 284 506</b>			

## 4.6 FINANCIAL OVERVIEW

### Proudly South African

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>10. Revenue</b>		
Sale of promotional items	20 058	15 583
Government grants received	27 500 000	-
Membership fees	2 725 973	3 581 236
Sponsorship	-	3 000 000
Sundry Income	844 032	10 539
	<b>31 090 063</b>	<b>6 607 358</b>
<b>11. Cost of sales</b>		
<b>Sale of goods</b>		
Promotional items	8 226	836 184
Adjustments	-	(821 169)
	<b>8 226</b>	<b>15 015</b>
<b>12. Operating surplus (deficit)</b>		
Operating surplus (deficit) for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	557 648	502 680
Equipment		
• Contractual amounts	408 745	493 330
	<b>966 393</b>	<b>996 010</b>
Depreciation on property, plant and equipment	136 299	216 717
Employee costs	7 628 608	7 490 187
<b>13. Investment revenue</b>		
Interest received	227 962	246 633
<b>14. Finance costs</b>		
Interest paid on bank overdraft and to SARS	9 887	1 420
<b>15. Auditors' remuneration</b>		
Fees	270 304	220 304

**Proudly South African**

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

**Notes to the Annual Financial Statements**

Figures in Rand	2011	2010
<b>16. Cash generated from operations</b>		
Surplus (deficit) before taxation	19 509 774	(5 443 620)
<b>Adjustments for:</b>		
Depreciation and amortisation	136 299	216 717
Interest received	(227 962)	(246 633)
Finance costs	9 887	1 420
Movements in provisions	(588 897)	602 795
<b>Changes in working capital:</b>		
Inventories	(78 878)	81 358
Trade and other receivables	(1 844 211)	(235 878)
Prepayments	(19 677)	13 438
Trade and other payables	202 844	436 573
	<b>17 099 179</b>	<b>(4 573 830)</b>
<b>17. Commitments</b>		
<b>Operating leases – as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	222 494	548 358
- in second to fifth year inclusive	626 537	1 096 968
	<b>849 031</b>	<b>1 645 326</b>

Operating lease payments represent rentals payable by the company for its leased office equipment.

**18. Contingencies**

According to a REMCO recommendation and approval by the chairman of the Board after mandating by the Board, an acting allowance of R50,000 per month was approved to be paid to the acting CEO. The total recommendation is for an amount of R 1,300,000. The allowance covers the period 1 July 2009 to 31 August 2011.

An acting allowance of R 1,050,000 for the period 1 July 2009 to March 2011 was recognised in the current year. (See note 19). An acting allowance for the period 1 April 2011 to August 2011 of R 250,000 will be recognised in the next financial period.

An acting allowance of R 400,000 for the period March to October 2005 still requires Board approval.

**19. Directors' emoluments****Executive**

2011		Emoluments
Salaries- Acting CEO (refer to note 18)		1 050 000
2010		Emoluments
Salaries-CEO		1 202 143

## 4.6 FINANCIAL OVERVIEW

### Proudly South African

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>20. Related parties</b>		
Relationships		
Proudly South African was a project initiated by NEDLAC.		
<b>Related party balances</b>		
Amount included in Trade Payables owing to NEDLAC	89 804	963 691
<b>Related party transactions</b>		
Rent paid to NEDLAC	557 648	502 680
Release of rental obligation from NEDLAC	836 111	-
<b>Compensation to directors and other key management</b>		
Short-term employee benefits (Refer to note 19)	-	-

## Proudly South African

(Registration number 2001/021636/08)

Annual Financial Statements for the year ended 31 March 2011

### Detailed Income Statement

Figures in Rand	Note(s)	2011	2010
<b>Revenue</b>			
Sale of promotional items		20 058	15 583
Government grants received		27 500 000	-
Sundry Income		844 032	10 539
Membership fees		2 725 973	3 581 236
Sponsorship		-	3 000 000
	10	<b>31 090 063</b>	<b>6 607 358</b>
<b>Cost of sales</b>			
Opening stock		(145 294)	(226 652)
Purchases		(87 104)	86 343
Closing stock		224 172	145 294
	11	<b>(8 226)</b>	<b>(15 015)</b>
<b>Gross Surplus</b>			
		<b>31 081 837</b>	<b>6 592 343</b>
<b>Other income</b>			
Interest received	13	227 962	246 633
<b>Operating expenses</b>			
Advertising posts and tenders		(167)	(15 000)
Auditors remuneration	15	(270 304)	(220 304)
Bad debts		(8 707)	-
Bank charges		(41 491)	(45 155)
Depreciation, amortisation and impairments		(136 299)	(216 717)
Employee costs		(7 628 608)	(7 490 187)
Insurance		(58 777)	(80 646)
IT expenses		(195 560)	(199 549)
Lease rentals on operating lease		(966 393)	(996 010)
Legal and professional services		(407 272)	(1 097 319)
Marketing expenses		(1 576 862)	(1 275 487)
Membership costs		(20 383)	(23 015)
Photocopier costs		(10 202)	(10 988)
Postage		(22 863)	(10 490)
Printing and stationery		(58 393)	(40 802)
Proudly South African CSI activities		(5 957)	-
PSA Home grown awards		-	(103 249)
Repairs and maintenance		(32 800)	(26 405)
Staff training		(27 760)	(200)
Staff welfare		(31 179)	(49 175)
Subscriptions		(6 067)	(1 776)
Telephone and fax		(163 845)	(236 019)
Travel - local		(104 831)	(122 898)
Workshops and seminars		(15 418)	(19 785)
		<b>(11 790 138)</b>	<b>(12 281 176)</b>
<b>Operating surplus (deficit)</b>			
	12	<b>19 519 661</b>	<b>(5 442 200)</b>
Finance costs	14	(9 887)	(1 420)
<b>Surplus (deficit) for the year</b>			
		<b>19 509 774</b>	<b>(5 443 620)</b>



## PROUDLY SOUTH AFRICAN QUALIFYING CRITERIA

Organisations that want to use the Proudly South African mark of quality to identify themselves and their products or services have to meet four criteria:



**Local content** – at least 50% of the cost of production must be incurred in South Africa and there must be "substantial transformation" of any imported materials.



**Quality** – the product or service must be of a proven high quality for example, it must be ISO accredited or have a certificate of any other accreditation organisation.



**Fair labour practice** – the company must comply with the current labour legislation and adhere to fair labour practices.



**Environmental standards** – the company must be environmentally responsible and adhere to production processes that are environmentally friendly and acceptable.

**"The power of a movement lies in the fact that it can indeed change the habits of people. The change is not the result of force but of dedication, of moral persuasion" - Steve Biko**

