

BUSINESS LINKAGES
Practice Notes

The Anglo Zimele Model

A CORPORATE RISK CAPITAL FACILITY EXPERIENCE



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A Corporate Risk Capital Facility Experience

November 2008

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Acknowledgments

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Abbreviations

BDO – business development officer

BEE – black economic empowerment

HSE – health, safety, and environment

IFC – International Finance Corporation

SMEs – small and medium enterprises

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Foreword by Anglo Zimele

Anglo Zimele is proud to be associated with the International Finance Corporation, which has taken the lead on compiling this document. Together we have sought to present the Anglo Zimele experience and approach to business development and entrepreneurship in an accessible and useful format.

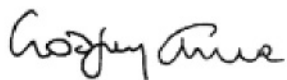
For nearly two decades, Anglo American has facilitated the entry of emerging black business into South Africa's economic mainstream, starting back in 1989 with the formation of our enterprise development unit now known as Anglo Zimele. This has entailed a dual approach. On the one hand, we have put together the big deals that have led to black-owned and managed companies of substance such as Johnnic, African Rainbow Minerals, Mvelaphanda, Eyesizwe, and Exxaro. At the other end of the scale, we have Anglo Zimele facilitating black economic empowerment (BEE) transactions within the SMEs, which make up the broader base of the South Africa's economy. However, Anglo Zimele's approach extends beyond the bank balance, ensuring true and sustainable empowerment through mentorship, strategic guidance, and skills transfer in a wide range of business areas.

It is through this hands-on approach that we can live up to our motto and pave the way for independence through enterprise.

Anglo Zimele's enterprise development model is very flexible and adjustable to particular circumstances and situations, and as such should not be viewed as a "one size fits all" approach. Furthermore, it requires an extensive support network as well as people with a passion for innovation, development, and transformation.

Our praise must go to Anglo American's divisions for their continued support of the Anglo Zimele and Anglo Khula Mining Fund companies. We must also laud the entrepreneurs for stepping forward with courage into new frontiers of business.

Our commitment to black economic empowerment and entrepreneurial development has formed and will continue to form a strategic part of Anglo American's business rationale. It not only allows the Group to identify and achieve significant cost efficiencies in its supply chain, but sees us contributing to one of South Africa's most thriving socioeconomic sectors.



Godfrey Gomwe
Chairman
Anglo Zimele

Foreword by the International Finance Corporation

The International Finance Corporation (IFC), a member of the World Bank Group, is pleased to be associated with the dissemination of the Anglo Zimele model. This model represents a unique approach to providing small and medium enterprises (SMEs) with integrated access to markets, risk capital, skills, and capacity building. This model is appropriate for business environments that have specific needs such as that in South Africa. Leading corporates committed to incorporating small local businesses into their supply base in such environments may want to learn from this risk capital model.

IFC supports the development of small local businesses through all of its three core products: equity capital through dedicated SME funds, debt finance through its SME banking and leasing programs, and advisory services through a variety of products including Linkages. Linkages programs are partnerships with IFC's leading corporate clients to strengthen their local supply chains. SMEs play critical roles in employment generation and local supply chains. Fifty percent of working populations in developing countries depend on SMEs for their work and income. Ninety percent of all enterprises are SMEs. There is both a business case and a development case for supporting SMEs.

Over the last five years, IFC has helped raise revenues for local businesses by about US\$1.2 billion through procurement contracts. At the same time, these efforts have helped more than 200 small enterprises with limited access to finance obtain about US\$25 million in bank financing. Today, there are over 60 IFC Linkages projects in 35 countries.

The Anglo Zimele model incorporates more than 18 years of in-depth corporate venture capital experience. It is an initiative that was conceptualized and promoted solely by Anglo American without any external or public support. The commitment of the Anglo Zimele team to enterprise development is truly remarkable and the investment in more than 150 supply chain-related companies since Anglo Zimele's inception in 1989 is a testament to its success. The cumulative BEE procurement spend and enterprise development investment by Anglo American from 1993 to 2007 is US\$7.2 billion.

As a member of the Business Linkages Roundtable, Anglo Zimele sought IFC's assistance to document its unique experience. Even though IFC does not have an investment or advisory relationship with Anglo Zimele at present, we found the initiative worth disseminating. We hope that companies around the world will find in this model an innovative approach to mitigate challenges faced while integrating local businesses into their supply chains.



Sujata Lamba
Senior Manager and Head of Global Linkages Unit
International Finance Corporation

Overview

Introduction

The focus of this document is to articulate in detail the process, key components, and success factors associated with the Anglo Zimele model, the enterprise development fund established by Anglo American to empower black entrepreneurs through the creation and transformation of small and medium enterprises (SMEs) in South Africa.

Success Factors

Several factors have contributed to the success of the Anglo Zimele model.

Flexibility

The model is not rigid. Debt-equity ratios are flexible and can be designed to suit the investment.

Equity stake by fund

The fact that the investment fund takes an equity stake in the SME is a major departure from traditional approaches, creating an incentive for the fund to take more interest in the day-to-day operations of companies in which it invests.

Unsecured loans

The model provides flexible financing mechanisms for the SMEs in the form of unsecured loans, when deemed appropriate.

Co-sharing of risks

By encouraging the entrepreneur to have a stake in the company, risks are co-shared.

Incubator approach

An integral part of the model is provision of business development support and transfer of technical skills.

The Anglo Zimele enterprise development fund is divided into three separate funds: the Supply Chain Fund, the Anglo Khula Mining Fund, and the Small Business Start-up Fund. Given that the funding and execution models for all three funds are essentially the same, combined with the fact that the Supply Chain Fund has been the longest in operation, for the sake of simplicity, the focus of this document is limited to details of the Supply Chain Fund.



Target Audience

The target audience for this document is companies around the world interested in developing a risk capital facility to empower local entrepreneurs, promote local enterprise development, and increase local content in their supply chains.

Customize this Manual

Companies should take care to use this document only as a guide to develop a customized model that would better suit the corporate, economic, and political environments in which they operate.

About Anglo Zimele

Anglo Zimele, the Anglo American Group's enterprise development fund, is a catalyst for emerging black business in South Africa, and was established to empower black entrepreneurs through the creation and transformation of small and medium enterprises (SMEs).

The South African Context

The 1970s and 1980s were a difficult time for South Africa. Against the backdrop of the apartheid struggle, political revolution, oppression, and the rise of labor unionism, Anglo American founded a funding mechanism, the Labour Intensive Industries Trust (LITET), in 1979 which was based on the concept that labor-intensive means of production are instrumental in job creation and economic development.

Over time, this concept evolved, as businesses came to be seen not only as investments but also as enterprises that needed to be nurtured. This realization resulted in a change of focus for business development within the Anglo American Group to forming commercially viable businesses, which, as a fortunate consequence, created sustainable employment.

Anglo Zimele

Anglo Zimele,¹ the enterprise development and empowerment initiative of Anglo American, started in 1989. The word “Zimele” is derived from the African languages Zulu and Xhosa and is translated as “to be independent” or “to stand on one’s own feet.” Anglo Zimele functions basically like an investment fund. Over the years it has created sustainable commercially viable enterprises, and empowered entrepreneurs in all business areas, equipping them to operate independently in the mainstream economy of South Africa.

Thus even before the dramatic changes in South Africa’s political landscape and the legislation around black economic empowerment (BEE) came into place,² Anglo American had put significant energy into the development of small businesses that were owned by black entrepreneurs. These were the formative years where numerous lessons were learned—lessons that have positioned Anglo Zimele for its success.

Structure of the Enterprise Development Fund

The Anglo Zimele enterprise development fund is divided into three separate funds (see figure 1). All the funds are supported by Anglo Zimele management services, which provides hands-on support in aspects such as corporate governance and management, legal, accounting, company secretarial, and public relations services, and health, safety, and the environment.

The three focus areas of the funds are:

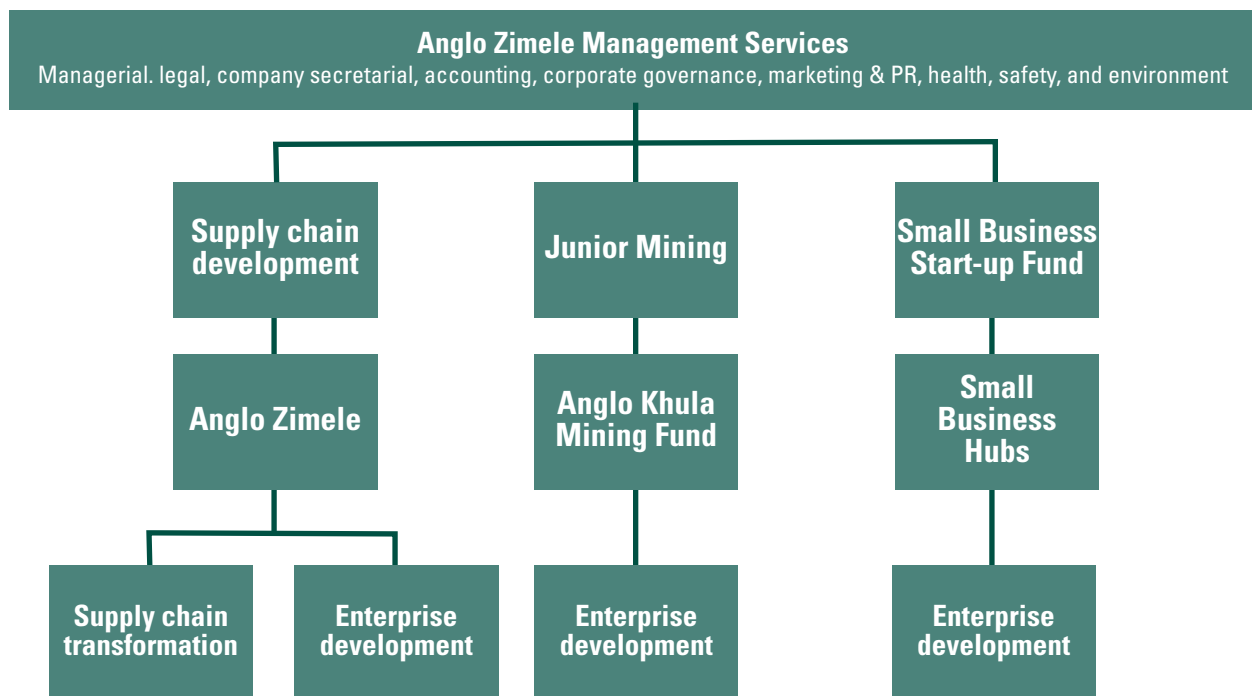
- **Supply Chain Development**, managed by Anglo Zimele, assists the Group's procurement departments in identifying BEE suppliers and ensuring the channeling of business opportunities to black-empowered SMEs. Anglo Zimele supports BEE enterprises through equity and loan finance.

¹ To learn more about the Anglo Zimele Model, visit <http://www.anglozimele.co.za>

² Visit the BEE regulations were introduced by the South African government with the aim of bringing about significant increases in the numbers of historically disadvantaged communities that manage, own, and control the country's economy, as well as leading to decreases in income inequalities. See the Black Economic Empowerment Strategy Document at <http://www.dti.gov.za/bec/bee.htm>

- **Junior Mining**, managed by Anglo Khula Mining Fund, is a joint initiative between Anglo American and Khula Enterprise Finance Limited, a government-owned entity that promotes SME development. The fund assists small-scale, black-owned mining companies with equity and loan finance as well as technical support during the high-risk exploration and prefeasibility phases of projects, bringing them to commercially bankable position. Without the fund, many black-owned junior mining companies would not be afforded the opportunity to operate in the mining sector. The fund provides similar support services to those offered by the Supply Chain Development Fund, and relies on the technical, engineering, and mining expertise of Anglo American's divisions.
- **Small Business Start-Up Fund**, an enterprise development initiative, extends loan finance to support entrepreneurs and small businesses in the communities in which Anglo American operates. To support this initiative, **Small Business Hubs** have been set up in close proximity to the mining operations, providing local entrepreneurs with such tangible support as assistance in formulatory business plans, training and coaching on the essentials of running a business, tax advice, mentoring and training sessions.

Figure 1. Anglo Zimele Fund Management Model



Performance

Over the years, Anglo Zimele has successfully invested in over 150 companies. Table 1 summarizes its financial performance from 2004 to 2007.

Table 1. Anglo Zimele Financial Performance 2004–7^a (US\$ thousands)

| Total investment: US\$ 3.2 million | | | | |
|------------------------------------|---------|-------|-------|-------------|
| Description | 2004 | 2005 | 2006 | 2007 (est.) |
| Income | 2,744 | 1,256 | 898 | 2,021 |
| Overhead & direct expenses | (1,030) | (802) | (854) | (1,727) |
| Net profit | 1,714 | 454 | 44 | 294 |

Source: Anglo Zimele.

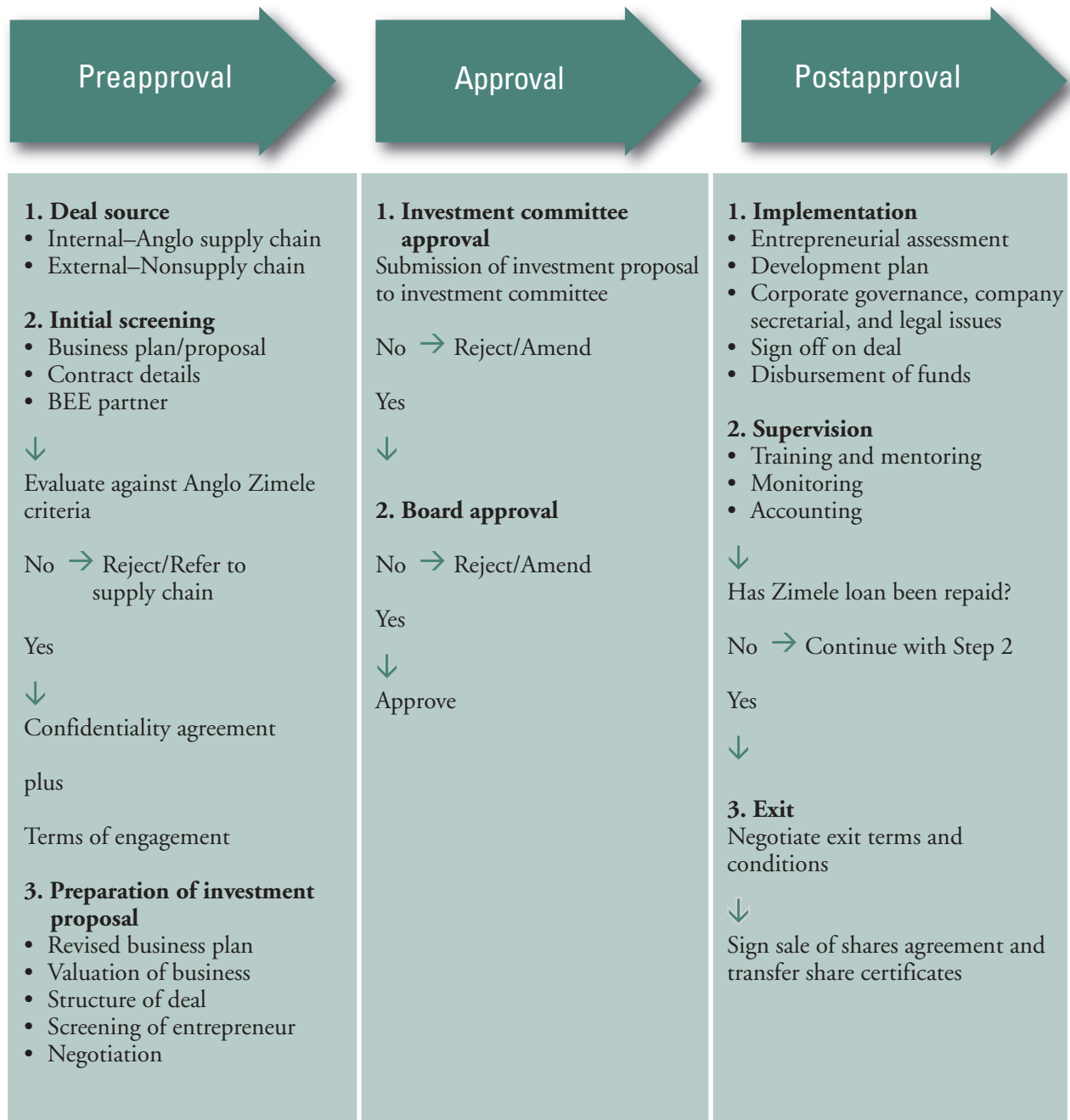
a. As of December 31, 2007.

Anglo Zimele's success can be attributed to its unique **funding model**, which promotes the corporation to take an equity stake in the SME, coupled with its **incubator approach**, which provides entrepreneurs with constant business development and technical support.

It is important to keep in mind that funds like the Small Business Start-up Fund, which provide loans to community members for small businesses, become viable only at a later stage, once other funds like the Supply Chain and Junior Mining have started generating enough returns to cross-subsidize the financing of the Small Business Start-up Fund.

The rest of the document will focus on the Supply Chain Fund and the accompanying processes (see figure 2).

Figure 2. Life Cycle of Project Evaluations: Supply Chain Fund



The Three Phases of the Anglo Zimele Model

Phase 1 **Preapproval**

Step 1. Deal Source

The process of identifying investment opportunities is usually carried out by Anglo Zimele's development officers (BDO) by engaging with SMEs, as well as Anglo American's supply chain departments.

Engagement with Entrepreneurs or SMEs

Engagement with SMEs or BEE partners³ could take place in three ways:

- An entrepreneur may approach Anglo Zimele with a business idea or proposal
- Anglo Zimele may approach an entrepreneur for a deal coming up in the pipeline
- An existing SME may approach Anglo Zimele with the view of empowering the business and partnering with a BEE entrepreneur.

Engagement with Supply Chain Departments

The BDOs constantly work with the supply chain departments of the respective business units to understand:

- What are the prospective procurement opportunities?
- Will there be sufficient and ongoing demand for these opportunities?
- Which of these opportunities can be explored further and converted into an investment opportunity?

Moreover, Anglo Zimele may seek and explore opportunities that are not related to Anglo American or its divisions.

³The Mining Charter in South Africa requires all companies to increase their procurement from companies owned by historically disadvantaged South Africans (HDSAs). See the Mining Sector Charter at http://bee.sabinet.co.za/charters/fin_services.pdf

Step 2. Initial Screening

The initial screening is conducted to check the investment application submitted by the entrepreneur against Anglo Zimele's investment criteria and to evaluate the commercial viability and economic sustainability of the proposal. The SMEs interested in obtaining funding usually need to demonstrate that they plan to meet all the evaluation criteria and prepare a thorough business plan. Ideally, these investment criteria and a sample business plan should be made available to prospective SMEs in hard copies or through the fund's Web site. Appendix A contains Anglo Zimele's criteria for evaluating investments. Appendix B contains the outline of a typical business plan.

In addition to the investment guidelines, BDOs need to ensure that the entrepreneurs have the necessary passion, knowledge, and drive to execute this process. If not, they need to determine the missing gaps and ways to rectify them.

Preparation of a Business Plan

In the preparation of the business plan, the following areas should be thoroughly researched and presented.

The business plan should cover areas such as:

- Description of business
- Scope and terms of reference
- Market analysis
- Industry analysis
- Business proposition and opportunity
- Technology, operations, and logistics
- Management and human resources
- Financial and business systems
- Legal aspects
- Action plan with time line
- Contingency plans.

Some applicants approach Anglo Zimele with an advanced business plan, while others do not have a business plan and require extensive assistance. Business plans should be prepared on a conservative basis with a clear link between contracts and revenue generation. All overhead and expenditures should be scrutinized on a zero-budgeting basis.

If the business plan is successfully approved by the Anglo Zimele board, Anglo Zimele acquires a minority equity stake in the business and is represented on the new company's board of directors.

Confidentiality Agreements

Following the expression of interest to pursue this deal, the entrepreneurs and Anglo Zimele sign a confidentiality agreement and terms of engagement.

Step 3. Preparation of Investment Proposal

The final product of the preapproval phase is an investment proposal that will incorporate a proper business plan, the financial valuation of the business, and the screening of the partners based on an external entrepreneurial assessment. The investment proposal outlines the structure and shareholding as well as the marketing, technical, financial, and operational mechanics of the deal.

It is important to present business plans that display a realistic estimate of the required funding. Bridging finance is not viewed in a favorable light unless extremely well motivated.

Deal Structuring

Deals are structured using a combination of debt and equity. It is important to view each deal in a separate light when tailoring the financial structure, as each deal has unique circumstances and requirements. *No one size fits all*. Achieving such financial structures requires taking a departure from the traditional textbook-gear ratios, but at the same time, making sure they are within the domain of commercial structuring and prudent financial accounting.

In addition, a three- to five-year financial forecast demonstrating the company's capability to repay the loan commitments is prepared.

Debt

It is preferable for loans to be secured where possible through cession of the debtor's book or lien of assets. Often, however, loans are unsecured. Normal terms and conditions are a repayment period of three to five years at an interest rate of prime + 1 percent.

Loans are usually given to fund working capital or acquire fixed assets and equipment.

Equity

The investment fund usually takes a minority equity stake of at least 10 percent, but not more than 49 percent in the enterprise and also requires the entrepreneur to make an upfront financial contribution.



Phase 2 **Approval**

Step 1. Investment Committee Approval

The investment proposal is submitted to the investment committee, whose role is to screen new business proposals in detail. The committee approves, rejects, or amends the proposal. The investment committee is made up of some members of the Anglo Zimele board and staff. It is a smaller committee that meets before the quarterly board meeting.

Presentation by Entrepreneurs

The short-listed entrepreneurs also attend the investment committee meeting to pitch their business plans to the committee and make a case to finance them. Meeting the entrepreneurs is an important step in the process, as it provides an opportunity for the committee members to quiz the entrepreneurs or business partners on their ability to make things happen.

Once the investment committee has approved the project(s), it is presented to the board for ratification.

Step 2. Board Approval

The Anglo Zimele board of directors consists of various senior managers from a range of technical, social, and financial disciplines across Anglo American. The board meets on a quarterly basis to review the performance of existing investments and ratify new investments.

Support services are also present at this meeting in the form of a legal representative and company secretary, who records the minutes of the meeting.



Phase 3 **Postapproval**

Step 1. Implementation

Once the board approves the proposal, it goes into implementation phase, which includes a formal entrepreneurial assessment, a training and development strategy for the entrepreneur, and the addressing of other legal, secretarial, and disbursement issues.

Entrepreneur Assessment

The entrepreneur is put through an **entrepreneurial potential assessment**, which is essentially a test to assess whether the entrepreneur has the aptitude and know-how to run a business. This assessment covers areas such as:

- Psychological readiness—for example, need for achievement, energy, focus and tenacity
- Skills and knowledge—for example, marketing and sales, costing and financial forecasting
- Business orientation and creditworthiness—for example, business focus and mindset, business history.

In addition, a **training needs assessment** is conducted to identify which technical and business skills need to be transferred to the entrepreneur. A training or development plan is prepared accordingly.

Corporate Governance, Company Secretarial, and Legal Matters

The company secretarial unit attends to meetings and all statutory matters. A new company is created as a proprietary limited vehicle (governed by the legislation pertaining to the South African Companies' Act). Corporate governance principles are outlined, which incorporate the appointment of check signatories. The legal advisor compiles the shareholders' loan and supply agreements. There may be numerous iterations and loops within this process, as well as negotiations.

Once the agreements are approved by all parties, signed and concluded, the deal is in place.

Enterprise's Inaugural Board Meeting

Immediately after the signing, the first board meeting takes place, where a business development officer (BDO) is appointed as a nonexecutive director.

The company secretary is appointed by Anglo Zimele and agreement is reached on who the accountant, auditor, and bankers will be.

Disbursement of Funds

Certain formalities must be completed before the funds can be released to the SME, such as registration of the business and opening of a bank account.

Once the above-mentioned steps have been completed, the funds can be disbursed. While there is no time line as such for these steps, it is important that all these activities are completed within six months of project approval, failing which the funds are not disbursed and the SME would have to reapply to the board.

Step 2. Supervision

The supervision phase involves the regular monitoring and development of the investment by means of regular face-to-face interactions and meetings for the purpose of developing, building and growing the business.

Technical Partnerships

Anglo Zimele helps to bring on board a technical mentor—either an individual or a company—that has specialist knowledge and skills to transfer to the entrepreneur(s).

Training

The entrepreneur is encouraged to attend the business and technical skill programs as detailed in his/her training program. This can take the form of formal or informal training, as well as on-the-job or off-the-job training.

Formal training programmes for the following areas can be organized for the entrepreneurs:

- Financial management for nonfinancial managers
- Assertiveness
- Computer literacy
- Business management
- Production management
- Industry-specific courses
- Basic accounting
- Supervisory course
- Director training workshops.⁴

Entrepreneurs are also encouraged to choose courses that they think would benefit them in their specific work environment.

Support from BDOs

BDOs add value to the businesses in the following ways:

Management

- Take position as a nonexecutive director
- Provide strategic, financial, and commercial advice
- Act as company secretaries to the business
- Ensure that proper corporate governance and good business practices are in place
- Attend monthly management meetings as well as quarterly board meetings
- Report back to the Anglo Zimele board on a quarterly basis on the performance and progress of each business.

⁴It is advisable to organize the director training workshops at least six months into the investment, as the entrepreneurs tend to value the workshop more after they have started to understand the relevance and importance of these workshops.

Marketing

- Assist with marketing efforts, both internally in Anglo and externally
- Help investee companies to leverage Anglo Zimele's branding by including the group in letterheads and company profiles
- Introduce the investment to the media and relevant publications, thereby enhancing the profile of the business.

Operational

- Provide guidance in the areas of health, safety, and environment, HIV/AIDS, and the Socio-Economic Assessment Toolbox (an Anglo American program)⁵
- Ensure proper integration of the BEE partner(s) into the business and the transfer of skills through a developmental plan
- Mentor and coach the entrepreneurs.

Financial

- Ensure that loan repayments occur on a consistent basis and that the company's growth path is constantly monitored
- Agree and sign-off on the annual budget of the investees
- Monitor and review monthly management reports
- Ensure that proper internal controls are in place
- Ensure that audited annual financial statements are completed on time.

One-on-One Mentoring/Coaching

The entire staff—including the BDOs, legal advisor, accountant, and company secretary—is required to provide constant support and guidance to the entrepreneur. Being able to do this requires:

- Good interpersonal skills
- Willingness and enthusiasm
- Patience and tolerance.

Monitoring and Evaluation

It is important to have a plan for monitoring and evaluating the investments in place. This can be done at two levels.

SME level

Regular monitoring and evaluation of key SME indicators should be conducted every quarter. Some of the indicators are:

Financial

- Profitability
- Liquidity
- Increase in turnover, margin, profits, and cash
- Markets
- Operations.

⁵ Anglo American's Socio-Economic Assessment Toolbox (SEAT) provides a disciplined and highly effective way of engaging with local communities to address concerns and improve local development impact. See <http://www.angloamerican.co.uk/cr/socialresponsibility/seat/>

Nonfinancial

- Transfer of skills
- Corporate governance
- Numbers of jobs increased.

Internal fund level

Regular team meeting are organized every quarter to review the performance of existing investments and discuss new investment opportunities.

Revenues and Accounting

The Supply Chain Fund and the other two funds have their own budget and accounts for their own revenue: that is, they are ringfenced.

Income sources for the fund

The investment deals provide revenue from the following sources:

- Management fees (from the investee SME or company to Zimele staff who sit on its board and serve as the company secretary)
- Dividends
- Interest from loan recovery
- Capital gain on exit of the investment.

This revenue can be used to cover overhead and other administrative costs. In the Anglo Zimele case, the revenues exceed costs. This happens mainly because of the capital gains made when the investments are sold and because all profits generated from the sale of investments are reinvested into new ventures.

Step 3. Exit

The exit phase entails the sale of Anglo Zimele's shares to the existing entrepreneurs in a manner defined in the shareholders agreement and based on commercial terms and conditions.

The exit phase usually commences in the three- to five-year period after the initial investment and is done on a mutually agreeable basis. For this reason, it is preferable to exit when the business is performing well.

This entails a valuation of the business to determine an exit price. The exit is concluded with the signing of the sale of shares agreement and the transfer of the share certificates.

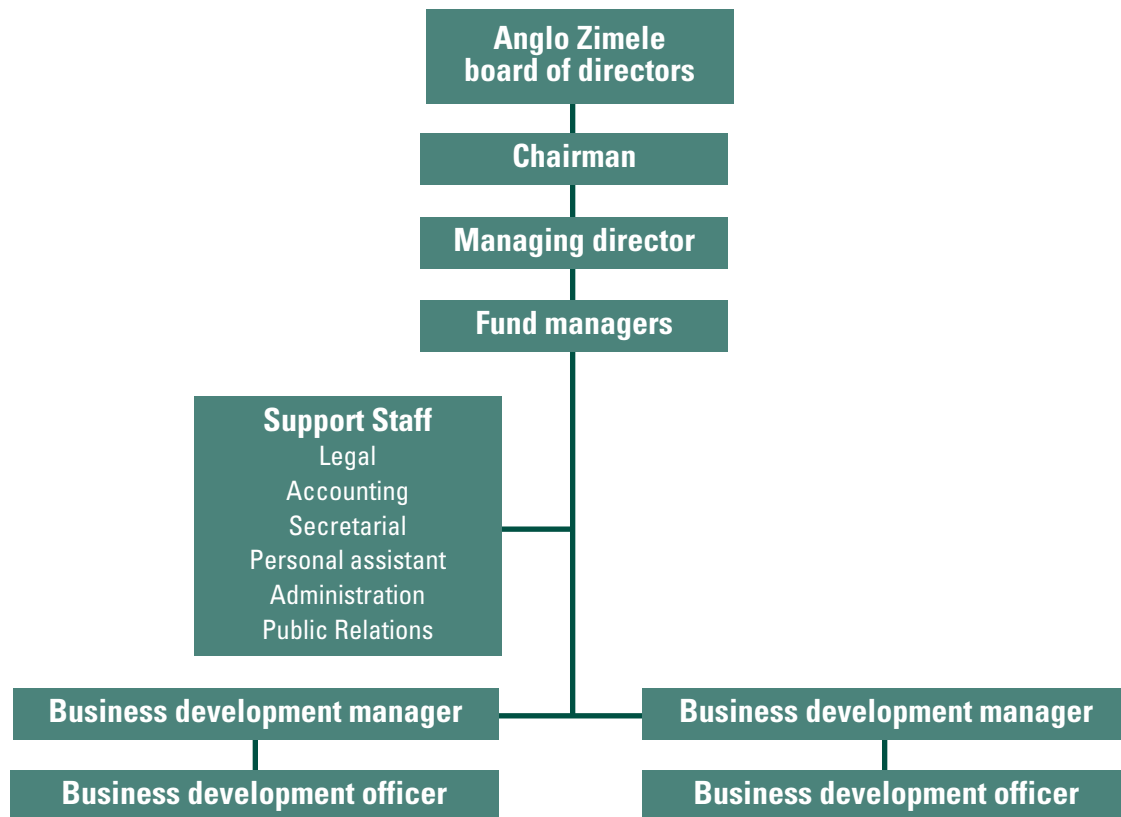
The entire exit process should not take more than one year.



Fund Management Team Structure

The organizational structure for the Anglo Zimele Fund Management Model is shown in figure 3. Some of the key roles are discussed in further detail in appendix C.

Figure 3. Fund Management Team Structure



Appendixes

Appendix A. Criteria for Evaluation of Investments

The following are the main investment guidelines:

1. Will only invest in commercially ready proposals.
2. Will only invest in commercially viable and long term sustainable businesses that are wealth creating (that generates an IRR of at least 20%).
3. Will only invest where BEE equity partnership is required with management involvement and value adding capability (this must conform to the Mining Charter).
4. There must be a transfer of technical and commercial skills for BEE entrepreneurial development.
5. There must be some owner's equity contribution (minimum of 10%).
6. Will only invest where there is a supply link, actual or potential, into Anglo or its business units supply chain. (There may be motivated exceptions to this criterion.)
7. Maximum investment per deal is US\$0.7 million (approximately ZAR 5 million). Prior to 2008, maximum investment per deal was US\$0.35 million (approximately ZAR 2.5 million).
8. Anglo Zimele to acquire minority equity participation (10–49%).
9. Fund working capital requirements through shareholder loans at prime plus 1% with commercial repayment terms and conditions.
10. Job creation a natural outcome.
11. Exit strategies to be clearly defined at the outset.
12. For established business proposals, new company is the preferred route.
13. Investment to be preferably made directly into the investee company.
14. The business must be registered as a (Pty) Ltd company and as such must have an appointed auditor.
15. Proper accounting records must be maintained by either an internal resource or outsourced to an independent third party. This resource must be approved by Anglo Zimele.
16. Shareholders and loan agreements will be compiled by Anglo Zimele which will have as annexures Anglo's good corporate citizenship principles and Anglo Zimele's financial control and SHE requirements.
17. Anglo Zimele will not invest in any "sin" industries.

Anglo Zimele reserves the right to decline investment proposals even though they may meet the specified criteria.

Appendix B. The Outline of a Typical Business Plan

- 1. Executive Summary**
- 2. Introduction and Background (including project status)**
- 3. Description of Business and Offering**
- 4. Terminologies, Scope and Terms of Reference**
- 5. Market Analysis (global/local/regional)**
 - 5.1. Market overview and structure
 - 5.2. Market size and share
 - 5.3. Market segments
 - 5.4. Target markets
 - 5.5. Customer and supplier profile (include trade references as annexure)
 - 5.6. Imports/exports
 - 5.7. Trends and growth (both past and future)
 - 5.8. Demand/supply analysis
 - 5.9. Prices, quality, and promotion
 - 5.10. Market research
- 6. Industry Analysis**
 - 6.1. Industry structure
 - 6.2. Value chain analysis
 - 6.3. Competitive position
 - 6.4. Competitive advantage
 - 6.5. Key success factors
- 7. Business Proposition and Opportunity**
 - 7.1. Strategy
 - 7.2. Direction/vision
 - 7.3. Objectives/targets
 - 7.4. SWOT analysis (Strengths and Weakness, Opportunities and Threats)
 - 7.5. Networks and strategic alliances
 - 7.6. Shareholders and background
 - 7.7. Price and form of transaction
- 8. Technology/Operations/Logistics**
 - 8.1. Premises and facilities
 - 8.2. Nature of operations
 - 8.3. Product/process technology
 - 8.4. Production and distribution
 - 8.5. Maintenance
 - 8.6. Stocks
 - 8.7. Research and development

9. Management and Human Resources

- 9.1. Organogram
- 9.2. Management profile of key role players
- 9.3. Resources, skills, and tasks
- 9.4. Training
- 9.5. Remuneration and incentivisation

10. Financial and Business Systems

- 10.1. Historical financial analysis—last 3 years' income statements, balance sheet and cash flows
- 10.2. Projections/forecasts—for 3 years (including parameters and assumptions)
- 10.3. Summary of financial models
- 10.4. Segmental analysis
- 10.5. Cost, volume, price, and profit analysis
- 10.6. Ratio analysis
- 10.7. Sensitivity analysis (key variables)
- 10.8. Cash situation and taxation
- 10.9. Risk/return assessment
- 10.10. Financing requirements, terms and structure
- 10.11. Information systems and internal controls
- 10.12. Accounting policies
- 10.13. Reporting

11. Implementation

This includes auditors, board of directors, secretarial, banking, and public relations matters

12. Legal Aspects

This includes legal agreements and insurance policies

13. Action Plan with Time Scales**14. Contingency Plans and Alternatives****15. Conclusion and Recommendations**

Overall assessment of people/entrepreneurs, market attractiveness/niche, opportunity, context, and risk/reward

16. Relevant Annexures

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Appendix C. Description of Key Roles in the Team

Senior Business Development Manager/Fund Manager

Role

Implement, maintain, and grow existing investments

- Manage all the business development officers and their activities
- Ensure that new investments are implemented on time and efficiently, with due diligence, legal agreements, contracts of employment, and compliance to technical and health, safety, and environment (HSE) requirements and corporate citizenship principles and ethics
- Initiate and execute a training development plan for the SMEs
- Attend the board meetings of all the investment companies to monitor progress and help improve performance through optimum value addition and business advice
- Work with the procurement department of the sponsor company to ensure exposure and support to existing investments (via tenders and contracts).

Identify and create new investment opportunities

- Screen, identify, and evaluate new business opportunities and entrepreneurs
- Source strategic equity partners for investment purposes
- Prepare bankable business plans, investment proposals, and due diligence exercises
- Interact with procurement departments for supply chain opportunities.

Qualification

Commercial degree, preferably postgraduate.

Business Development Officer

Business development officers are expected to develop and sustain a portfolio of clients. The two key areas in which they should be proficient are product knowledge and market/segment knowledge.

Role

- Acquire an in-depth knowledge of the client's business through a process of information gathering and consultation
- Identify the needs of the client and deliver customized development solutions
- Manage and coordinate shareholders and other agreements as well as business plans
- Develop relationships with a wide range of product specialists within the sponsor company
- Optimize the true potential of portfolios through sound portfolio management
- Canvass for new business
- Achieve negotiated project targets.

Qualification

- Previous experience in management and relationship management
- Strong negotiation and diplomacy skills
- Strong communication skills.

Company Secretary

The main purpose of having a company secretary is to provide an efficient and expert company secretarial service to internal and external clients with the aim of ensuring compliance with relevant statutes and good corporate governance.

Role

- Convene all the board meetings of the investee SMEs, prepare the agenda, attend meetings, and transcribe minutes
- Manage and coordinate all activities related to documentation of the investee SME, including certification of the annual financial statement, internal and external agreement on all documents circulated to shareholders, and appointment and resignation of directors
- Advise the company's management on their powers and duties, statutes, and matters of a procedural nature
- Ensure that the companies comply with the requirements of the Companies Act
- Be the champion of corporate compliance and corporate governance.

Qualification

- CIS and diploma in corporate law
- At least five years of previous work experience in company secretarial work
- Computer literacy
- Excellent oral and communication skills.

Accountant

The accounting position is essential in order to analyze (process, interpret, and report) financial information to meet client needs and support management and staff.

Role

- Review SME management accounts
- Review year-end financials
- Tally accounts and loans outstanding
- Attend to all other finance and accounts-related issues.

Qualification

- Trained chartered accountant
- Previous accounting work experience preferred
- Knowledge of tax requirements and basic company and banking laws.

Legal Advisor

A legal advisor is required to provide support for all commercial legal matters that originate as a result of the investments.

Role

- Prepare and review all commercial agreements such as:
 - Shareholder agreements
 - Sale of shares agreements
 - Cession of debts agreements
 - Pledge of shares agreements
 - Joint feasibility agreements
 - Loan agreements
 - Sale of business agreements
- Perform corporate governance-related tasks with the company secretary
- Carry out all the necessary legal due diligence before making an investment
- Provide sound legal advice to the board regarding how to approach a new investment
- Have knowledge of sector-specific legal requirements. For example, if the sponsor company is in mining, the legal advisor should know how to draft mining related agreements
- Have knowledge of country specific regulations. For example, certain countries have special regulations such as the black economic empowerment (BEE) initiative in South Africa
- Assist investee companies/SMEs with legal work on an ad hoc basis, but advise companies that it is preferable that they elect their own legal representation to avoid any possible conflict of interest situation.

Often SMEs do not foresee the need for a legal counsel and are then unable to afford one when the need arises. Hence, it might be a good idea to work potential legal fees into the budget of the SMEs at the time the investment is approved.

Qualification

- Legal degree and an admitted attorney
- At least three years of post articles legal experience.

