



BBBEE Rating Report – QSE Scorecard

DOC NO: F25
 REVISION NO: 004
 DATE: 25 March 2010

Modart (Pty) Ltd

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Qualifying Small Enterprises Scorecard


Final Rating Report

Executive Summary

Core Components	BEE Elements	Status
Direct Empowerment	Ownership	4.98
	Management Control	12.50
Human Resources Development	Employment Equity	27.00
	Skills Development	N/A
Indirect Empowerment	Preferential Procurement	22.50
	Enterprise Development	N/A
	Socio-Economic Development	N/A
	Value Added Supplier	No

Level 4 Contributor to B-BBEE (66.98 Points)

Black Influenced Enterprise



 BBBEE Rating Agency
 Signatory Representative

10 November 2011
 Date



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This report is the result of an independent and impartial verification of the BBBEE status of the measured entity measured against the Code of Good Practice on Broad Based Black Economic Empowerment Gazetted on 9 February 2008.

All BEE statistics (especially Supplier information) was collated in a comprehensive information gathering initiative to allow accurate scoring on all objectives and themes. With the increase emphasis by Government on broad based black economic empowerment, such figures must remain accurate and easily available for future measurement and reporting initiatives.

The objective of our verification is to verify the validity and accuracy of the BBBEE status represented by the measured entity. BBBEE Rating Agency is not responsible for ensuring completeness of information provided to support the BBBEE Status. The empowerment ratings, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities.

All the information contained in this document has been collected from sources within the company and believed to be accurate and reliable at the time of measurement.

All referencing to Black individuals is based on the generic term used to refer to African (A), Indian (I) and Coloured (C) South African citizens.

The verification was based on the following elements:

Ownership – 25 points

Who owns the company?

Management Control – 25 points

The Senior or Top Managers who make or implement the strategic decisions

Employment Equity – 25 points

The distribution of black employees in Junior, Middle and Senior Management

Skills Development – 25 points

Training or training programs aimed at developing skills of employees, blacks in particular.

Preferential Procurement – 25 points

Purchase from and getting the benefit from purchasing at businesses with a BEE scorecard.

Enterprise Development – 25 points

Do you assist black owned businesses to improve?

Socio Economic Development – 25 points

Do you make contributions towards your black employees, or for the greater good of black beneficiaries



Glossary of Terms

Black people:	A generic term that refers to African, Coloured and Indian persons who are natural persons; and are South African Citizens by birth ;or descent; or are South African citizens by naturalization before the commencement date of the Constitution of the Republic of South Africa Act of 1993; or became citizens of the Republic of South Africa after the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, but for the Apartheid policy that had been in place prior to that date, would have been entitled to acquire citizenship by naturalization prior to that date.
Black designated groups:	This means black people who are also workers, unemployed people, youth, aged people, people with disabilities or people living in rural areas.
Broad-Based Ownership Scheme	Means a collective ownership scheme constituted with the view to facilitating the participation of specified natural persons in the benefits flowing from the ownership by that scheme or by its fiduciaries of an Equity Interest in an Enterprise measured in accordance with Code 100 statement 100.
Elements:	The measurable quantitative or qualitative elements of BEE compliance specified in the statement.
Realisation Points	Ownership fulfillment points are awarded when the equity transaction has been completed and all of the rights, interest and title have been completely transferred to the black shareholder, who has settled all liabilities in respect of the acquisition of the equity.
Value Adding Supplier	If your net profit before tax (NPBT) added to your total payroll is greater than 25% of your turnover then you are a value adding supplier. An additional Benefit of Amount x 1.25 when buying from a value-adding supplier.
Economic Interest	Means the entitlement of black people to dividends, capital gains and other economic rights of shareholders.



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Narrow Based BEE Status

Black Enterprise	50.1% black ownership and black management has majority control
Black Empowered Enterprise	25.1% black ownership and there's substantial control by black people
Black Influenced Enterprise	5.1% black ownership and there's tangible influence by black people
Black Engendered Enterprise	25.1% representation of black women within the black equity and management portion
Community or Broad Based Enterprise	Has an empowerment shareholder who represents a broad base of members



Broad Based BEE Status

The total score of the company will be used to rank them according to their progress in achieving broad-based black economic empowerment. The total points that the company earn are set out as follows by the Codes of Good Practice:

Contribution Level	Qualification	BEE recognition Level
Level One Contributor	≥ 100 points on the Generic Scorecard	135%
Level Two Contributor	≥ 85 but < 100 points on the Generic Scorecard	125%
Level Three Contributor	≥ 75 but < 85 points on the Generic Scorecard	110%
Level Four Contributor	≥ 65 but < 75 points on the Generic Scorecard	100%
Level Five Contributor	≥ 55 but < 65 points on the Generic Scorecard	80%
Level Six Contributor	≥ 45 but < 55 points on the Generic Scorecard	60%
Level Seven Contributor	≥ 40 but < 45 points on the Generic Scorecard	50%
Level Eight Contributor	≥ 30 but < 40 points on the Generic Scorecard	10%
Non Compliant Contributor	< 30 points on the Generic Scorecard	0%

Operational Capacity Status

Unconstrained Operational Capacity

The entity has full capacity to conduct its entire operations and has insignificant operational reliance on any third party entities

Constrained operational Capacity

The entity relies on independent third party entity to conduct its administration, procurement, logistics, financing or other non-core operations. The reliance does not significantly impact on the entity’s capacity to perform its core operations

Limited Operational Capacity

The entity relies extensively on related or independent third party entities to conduct its core operation. The entity does not have sufficient capacity to deliver its services without certain external support



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General Information

Enterprise Registered Name: Modart (Pty) Ltd

Trading As: Modart

Enterprise Registration Number: 1954/002891/07

VAT Registration Number: 4190115156

Financial Year End: 28 February 2011

Skills Levy Number: L730701770

Industry Sector: Manufacturing

Registered Office

Physical Address: 18-20 Hewett Avenue, Epping Industrial 2, 7460

Postal Address: PO Box 29, Eppindust,7475

Contact Person: Arnold Wellens

Contact Numbers: 021 534 3587

021 534 8726

E-Mail: arnold@modart.co.za

Website



BBBEE Rating Report – QSE Scorecard

DOC NO: F25
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Background Information:



CEO: A.G. Wellens

A G Wellens came from a leather goods family who were in business since 1884. This dutchman decided to start a leather goods factory in Cape Town in 1954. In 1960 he decided to alter the manufacturing process from leather to soft PVC and in particular high frequency welding, silkscreening and gold blocking. Since then many additional operations came into existence.

In 1970 we built a factory for our special purpose. The ground that was purchased, had been a big river bed and when we started to bulldoze, many snakes were caught. At the same time the city council was going to build the new town hall on the foreshore, which was land made up of sand and shells that had been extracted from the ocean bed, which now lies beneath our factory's floor which was dumped to level the ground.

Since then we have added many extensions to our premises to take care of our growing production needs. Today we are utilising 8000 square meters. The building in the picture (below, middle) has recently been converted into our new welding department.



BBBEE Rating Report – QSE Scorecard

DOC NO: F25
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1. QSE Ownership

QSE Ownership Scorecard

Criteria	Weighting Points	Compliance Target	Raw Score	Weighted Score
Voting Rights:				
Exercisable voting rights in the Enterprise in the hands of black people.	6	25% + 1 vote	5.28%	1.2
Economic Interest:				
Economic interest of black people in the Enterprise.	9	25%	5.28%	1.89
Realisation Points:				
Ownership fulfillment.	1	Yes	No	0
Net equity interest. <ul style="list-style-type: none"> • 20% of target in years 1-2 • 40% of target in years 3-4 • 60% of target in years 5-6 • 80% of target in years 7-8 • 100% of target in years 9-10 	9	25%	5.28%	1.89
Bonus Points:				
Involvement in the ownership of the Enterprise by black women.	2	10%	0%	0
Involvement in the Enterprise by black participants in Employee Ownership Schemes, Co-operatives or Broad-Based Ownership Schemes.	1	10%	0%	0
Total:	25			4.98

Verified through:

Inspection of CK documents

Inspection of shareholders agreements/ subscription agreements / financing agreements and/or holding entity information

Inspection of financial statements and correspondence

Calculated according to the Department of Trade and Industry's code of Good Practice



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Shareholders

Shareholders Name	Percentage Holding	Gender	A/C/I/W/NSA	Effective % BEE ownership
Wellens Family Trust	70.72%		White	0
Y Adhikarie	5%	Male	Coloured	5%
AM Wellens	22%	Male	White	0
E Wellens	2%	Male	White	0
JR Davids	0.28%	Male	Coloured	0.28%
Total Effective Economic Black Ownership				5.28%

- The above table represents the entity’s shareholders.
- Black shareholding has been traced to the ultimate natural shareholders.
- The black shareholding has been verified through the use of share certificates, share registers, shareholder agreements, auditor’s confirmations and/or trust deeds.
- The legal ownership by black people in the enterprise 5.28%, while the effective flow of economic benefits by black people is 5.28%.



BBBEE Rating Report – QSE Scorecard

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2. QSE Management Control

QSE Management Control Scorecard

Criteria	Weighting Points	Compliance Target	Raw Score	Weighted Score
Black representation at Top Manager level using the Adjusted Recognition for Gender	25	50.1%	25%	12.50
Bonus Points:				
Black women representation at Top Manager level	2	25%	0%	0
Total:	25			12.50

Verified through:

Inspection of CM29/CK documents
 Inspection of share certificates
 Confirmation of identity documents
 Interviews with management

Top Managers

Name	Position	Gender	A/C/I/W/NSA*
AM Wellens	Director	Male	White
JR Davids	Director	Male	Coloured
MY Adhikarie	Director	Male	Coloured
AG Wellens	Director	Male	White

* A = African, C = Coloured, I= Indian, W = White, NSA = Non South African

- The effective representation by black people at the Top Manager level of the enterprise is 25%.
- Taking ownership control into account, the company meets the Black Influenced Enterprise criteria.



3. QSE Employment Equity

QSE Employment Equity Scorecard

Criteria	Weighting points	Compliance targets	Raw Score	Weighted Score
Black employees of the Measured Entity who are Management as a percentage of all Management adjusted using the Adjusted Recognition for Gender.	15	40%	65.24%	15
Black employees of the Measured Entity as a percentage of all employees adjusted using the Adjusted Recognition for Gender.	10	60%	79.10%	10
Bonus point for meeting or exceeding the EAP targets in each category above	2	54.50%	54.50%	2
Total:	25			27

Total Workforce: 107
 Total Black Representation: 105
 Total Black Women Representation: 73

- Black people represent 98.13% of the total workforce of 107 employees.
- Black females represent approximately 68.22% of the total number of employees.
- The company did submit an Employment Equity Report to the Department of Labour 2010



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The total number of **employees** (including employees with disabilities) in each of the following **occupational levels**:

Occupational Level	Male				Sub total	Female				Sub Total	Total
	African	Coloured	Indian	White		African	Coloured	Indian	White		
Top management	0	2	0	2	4	0	0	0	0	0	4
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	1	1	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	10	0	0	10	0	9	0	1	10	20
Semi-skilled and discretionary decision making	0	5	0	0	5	0	2	0	0	2	7
Unskilled and defined decision making	2	15	0	0	17	2	60	0	0	62	79
Non Permanent Employees	0	0	0	0	0	0	0	0	0	0	0
Total Employees	2	32	0	2	36	2	71	0	2	75	111
Disabled Employees	0	0	0	0	0	0	0	0	0	0	0



BBBEE Rating Report – QSE Scorecard

DOC NO: F25

REVISION NO: 004
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4. QSE Skills Development

QSE Skills Development Scorecard

Criteria	Weighting points	Compliance Target	Raw Score	Weighted Score
Adjusted Skills Development Spend on Learning Programmes for black employees in additions a percentage of Leivable Amount.	25	2%	0%	0
Total:	25			0

- The company views training as an important aspect to the empowerment process. Training is conducted both internally and externally.
- Quantifiable skills development expenditure could be identified for black employees for the period under review at the time of the measurement. The total training costs for black people from April 2010 to March 2011 were R 19 950.00
- The total leivable amount over the same period was R 9 462 254.00. Training costs as a percentage of total leivable amount for this period is 0%.
- During this period a total skills development levy (SDL) of R 94 622.54 was paid.



BBBEE Rating Report – QSE Scorecard

DOC NO: F25

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5. QSE Preferential Procurement

QSE Preferential Procurement Scorecard

Criteria	Weighting Points	Compliance Target	Raw Score	Weighted Score
BEE Procurement Spend from all Suppliers based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend.	25	40%	36.02%	22.50
Total:	25			22.50

- The weighted preferential procurement score has been calculated using the outputs from BBBEE Rating Agency’s supplier information gathering initiative.
- The procurement spend with suppliers that makes up the total procurement spend was used.
- The enterprise has an annual procurement spending of approximately R 9 821 450.00 million as indicated from a schedule of vendors for the period under review.
- Out of the total spent on goods and services, approximately R 1 812 888.00 million was spent on direct imports.
- Out of the total spent on goods and services, approximately R 3 537 237.41 was directed towards BEE suppliers. This represents approximately 36.02% of total procurement.
- All the suppliers’ information was verified, however currently the figures represent only the suppliers that supplied a BEE verification certificate.



6. QSE Enterprise Development

QSE Enterprise Development Scorecard

Criteria	Weighting Points	Compliance Target	Raw Score	Weighted Score
Average annual value of all Qualifying Contributions made by the Measured Entity measured from the commencement of this statement or the Inception Date to the date of measurement as a percentage of the target.	25	2%	0%	0
Total:	25			0

Enterprise development means monetary or non-monetary contributions made to beneficiary entities, with the objective of contributing to the development, sustainability, financial and operational independence of those beneficiaries.


Beneficiary Categories

Category A – Exempt Micro Enterprise or Qualifying Small Enterprise with 50% or more black ownership.
Category B – Other Entities with 50% or more black ownership or 25% black ownership with a BEE recognition level of 6 or better.

Qualifying contribution Types

<p>Grant and related contributions Grant contributions Direct Cost incurred Discounts in addition to normal business practice Overhead Costs incurred</p> <p>Loans and Related Contributions Interest free loan with no security requirements Standard loan to black owned EME and QSE's Standard loan to other beneficiaries Guarantees Lower interest rate</p>	<p>Equity Investments and related contributions Minority investment in black owned EME and QSE's Minority investment in other enterprises Enterprise development investment with lower dividend to financier</p> <p>Contributions made in the form of Human Resource Capacity Professional services rendered at no cost Professional services rendered at a discount Time of employees deployed in assisting beneficiaries</p> <p>Other contributions Shorter payment periods</p>
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- The enterprise has no allocated budget for enterprise development.



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7. QSE Socio-Economic Development

QSE Socio-Economic Development Scorecard

Criteria	Weighting Points	Compliance Target	Raw Score	Weighted Score
Average annual value of all Qualifying Contributions made by the Measured Entity measured from the commencement of this statement or the Inception Date to the date of measurement as a percentage of the target.	25	1%	0%	0
Total:	25			0

Socio-Economic Development means monetary or non-monetary contributions actually initiated and implemented in favour of beneficiaries with a specific objective of facilitating access to the economy for those beneficiaries.

The full value of the contribution is recognizable if at least 75% of the value directly benefits black people. If it is less than 75% the % that benefits black people is recognizable.

Socio-Economic Development Programs

Development programs for women, youth, people with disabilities, people living in rural areas

Support of healthcare and HIV/Aids programs

Support for education programs, resources and material at primary, secondary and tertiary education level as well as bursaries and scholarships.

Community training, skills development for unemployed people and adult basic education and training

Support of arts, cultural or sporting development programs

Qualifying Contribution Types

Grant and related contributions	Contributions made in the form of Human Resource Capacity
<ul style="list-style-type: none"> Grant contributions Direct Cost incurred Discounts in addition to normal business practice Overhead Costs incurred 	<ul style="list-style-type: none"> Professional services rendered at no cost Professional services rendered at a discount Time of employees deployed in assisting beneficiaries

- The enterprise has no allocated budget for Corporate Social Investment.



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8. Operational and Financial Capacity

- The company is fully capable of carrying out and sustaining all its primary business activities without outsourcing to any external parties.



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Summary of **QUALIFYING SMALL ENTERPRISES SCORECARD** points for **Modart (Pty) Ltd**

Criteria	Weighting Points	Compliance Target	Raw Score	Weighted Score
OWNERSHIP (25)				
Voting Rights:				
Exercisable Voting Rights in the Enterprise in the hands of black people.	6	25% + 1 vote	5.28%	1.2
Economic Interest:				
Economic interest of black people in the Enterprise.	9	25%	5.28%	1.89
Realisation Points:				
Ownership fulfillment.	1	Yes	No	0
Net equity interest. <ul style="list-style-type: none"> • 10% of target in year 1 • 20% of target in year 2 • 40% of target in years 3-4 • 60% of target in years 5-6 • 80% of target in years 7-8 • 100% of target in years 9-10 	9	25%	5.28%	1.89
Bonus Points:				
Involvement in the ownership of the Enterprise by black women.	2	10%	0%	0
Involvement in the ownership of the Enterprise by black participants in Employee Ownership Schemes, Co-operatives or Broad-Based Ownership Schemes.	1	10%	0%	0
MANAGEMENT CONTROL (25)				
Black representation at Top Manager level using the Adjusted Recognition for Gender	25	50.1%	25%	12.50
Bonus Points:				
Black women representation at Top-Manager level	2	25%	0%	0



BBBEE Rating Report – QSE Scorecard

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EMPLOYMENT EQUITY (25) (years 0-5)				
Black employees of the Measured Entity who are Management as a percentage of all Management adjusted using the Adjusted Recognition for Gender.	15	40%	65.24%	15
Black employees of the Measured Entity as a percentage of all employees adjusted using the Adjusted Recognition for Gender.	10	60%	79.10%	10
Bonus point for meeting or exceeding the EAP targets in each category above	2	54.50%	54.50%	2
SKILLS DEVELOPMENT (25)				
Adjusted Skills Development Spend on Learning Programs for black employees in addition to Skills Development Levy as a percentage of Leviaible Amount	25	2%	0%	0
PREFERENTIAL PROCUREMENT (25) (years 0-5)				
BEE Procurement Spend from all Suppliers based on the BEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend.	25	40%	36.02%	22.50
ENTERPRISE DEVELOPMENT (25)				
Average annual value of all Qualifying Contributions made by the Measured Entity measured from the commencement of this statement or the Inception Date to the date of measurement as a percentage of the target.	25	2%	0%	0
SOCIO-ECONOMIC DEVELOPMENT (25)				
Average annual value of all Qualifying Contributions made by the Measured Entity measured from the commencement of this statement or the Inception Date to the date of measurement as a percentage of the target.	25	1%	0%	0
Total:	100			66.98