

# CLOTEX TRADING HOUSE PROJECT

The Trading House Project has moved forward substantially during the past year, with support and funding from Cape Town Unicity and Western Cape Provincial Government. Unfortunately, funding from Trade Investment South Africa (TISA), which is part of the DTI, has not materialized, even though verbally promised some 18 month ago. The transparent funding process followed by Clotex has encouraged support from a wide variety of sources, including formal business both within and outside of the clothing and textile sectors, but TISA, despite public announcements regarding their support for SME upliftment and Black Economic Empowerment has to date neither supported nor rejected this initiative.

The infrastructure of the Trading House has been delayed as we have taken a very conservative approach to expenditure. We have been using Clotex premises as an operating base and a separate office at Clotex will be organized for the Trading House in the future.

The management of the Trading House is now causing concern. Both the project managers originally contracted were of a very high caliber and experienced people. Due to the lack of certainty regarding future operating funds, Clotex was not able to offer them any long-term contracts. Both these managers were offered and accepted high profile positions in industry. We will have to re-think our management and administrative functions going forward, as current levels of orders and finance do not allow us to permanently employ this caliber individual in the short term.

The legal entity of the Trading House has been more difficult to finalise than originally planned. Great care has to be taken to separate Clotex from the Trading House, and yet ensure the connection between the two entities is not compromised.

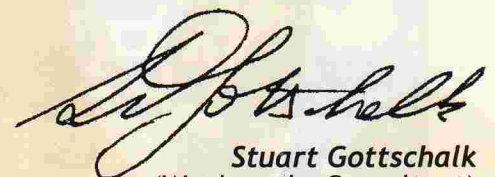
The business side of the Trading House has been extremely gratifying, but there are some issues of concern. A number of orders completed and much experience has been gained on trying to process these orders directly with the SME's. In addition, a number of orders were project managed (no fee was levied), which enabled some CMT's to obtain higher revenues for their work.

Bridging Finance is still the key issue in upgrading of the CMT sector of the economy. Clotex has provided a number of bridging finance opportunities fro SME's. The nature of this finance is that there is a large element of risk attached to these transactions

There are a number of issues impacting on the industry, and these are reflected in conditions in the SME/CMT sector.

The effect of the above situations will be that there will be more retrenchments from the formal industry, and more harassment/closures of SME sector companies. There will also be a severe tightening of CMT prices to the SME sector as business becomes more difficult for the formal larger companies.

In conclusion, I must acknowledge the support of Averil Apollis and her team, Victor Sables and Enrico Marinus for their enthusiasm and commitment to the project, and to Joe Emeran for his invaluable business advice and support at all hours of the day and night. To the Steering Committee, my sincere thanks for your support and constructive advice and criticism during a very difficult year for the Trading House Project.



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