

REPORT OF THE AUDIT COMMITTEE

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulations 3.1.13 and 27(1). The terms of reference are set out in the Audit Committee Charter, which is approved by the Board of Trustees and is continuously reviewed and updated for changes in legislation, business circumstances and corporate governance practices. The Audit Committee has regulated its affairs in compliance with applicable laws and regulations and has discharged all responsibilities contained therein and has reported quarterly in this regard to the Board of Trustees.

Effectiveness of Internal Control

The report and conclusion from the Internal Audit function indicated that the key controls implemented by management to address the associated risks appear to indicate that an adequate control framework is in place but improvements are needed in certain key control activities in providing reasonable assurance that the risk areas, subject to review, are being properly managed and controlled.

The combined assurance framework that was designed and implemented in previous years is being monitored and improvements are being continually effected; this will better assist Management, the Audit Committee and the Board of Trustees in managing and adequately mitigating the Trust's key risk areas.

In our opinion, based on discussions with management and the Internal and External Auditors, the audit findings reported in the current year are a fair representation of the internal control environment at the NEF and have been for the most part adequately responded to by management. Where undertakings have been made to address control weaknesses, these will be followed up on a quarterly basis by the Audit Committee through a tracking register.

A separate Risk and Portfolio Management Committee monitors and oversees the assessment and mitigation of risk on a prioritised basis throughout the Trust. The Internal Auditors used this risk control framework to prepare their audit coverage plans and to undertake audit work in the higher prioritised risk areas identified. We are satisfied that the internal audit function at the NEF has provided adequate coverage for the year under review.

The financial function at the NEF is adequately staffed by suitably experienced and qualified personnel under the executive management of the Chief Financial Officer. During the financial year under review, quarterly management reports were submitted to **the dti** as required under the PFMA and Treasury Regulations,

including performance information related to core business activities extracted out of the organisation's Annual Performance Plan. The Audit Committee is satisfied with the content and quality of quarterly management reports as prepared by management and approved by the Board of Trustees.

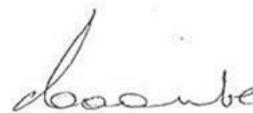
Evaluation of Consolidated Annual Financial Statements

The Audit Committee has:

- reviewed the appropriateness of accounting policies and practices;
- reviewed the independence of the External Auditors;
- reviewed and discussed with the External Auditors and Management the audited consolidated annual financial statements to be included in the annual report;
- reviewed the External Auditors' management letter and Management's responses thereto; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee has discussed and agreed the conclusions of the External Auditors on the consolidated annual financial statements, read together with the report of the External Auditors and has recommended these to the Board of Trustees for acceptance.

The NEF has embarked on a sustainable fund management model involving the raising of additional capital to fund portfolio growth and extend the impact made through investment activity in black businesses. Thus there is a high level of confidence that the NEF will be successful in at least one of the recapitalisation initiatives and establish itself as a major development finance institution in South Africa. The going concern principle can be adopted in the financial reporting of the NEF.



Anthony Coombe

Acting Chairman of the Audit Committee

29 July 2016

PROFILES OF THE BOARD OF TRUSTEES



Mr Rakesh Garach

Chairman

Initially appointed as a
Trustee in December 2009

Qualifications and memberships

- CA(SA)
- Member of NEF Risk & Portfolio Management Committee
- Director of Pacific Wildcat Resources Corp
- Board member and chairman of Audit Committee of the KZN Growth Fund
- Board member of U Bank Limited



Ms Zukiswa Ntlangula

Trustee

Appointed in December 2009

Qualifications and memberships

- B.Juris
- LLB degree
- Masters Diploma in Human Resources
- Diploma in Project Management
- Member of the NEF Board Investment Committee
- Member of the NEF Audit Committee
- Director of Ntlangula Inc.
- Chairman of Black Conveyancers Association (BCA)
- Director of Alexkor SOC Ltd
- Director of Glencore Operations South Africa (GOSA)
- Trustee of Katlego Trust ESOP



Ms Philisiwe Mthethwa

Executive Trustee (CEO)

Appointed in July 2005

Qualifications and memberships

- MBA Corporate Finance
- MSc Economics (thesis not defended)
- Chairman of Group Five
- Director of Industrial Development Corporation (IDC)
- Member of the BRICS Financial Services Working Group
- Chairman of the Financial Services and Insurance sub-committee for the SA-India CEO's forum



Ms Angelina Makwetla

Trustee

Appointed in December 2009

Qualifications and memberships

- BA degree (Social Sciences)
- Management Certificate
- SMME Management Certificate
- Chairman of the NEF Social & Ethics Committee
- Member of the NEF Human Capital & Remuneration Committee
- Member of the NEF Risk & Portfolio Management Committee
- Chairman of the National Arts Council
- Member of the Thusang Women's Club
- Board member of the Business Women's Association (BWA)
- Chairman of Dr Motsuenyane Rural Development Foundation
- President of the Catholic Women's League



Ms Nomalanga Pascal

Trustee

Appointed in December 2009

Qualifications and memberships

- Chairman of NEF Board Investment Committee
- Strategic Partner to the Department of Rural Development and Land Reform (DRDLR) to mentor land reform beneficiaries to implement business plans
- Director of NCT Forestry Co-operative Limited and the mills: and Durban Wood Chip
- Chairman of Nomalanga Estate - a mixed farming operation
- Director and Chairman of Msunduzi Forestry Company
- Nguni cattle stud breeder
- Human resources practitioner



Ms Innocentia Pule

Executive Trustee (CFO)

Appointed in September 2012

Qualifications and memberships

- CA(SA)
- Certificate in Global Executive Development
- Certificate in Transition to General Management
- Director of Nurture Care Group
- Director of Global Wheel (Pty) Ltd
- Director of Somlolo Group Investment Holdings



Ms Jacqueline Williams

Trustee

Appointed in October 2012

Qualifications and memberships

- MA MDiv
- Social entrepreneur
- Co-owner of Williams & Calmer Management and Training Consultants
- Member of the NEF Human Capital & Remuneration Committee
- Member of the NEF Audit Committee
- Member of the NEF Social & Ethics Committee
- Chairman of COMANCO

“ Appreciation

"The Chief Executive Officer, Ms Philisiwe Mthethwa, her Executive team, management and staff of the NEF are highly dependable catalysts in taking our mandate to greater heights. On behalf of the Board, I thank them immensely for their commitment, loyalty and tireless efforts in delivering on the radical transformation mandate.

To our investees, new and existing, thank you for entrusting us with your dreams.

I also extend my appreciation to my fellow Trustees for their continued support, their multi-faceted insights underpinned by vast knowledge, experience, continued wisdom and integrity in their oversight role."

*Chairman of the Board of Trustees, National Empowerment Fund
Rakesh Garach*

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Business Sector:
Property Development

Core Business:
Shoe manufacturing

Jobs Supported:
81

Investee Profile:

**Rural and Community Development Fund
Allimor Footwear**

Allimor Footwear is an established textile industry player that manufactures various types of fashion footwear for the low income market. NEF funded the company R12.2 million for expansion of their operations to establish a factory in Ladysmith, KwaZulu-Natal in addition to an existing one in Chatsworth, also in KwaZulu-Natal. The project will generate 60 new jobs in addition to supporting 60 existing ones. The NEF funding facility will also be used to fund and warehouse a 30% shareholding for the workers.

The NEF supported the transaction because it is financially sound to meet its obligations, has sustainable market buyers and potential to create sustainable employment.

All the above complement government efforts to revitalise the textile sector. The company has good customer support from the top retailers in the country.

PROFILES OF THE EXECUTIVE COMMITTEE



Ms Philisiwe Mthethwa

Chief Executive Officer

Qualifications and memberships

- MBA Corporate Finance
- MSc Economics (thesis not defended)
- Chairman of Group Five
- Director of Industrial Development Corporation (IDC)
- Member of the BRICS Financial Services Working Group
- Chairman of the Financial Services and Insurance sub-committee for the SA-India CEO's forum



Ms Innocentia Pule

Chief Financial Officer

Appointed in September 2012

Qualifications and memberships

- CA(SA)
- Certificate in Global Executive Development
- Certificate in Transition to General Management
- Director of Nurture Care Group
- Director of Global Wheel (Pty) Ltd
- Director of Somlolo Group Investment Holdings



Ms Hlengiwe Makhathini

Divisional Executive: Venture Capital and Corporate Finance
Appointed in April 2011

Qualifications and memberships

- CA(SA)
- Chairman of the Dube Trade Port Corporation Investment Committee
- Director of Modular Industries Building Technologies (Pty) Ltd
- Member of Audit Committee of the Road Traffic Infringement Agency



Mr Setlakalane Molepo

Divisional Executive: SME and Rural Development
Appointed in November 2010

Qualifications and memberships

- Civil Engineer (PrEng)
- Master of Business Leadership
- National Diploma in Civil Engineering
- Certificate in Financial Management
- Director of Busamed Holdings (Pty) Ltd
- Director of Zastrovect Investments (Pty) Ltd
- Director of South African Metals Equity (Pty) Ltd
- Director of Small Enterprise Finance Agency SOC Ltd

“ We acknowledge the worthy leadership of the Board of Trustees, and congratulate the Chairman on his appointment. We look forward to serving under his wise stewardship. I am privileged to work alongside executives, managers and colleagues whose commitment to excellence is without peer. Your collective values and vision are reflected in our work, and in our performance to date. To the South African entrepreneurs it is our privilege to be at your service. ”

Ms Philisiwe Mthethwa, Chief Executive Officer