

## GROWING ECONOMIC PARTICIPATION

### MISSION

The National Empowerment Fund (NEF) is the catalyst of broad-based Black Economic Empowerment in South Africa.

We enable, develop, promote and implement innovative investment and transformation solutions to advance sustainable Black economic participation.

### VISION

Our vision is to become the leading provider of innovative finance and investment solutions for an inclusive economy.

### VALUES

Service excellence  
Result-orientated  
Innovation and continuous improvement  
Ownership and accountability  
Recognition and reward  
Respect, empathy and fairness  
Honesty and integrity  
Open and honest communication  
People development

### CORPORATE IDENTITY

The logo employs a bird's wing to symbolise a spirit of freedom through the overtly African colours of Orange and Black. The typography is contemporary. Growing Economic Participation emphasises our determination to spawn a successful brand of empowerment.



# REPORT OF THE CHAIRMAN

For the year ended 31 March 2004

## GROWING ECONOMIC PARTICIPATION

### INTRODUCTION

The finalisation of the NEF's business plan culminated in the launch of its initial products on 31 May 2004. This was a significant achievement following a challenging period for both the NEF's board and its staff. I am pleased to report that the NEF's foundation has been laid upon a solid business plan and a capital commitment which is sufficient to see it through its initial growth phase.

### BUSINESS PLAN

The NEF's business plan has been crafted to address areas of need, particularly in assisting entrepreneurs with start-up and expansion capital for businesses that have prospects for sustainable growth. The business plan is being implemented prudently and in a measured way. In this regard the Group & Entrepreneurial Schemes and Market Making divisions have commenced operations with investment products. The Advisory division will commence operations in due course.

### INITIAL PRODUCTS

The initial Group & Entrepreneurial Schemes products have been focused on addressing areas of need resulting from market failure, with a focus on growing entrepreneurship and financial support thereof.

The level of enquiries and applications received has reinforced that these products were appropriately targeted. The key challenge for the NEF and all its stakeholders is to increase the quality of applications received which will result in more bankable transactions being presented to the NEF.

The first transaction to be finalised post the NEF's launch provides a useful example of the NEF's mandate and Black business working together. The transaction included the following noteworthy aspects:

- ¥ a start-up media business which was unlikely to have received funding from financial institutions or venture capital funds;
- ¥ young Black entrepreneurs who have committed themselves wholeheartedly to the business and who have assumed significant personal risk; and
- ¥ the involvement of mature Black entrepreneurs who are not only providing a material portion of the start-up capital but who are also providing mentorship.

We have embarked on a significant recruitment drive with, on average, more than one hundred applications being received for each job advertised. It is also anticipated that the rate of successful deal execution will pick-up momentum moving forward.

### CHALLENGES AND OPPORTUNITIES FACING THE NEF

As a start-up business funding start-up businesses, the NEF faces many challenges. These challenges also provide opportunities for the NEF to have a positive impact on its customer base and service providers to small and medium-sized businesses.

We are working on exciting strategies to address the following:

- ¥ Pre and post deal assistance and mentoring;
- ¥ Creating a national footprint for the NEF;
- ¥ Serving as a partner and possibly a channel for the Financial





DR ALISTAIR RUITERS Chairman

Sector to meet its obligations in terms of its Charter and its product offerings, such as banking products, short and long-term insurance and employee benefits;

- ¥ Finalising the transfer of allocated shares in State Owned Commercial Enterprises, to the NEF; and
- ¥ The launch of new products.

#### MANAGEMENT

The Chief Executive Officer, Mr Sydney Maree, tendered his resignation from office on 13 August 2004. Mr Nchakha Moloï, an independent non-executive NEF board member, has been appointed by the NEF board in a caretaker role, pending the appointment of a new CEO. In this role, Mr Moloï will be an interface between the NEF staff and the NEF board. The NEF board has appointed a selection committee to oversee the recruitment of a new NEF CEO as soon as possible.

#### THANKS

I would like to thank my fellow board members and the staff at the NEF for their loyalty, dedication and support during a challenging period.

DR ALISTAIR RUITERS  
Chairman of the Board of Trustees  
31 August 2004

# UMBIKO KASIHLO

WONYAKA OPHELA MHLAKA 31 MARCH 2004

## ISINGENISO

Ukuphuthulwa kwepulani yebhizinisi ye-NEF kwaholela ekuqalisweni kwemikhiqizo yayo yokuqala mhlaka 31 May 2004. Lokhu kwaba yimpumelelo esemqoka kulandela isikhathi esiyinselelo kwibhodi nakubasebenzi be-NEF. Ngiyajabula ukubika ukuthi isisekelo se-NEF sesimiswe phezu kwepulani yebhizinisi eqinile kanye nokuzibophezela ngezezimali okwenele ukuyidlulisa engxenyeni yayo yokuqala yokukhula.

## IPULANI YEBHIZINISI

Ipulani yebhizinisi ye-NEF yenzelwe ukubhekana nezindawo zesidingo, ikakhulu ekusizeni osomabhizinisi ngezimali zokusungula nokunweba amabhizinisi athembisa ukukhula okuqhubekayo. Ipulani yebhizinisi isetshenziswa ngobuhlakani nangendlela ekaliwe. Mayelana nalokhu, iminyango ye-Group & Entrepreneurial Schemes nowe-Market Making isiqale ukusebenza ngemikhiqizo yokutshalwa kwezimali. Iminyango ye-Advisory izoqala ukusebenza ngesikhathi esifanele.

## IMIKHIQIZO YOKUQALA

Imikhiqizo yokuqala ye-Group & Entrepreneurial Schemes igxilise ekubhekaneni nezindawo zesidingo eziwumphumela wokwehluleka kwezimakethe, igxile nakumabhizinisi akhulayo nasekuvasekeleni ngezimali.

Izinga lemibuzo nezicelo okutholiwe sekugcizelele ukuthi le mikhiqizo yayibhekiswe kubantu abafanele. Inselelo esemqoka ye-NEF nabobonke ababambe iqhaza kuyo ukwandisa ikhwalithi yezicelo ezitholiwe okuzoholela ekwandeni kwezivumelwano ezifakwa emabhangwe ezizokwethulwa kwi-NEF.

Isivumelwano sokuqala esiphuthuliwe emva kokuqaliswa kwe-NEF sikhombisa isibonelo esihle segunya le-NEF namabhizinisi abaNyama kusetshenzwa ngokubambisana. Isivumelwano sabandakanya amaphuzu alandelayo aqaphelekayo:

- ¥ Ukuqalwa kwebhizinisi lokushicilela okusengathi lalingeke likuthole ukuxhaswa ngezimali ezizindeni zezimali noma ezikhwameni zezimali ezisizayo;
- ¥ osomabhizinisi abancane abaNyama asebezibophezele ngokugcwele ebhizinisini ngaleyondlela bazibeka engozini ethile; kanye
- ¥ nokuzibandakanya kosomabhizinisi abaNyama abamkantsh ubov abangagcini ngokuletha ingxenyethile yezimali zokuqala, kodwa futhi abaletha nezeluleko.

Sesiqalise umkhankaso obonakalayo wokujoyinisa, oletha ngokuvamile izicelo ezingaphezu kwekhulu ngalowo nalowo msebenzi okhangiswayo. Kulindeleke futhi ukuthi zizoya ngokwanda izivumelwano ezenziwayo ngokuqhubeka kwesikhathi.

## IZINSELELO NAMATHUBA OKUBHEKENE NE-NEF

Njengebhizinisi eliqalayo elisiza ngezimali amabhizinisi asaqala, iNEF ibhekene nezinselelo eziningi. Le zinselelo zibuye zilethe amathuba kwi-NEF ukuba ibe nomthelela omuhle kwisizinda samakhastoma ayo nabaletshi bezinsiza kumabhizinisi amancane naphakathi.

Senza ngcono amasu akhona ngenhloso yokubhekana nalokhu okulandelayo:

- ¥ Usizo nezeluleko zangaphambi nangemuva kwesivumelwano;
- ¥ Ukudala inkundla kazwelonke ye-NEF;
- ¥ Ukuba wuphathina kanye mhlawumbe nomgudu weNgenye yezeZimali (Financial Sector) wokuhlangabezana nezibobho zayo mayelana noSomqulu (Charter) wayo nemikhiqizo yayo, efana neyasemabhangwe, umshwalensi wesikhathi esifushane neside kanye nemihlomulo yabasebenzi;
- ¥ Ukuphuthula ukudluliselwa kwamasheya aqokiwe amaBhizinisi kaHulumeni enza iNzuzo (State Owned Commercial Enterprises), aye kwi-NEF; kanye
- ¥ Nokuqaliswa kwemikhiqizo emisha.

## UKUPHATHWA

Isikhulu esiPhezulu esiLawulayo (Chief Executive Officer), uMnu Sydney Maree, waletha incwadi yakhe yokushiya isikhundla mhlaka 13 August 2004. UMnu Nchakha Moloi, ilungu elizimele elingalawuli lebhodi ye-NEF, useqokwe yi-NEF ukuba abambe okwesikhashana, kuze kuqashwe i CEO entsha. Kuleli qhaza, uMnu Moloi nguye ozoxhumanisa abasebenzi be-NEF nebhodi le-NEF. Ibhodi le-NEF seliqoke ikomidi elizokwengamela ukuqashwa kwe-NEF CEO entsha ngokushesha okusemandleni.

## UKUBONGA

Ngithanda ukubonga ozakwethu bamalungu ebhodi nabasebenzi base-NEF ngokwethembeka kwabo, ukuzinikela nokweseka ngesikhathi sezinselelo.



UDKT ALISTAIR RUITERS

Usihlalo Sebhodi

31 August 2004



# INGXELO KASIHLALO

YONYAKA OPHELE NGOMHLA WAMA-31 KUMATSHI 2004

## INTSHAYELELO

Ukugqibezela isicwangciso soshishino kwa-NEF kwakhokelela kundululo lweemveliso zokuqalisa ngomhla wama-31 kuMeyi 2004. Le yaba yimpumelelo ebonakalayo elandela ixesha elalingumceli-mngeni kwibhodi nakubasebenzi bakwa-NEF. Ndiyavuya ukunika ingxelo ethi isiseko se-NEF sisekelwe kwizicwangciso eziqinileyo nesibophelelo semali yokuqalisa eyaneleyo ukuyixhasa kweli nqanaba lokuqala lokukhula kwayo.

## ISICWANGCISO SOSHISHINO

Esi sicwangciso sakwa-NEF senziwe ngobugcisa ukuphumeza iimfuno, ngakumbi ukunceda abarhwebi ngokubanika inkunzi yemali yokuqalisa okanye yokwandisa amashishini athembisa ukukhula ngokuzinzileyo. Isicwangciso seshishini sizalisekiswa ngobulumko nangendlela engqongqo. Ngale ndlela amaQela kunye noYilo lokuRhweba ii-Group Entrepreneurial Schemes ngelasemzini namacandelo okumaketha (Market Making divisions) sele eqalisile ukusebenzisa iimveliso zotyalo-mali. La macandelo aBacebisi baza kuqalisa ukusebenza ekuhambeni kwexesha.

## IIMVELISO ZOKUQALISA

Ezi mveliso zokuqalisa zee-Group & Entrepreneurial Schemes zinomgqaliselo wokujongana ngqo neemfuno ezifunyenwe kwiiimakethe ezingaphumeleliyo, kubekwe umgqaliselo ekukhuleni korhwebo kunye neenkxaso ngezimali.

Umgangatho wemibuzo kunye nezicelo esizifumanayo ziye zasomeleza kuba zibonisa ukuba ezi mveliso zijoliswe kubantu ezibafaneleyo. Umceli-mngeni oyintloko kwa-NEF nakubo bonke ababandakanyekayo kukonyusa ubulunga (quality) bezicelo esizifumanayo nento eza kukhokelela kunaniselwano oluya ezibhankeni oluno chatha oluya kungenela abakwa-NE.

Unaniselwano lokuqala oluya kugqityezelwa emva kokundululwa kwe-NEF kunika umzekelo osebenzayo wokusebenza kunye kwegunya le-NEF noshishini lwabaMnyama. Olu naniselwano lubandakanya ezi mbonakalo zibalulekileyo zilandelayo:

- ¥ Ukuqalisa ushishino lweendaba nebekungebi lula ukufumana inkxaso-mali kumaziko ezimali okanye kwinkxaso-mali eyinkunzi yamadel'angozi (venture capital funds);
- ¥ Abarhwebi abaNyama abasebatsha nabazimisele ngeentliziyo zabo zonke kumashishini asele bewaqalisile ngokubonakalayo ukuzifaka bona buqu ebungozini, kunye
- ¥ nokubandakanya abarhwebi abaNyama nabanganiki inkunzi yemali yecala lezinto zokusebenza kuphela koko benika neengcebiso (mentorship).

Siqalise ngeenzame zokufuna abasebenzi abatsha, ngokomndilili, zingaphezulu kwekhulu izicelo esizifumanayo ngomsebenzi ngamnye esiwubhengezayo. Sikwabona

ngenx'engaphambili ukuba umlinganiso wokwenza isigqibo sorhwebo esinempumelelo uza kunyusa umthamo wokuqhubela phambili.

## IMICELI-MNGENI KUNYE NAMATHUBA AJONGENE NABAKWA-NEF

Njengenkxaso-mali yokuqalisa ishishini kumashishini asaqalisayo, abakwa-NEF bajamelene nemiceli-mngeni emininzi. Le miceli-mngeni ikwanika abakwa-NEF amathuba okubonisa impembelelo eqinisekileyo nesekelwe kubaxumi nakwabo banikezela ngeenkonzo kumashishini amancinane naphakathi.

Sisebenza ngobuchule obumangalisayo ukujongana nezi zinto zilandelayo:

- ¥ Ukuncedisa nokunika iingcebiso phambi nasemva kokwenza isigqibo sorhwebo;
- ¥ Ukwakha umzila we-NEF kuzwelonke;
- ¥ Ukusebenza njengeqabane nalapho kunokwenzeka sibe lijelo leCandelo leZimali ukuhlangabezana nezibopho zethu ngokwemimiselo yokunika amalungelo (Charter) kunye nemveliso esiyinikezelayo, njengemveliso yokubhanka, i-inshorensi yexesha elifutshane nelide kwanezibonelelo zabasebenzi;
- ¥ Ukugqibezela ukutshintshelwa kwezabelo esizabelweyo zivela kwii-State Owned Commercial Enterprises, ziziswa kwi-NEF; kunye
- ¥ Nokundululwa kweemveliso ezintsha.

## ULAWULO

IGosa eliyiNtloko kuLawulo, uMnu. Sydney Maree, wafaka isicelo sokukhululwa kumsebenzi we-ofisi ngomhla we-13 kuAgasti 2004. UMnu. Nchakha Moloi, olilungu lebhodi elizimeleyo lingekho kulawulo kwa-NEF, uthe waqeshwa yibhodi yakwa-NEF ukwenza umsebenzi wokuba ngumgcinani (caretaker), de kuqeshwe iGosa eliyiNtloko kuLawulo (CEO). Kulo msebenzi wakhe uMnu. Moloi uza kuba luxokelelwano phakathi kwabasebenzi bakwa-NEF kunye nebhodi yakwa-NEF. Le bhodi yakwa-NEF sele iqeshe ikomiti yokukhetha eza kongamela ukufunwa kwelitsha iGosa eliyiNtloko kuLawulo (CEO) kwa-NEF ikwenza oko ngokukhawuleza.

## ELOKUBULELA

Ndingathanda ukubulela amaqabane angamalungu ebhodi kunye nabasebenzi bakwa-NEF ngokuthembeka, ukuzimisela kwaneenkxaso yabo ngeli xesha lalo mceli-mngeni.



UGQR. ALISTAIR RUITERS

Usihlalo Sebhodi

31 Agasti 2004

# PEGO YA MODULASETULO

Ya ngwaga wo o fediligo ka 31 Matšhe 2004

## MATSENO

Go rungwa ga lenaneo-kgwebo la NEF go feleleditse ka go thomiswa ka ditirelo tsa sona tsa mathomo ka 31 Mei 2004. Se e bile phihlelelo ye bohlokwa kudu morago ga nako ya mathata go boto ya NEF le basomedi ba yona. Ke kwa ke thabile go bega gore motheo wa NEF o beilwe godimo ga lenaneo-kgwebo leo le tiilego le boikgafo bja tshetele ye e lebanego go netefatsa gore e tswela go kgato ya yona ya mathomo ya kgolo.

## LENANEO-KGWEBO

Lenaneo-kgwebo la NEF le thadilwe go hlokomela mafapha ao a nyakago thuso, gagologolo go thusa borakgwebo ka tshetele ya go thoma le tshetele ya kgodiso ya dikgwebo tse di bontshago kgolo ya boikemo. Lenaneo-kgwebo le phethagatwa ka tlhokomelo le ka tsela ye e lekantswego. Malebana le se makala a Dipeakanyo tsa Dihlopha & Botsebakgwebo le a go Dira Mmaraka (Group & Entrepreneurial Schemes and Market Making) a thomile ka mesomo ya ona ya ditirelo tsa dipeeletso. Makala a Boeletsi a tla thoma go soma nako ye e sa fetsego pelo.

## DITIRELO TSA MATHOMO

Ditirelo tsa mathomo tsa Dipeakanyo tsa Dihlopha & Botsebakgwebo di nepilwe go hlokomeleng mafapha ao a nyakago thuso ao a hlotswego ke go palelwa ga mmaraka, go nepilwe go kgolo ya botsebakgwebo le thekgo ya ditshetele gona fao.

Bogolo bja dinyakiso le dikgopelo tseo di amogelwago bo tiiseditse gore gabotse go be go lebeletswa ditirelo tse. Tlhohlo ye kgolo ya NEF le bakgathatema ba yona ka moka ke go oketsa boleng bja dikgopelo tseo di amogelwago mo go tla fetsego go hlotse dikgwebisano tse ntsi tse tsenyago tshetele tseo di tswago go NEF.

Kgwebisano ya mathomo yeo e tla go rungwa morago ga go hlongwa ga NEF e laetsa mohlala o bohlokwa wa maatla ao a filwego NEF le kgwebo ya Bathobaso bao ba somago mmogo. Kgwebisano e akareditse dintlha tse bohlokwa tse di latelago:

- ¥ kgwebo ya bobegaditaba ya go thoma yeo ka madimabe e bego e swanetse go ba a hweditse thuso ya ditshetele go tswa go diinstitusene tsa ditshetele (dipanka) goba dikhwama tsa ditshetele tsa maitekelo;
- ¥ borakgwebo ba Bathobaso ba bafsa bao ba ikgafilego ka pelo ka moka mo kgwebong le gona ba setse ba tere magato ao a bonagalago a go iteka ka bobona; le
- ¥ kamego ya borakgwebo ba Bathobaso bao ba gatetsago pele bao ba sa abego fela karolo ya tshetele ya go thoma kgwebo eup\_a ba aba gape le ditirelo tsa boeletsi;

Re thomile lesolo le bohlokwa kudu la go thwala leo, ka kakaretso, ke dikgopelo tsa go feta lekgolo tse di amogelwago go mosomo o mongwe le o mongwe wo o tsebiswago. Gape go letetswe gore kelo ya phethagatso ya kgwebisano yeo e tswelletsago e tla golela godimo e dutse e tswela pele.

## DITLHOHLO LE DIBAKA TSE DI LEBANEGO LE NEF

Ka ge e le kgwebo ya go thoma yeo e abago thuso ya ditshetele go dikgwebo tseo di thomago, NEF e lebane le ditlhohlo tse dintsi. Ditlhohlo tse gape di fa NEF dibaka tsa go ba le kamego ye e kgahliso go mothopo wa badirisi le baaba-ditirelo ba yona go dikgwebo tse nnyane le tsa magareng.

Re loga maano a go hwetsa ditsela tse kgahliso go lokisa tse di latelago:

- ¥ Thuso le maele a pele ga le a ka morago ga kgwebisano;
- ¥ Go hlama mohlala wa bosetshaba wa NEF;
- ¥ Go soma bjalo ka modirisi le mohlomongwe tsela ya Lekala la Ditshetele go fihlelela ditshwanelo tsa yona go ya ka Molaotheo wa yona le dikabo tsa yona tsa ditirelo, bjalo ka ditirelo tsa go panka, insorenshe ya nako e kopana le e telele le dikholo tsa basomi;
- ¥ Go ruma phetsetso ya disere tseo di abilwego go Dikgwebo tsa Papatso tseo e lego tsa Mmuso, go NEF; le
- ¥ Go hlongwa ga ditirelo tse mpsha.

## TAOLO

Mohlankediphethisi mogolo (CEO), Mna Sydney Maree, o tlogetse mosomo ka 13 Agostose 2004. Mna Nchakha Moloi, lelolo leo le ikemego la boto ya NEF leo e sego la khuduthamaga, o beilwe ke boto ya NEF mo maemong a bohlokomedi, go fihla ge go bewa CEO e mpsha. Mo maemong a, Mna Moloi e tla ba mokgokaganyi magareng ga basomedi ba NEF le boto ya NEF. Boto ya NEF e beile komiti-kgetho go lebelela thwalo ya CEO e mpsha ya NEF ka pela ka moo go ka kgonagalago.

## DITEBOGO

Ke rata go leboga maloko a geso a boto le basomedi ba NEF ka botshephegi, boikgafo le thekgo ya bona nakong ya mathata.

DR ALISTAIR RUITERS  
Modulasetulo waboto  
31 Agostose 2004



# REPORT OF THE TRUSTEES

For the year ended 31 March 2004

The National Empowerment Fund Act 105 of 1998 ( the Act ) established the National Empowerment Fund Trust ( the NEF ) for the purposes of promoting and facilitating economic equality and transformation. The NEF operates under the umbrella of the Department of Trade and Industry ( the dti ) and is governed by the Board of Trustees.

## PRINCIPAL OBJECTIVES

The objectives of the NEF are set out in section 3 of the Act as:

- ¥ providing historically disadvantaged persons with the opportunity of, directly or indirectly, acquiring shares or interests in state owned commercial enterprises that are being restructured or in private business enterprises;
- ¥ encouraging and promoting savings, investments and meaningful economic participation by historically disadvantaged persons;
- ¥ promoting and supporting business ventures pioneered and run by historically disadvantaged persons;
- ¥ promoting the universal understanding of equity ownership among historically disadvantaged persons;
- ¥ encouraging the development of a competitive and effective equities market inclusive of all persons in the Republic;
- ¥ contributing to the creation of employment opportunities; and
- ¥ generally employing such schemes, businesses and enterprises as may be necessary to achieve the objects of the Act.

The NEF seeks to achieve these objectives by providing Historically Disadvantaged Persons ( HDPs ) with opportunities to acquire shares in both restructured state-owned assets and private business enterprises, by encouraging a culture of savings and investment among HDPs and to foster entrepreneurship. It also seeks to achieve its goals of sustainable empowerment and transformation by promoting and supporting business ventures pioneered and run by HDPs, and by promoting a better universal understanding of equity ownership. Each of its activities is calculated to redress the inequalities of the past, and promote a competitive and efficient economy capable of generating employment opportunities.

## BUSINESS PLAN

The NEF's business plan was remodelled during the year under review to achieve alignment with Government policy and the three key areas of growth, equity and employment. This led to a

change in the original strategy of promoting Black Economic Empowerment ( BEE ) through private equity, venture capital, asset management and mass empowerment savings schemes and unit trusts.

The NEF's remodeled business plan is based on three main pillars of operation:

### Group and Entrepreneurial Schemes

Delivering Entrepreneurial Support, Rural and Community Support and BEE Retail Equity Ownership products.

### Market-Making

Funding support for the Underwriting of BEE Initial Public Offerings, BEE facilitation through supporting a strong secondary market for existing BEE investors thereby ensuring the maintenance of BEE participation and the potential funding of key Strategic Projects in a BEE equity warehousing role and partnering with other development funding institutions.

### Advisory Services

Standardising BEE adjudication and benchmarking in terms of sector charters for Government and the public as well as the evaluation of BEE transaction structures in this regard.

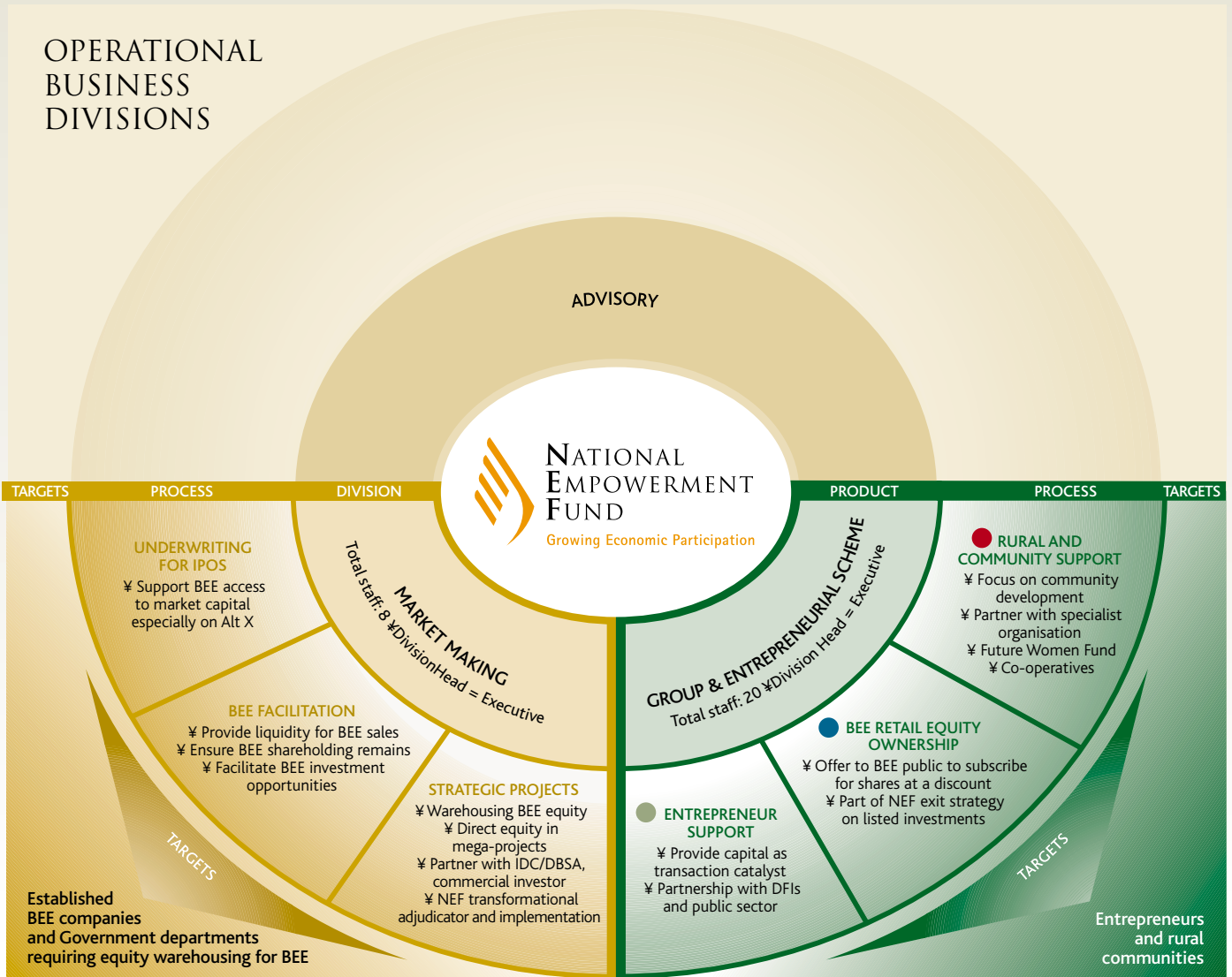
These operational pillars were designed to implement the NEF's strategy to:

- ¥ create a prudently and effectively managed fund with a time horizon of at least 10 years;
- ¥ protect the capital base and provide a real return;
- ¥ ensure broad-based and sustainable empowerment;
- ¥ maximise the empowerment dividend in lieu of a financial dividend;
- ¥ work in partnership with both the private and public sectors;
- ¥ act as a catalyst in stimulating BEE and hence economic growth; and
- ¥ avoid duplicating existing offerings by other Development Finance Institutions.



# REPORT OF THE TRUSTEES CONTINUED

For the year ended 31 March 2004



- **ENTREPRENEUR SUPPORT**  
¥ Total staff: 12
- **BEE RETAIL EQUITY OWNERSHIP**  
¥ Total staff: 4
- **RURAL AND COMMUNITY SUPPORT**  
¥ Total staff: 2





## CUSTOMERS

The NEF is focused exclusively on HDPs. These are persons that were disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993) came into operation. HDP is a generic term for Black South Africans (Africans, Coloureds and Indians).

## INITIAL PRODUCTS

The NEF launched seven initial products on 31 May 2004. These products are delivered through the Group and Entrepreneurial Schemes and Market Making Divisions.

GROUP AND ENTREPRENEURIAL SCHEMES PRODUCTS			
Product	Purpose	Investment range per transaction	Nature of investment
Generator	To assist with the establishment of new BEE businesses	R250 000 — R1m	Equity and/or debt
Accelerator	To assist with the expansion of existing BEE businesses	R1m — R3m	Equity and/or debt
Transformer	To assist BEE entrepreneurs with the acquisition of shareholdings in existing businesses	R3m — R10m	Equity and debt
Rural and Community Support	To assist with the establishment of income generating infrastructure to benefit communities	R2m — R10m	Equity and/or debt

MARKET MAKING PRODUCTS			
Product	Purpose	Investment range per transaction	Nature of investment
Capital Markets Fund	The Capital Markets Fund will invest in BEE enterprises, including those owned by women, that seek to list on the JSE or its junior AltX market.	R1m — R10m	Equity
Liquidity and Warehousing Fund	BEE shareholdings in unlisted businesses can be difficult to sell the Liquidity and Warehousing Fund will assist HDP sellers by acquiring and temporarily warehousing their shares before on-selling them to new HDP shareholders.	R10m — R50m	Equity
Strategic Projects Fund	The Strategic Projects Fund will acquire equity in large strategic projects and assume the role of the BEE partner for future onward transfer to BEE shareholders.	>R25m	Equity and/or debt

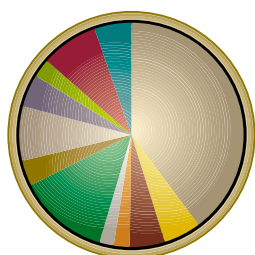
There has been a tremendous response to these products, especially the Generator, Accelerator and Transformer products, which are housed in the Group and Entrepreneurial Schemes division. Figures 1 and 2 opposite provide data on enquiries and applications for these products for the period 2 June 2004 to 16 August 2004.

# REPORT OF THE TRUSTEES CONTINUED

For the year ended 31 March 2004

Figure 1  
SUMMARY REPORT OF ENQUIRIES RECEIVED  
2 JUNE 2004 – 16 AUGUST 2004

Geographical analysis of total enquiries received



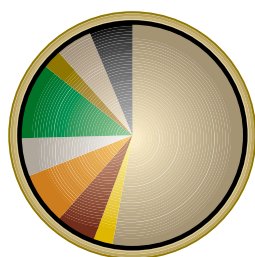
Gauteng	39,8%
Mpumalanga	5,4%
Limpopo	5,1%
Free state	2,3%
North West Province	2,1%
Western Cape	13,0%
Eastern Cape	3,7%
Kwa Zulu Natal	7,9%
Northern Province	4,7%
International	0,02%
Cellphone enquires	2,6%
Electronic email	8,2%
Incomplete data	5,3%

ACTUAL NUMBER	
Total enquires received by NEF	3 712
Total enquires from the dti Call Centre	1 482
<b>Total enquiries received</b>	<b>5 194</b>
<b>Total application forms received</b>	<b>397</b>

GEOGRAPHICAL ANALYSIS OF TOTAL ENQUIRIES RECEIVED	
Gauteng	2 067
Mpumalanga	279
Limpopo	263
Free state	119
North West Province	108
Western Cape	675
Eastern Cape	191
Kwa Zulu Natal	408
Northern Province	243
International	1
Cellphone enquires	137
Electronic email	427
Incomplete data	276
<b>Total</b>	<b>5194</b>

Figure 2  
SUMMARY REPORT OF APPLICATIONS RECEIVED  
2 JUNE 2004 – 16 AUGUST 2004

Geographical analysis of total applications



Gauteng	52,9%
Northern Cape	2,8%
Eastern Cape	5,8%
Kwa Zulu Natal	7,6%
North West Province	5,5%
Western Cape	11,1%
Free State	2,7%
Limpopo	5,3%
Mpumalanga	6,3%

ACTUAL NUMBER	
Total applications undergoing commercial screening	139
Total applications rejected on eligibility and commercial grounds	258
<b>Total applications received</b>	<b>397</b>

GEOGRAPHICAL ANALYSIS OF APPLICATIONS — BASED ON THOSE ELIGIBLE FOR FUNDING AND THOSE REJECTED			
	Eligible	Rejected	Total
Gauteng	70	140	210
Northern Cape	4	7	11
Eastern Cape	10	13	23
Kwa Zulu Natal	11	19	30
North West Province	10	12	22
Western Cape	15	29	44
Free State	4	7	11
Limpopo	5	16	21
Mpumalanga	10	15	25
<b>Total</b>	<b>139</b>	<b>258</b>	<b>397</b>

SUMMARY REPORT OF WEBSITE VISITS		
	June 2004	July 2004
Visits per month	7 684	3 371
Average visits per day	256	108
Total hits	389 127	139 153
Most active hits date	02 June	05 July
Number of hits on most active date	72 341	8 299
Least active hits date	26 June	04 July
Number of hits on least active date	837	429

**CAPITALISATION**

The Minister of Trade and Industry, the Honourable Mandisi Mphahlele, announced at the NEF's initial product launch on 31 May 2004, that the NEF had been allocated an initial R2 billion capital commitment from National Treasury to be accessed over time on the basis of a draw down schedule in line with investment capital requirements.

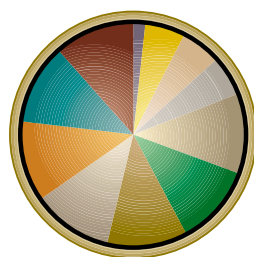
R35 million of capital for investment purposes and R14,6 million for operating expenses for the year ending 31 March 2005 was received by the NEF prior to 31 March 2004 and is reflected as such in the annual financial statements for the period under review.

The shares in State Owned Commercial Enterprises (SOCEs) that have been allocated to the NEF are listed in the pie-chart below.

The NEF had only held the MTN Group Ltd ("MTN Group" formerly M-Cell Ltd) shareholding, at the beginning of the financial year under review. This investment is reflected on the NEF's balance sheet. The interest in the Uthingo Management (Pty) Ltd ("Uthingo") shareholding was secured during the year under review and dividend income of R20 million has been received up to the date of this report.

**NATIONAL EMPOWERMENT FUND VENTURES TRUST (NEF VENTURES)**

**NEF's allocated shareholdings in State Owned Commercial Enterprises (SOCE)**



SOCE	NEF shareholding
MTN Group	1,5%
Telkom	5%
SAA	5%
Uthingo	5%
ACSA	10%
Connex Travel	10%
Viamax	10%
SAFCOL	10%
Syncat	10%
Transwerk Perway	10%
Sentech	10%

NEF Ventures is a joint venture between the NEF and the Industrial Development Corporation ("IDC"). It is a R200 million investment fund focused on investing in transactions between R3 million and R10 million each. The Group and Entrepreneurial Schemes Division's new products draw on NEF Ventures' experiences during the past two years and adopt similar investment criteria to those employed by NEF Ventures. The joint venture partners have commenced a constructive process to align the NEF's new products with NEF Ventures' mandate and investment strategy.

NEF Ventures concluded one investment as at year-end and an impairment provision has been reflected against this asset in the consolidated annual financial statements. The investment's performance post year-end has been encouraging and the value impairment will be reviewed at 31 March 2005.

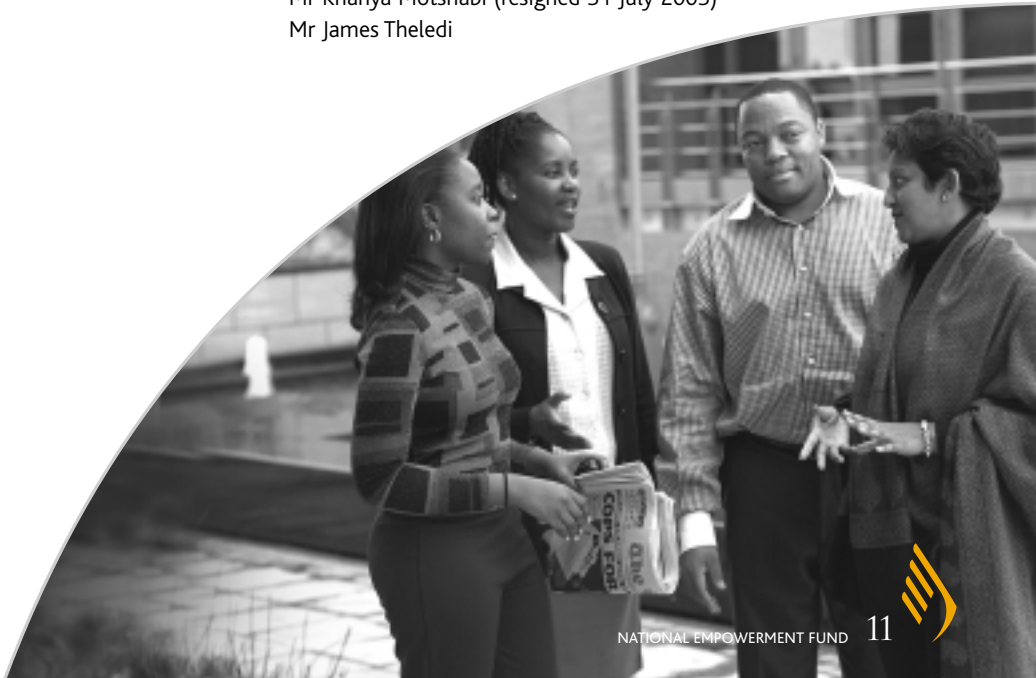
Post year-end and up to the date of this report, NEF Ventures has committed R3,5 million to a new investment and a further two investments, totalling R6,6 million have been unconditionally approved by the NEF Ventures investment committee.

**CORPORATE GOVERNANCE**

The governance of the NEF is the responsibility of the Board of Trustees, which currently comprises one independent non-executive and five non-executive Trustees. While the approval of policy is a matter for the Board, that body works closely with the Chief Executive Officer and his colleagues on the senior management team, who are charged with the implementation of policy.

The following Trustees served during the year under review:

- Dr Alistair Ruiters (Chairman)
- Ms Philisiwe Buthelezi
- Mr Sydney Maree (appointed 17 October 2003; resigned 13 August 2004)
- Dr Mahlape Mohale
- Mr Brian Molefe
- Mr Nchakha Moloi
- Mr Khanya Motshabi (resigned 31 July 2003)
- Mr James Theledi





## REPORT OF THE TRUSTEES CONTINUED

For the year ended 31 March 2004

The NEF's Audit Committee comprised the following members during the year under review:

Mr Anthony Coombe (Independent) Chairman  
Ms Philisiwe Buthelezi (Non-executive Trustee)  
Mr Khanya Motshabi (Executive Trustee) (resigned 31 July 2003)  
Mr Sydney Maree (Executive Trustee) (appointed 1 September 2003; resigned 13 August 2004)  
Mr Nick Nicholls (Independent)

The following additional committees are being established:

¥ Risk Management Committee  
¥ Investment Committee  
¥ Remuneration and Human Capital Committee

### STAFF

The NEF's staff complement is currently 32 (including contracted staff) (2003 : 22).

### REVIEW OF THE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDING 31 MARCH 2004

The Trustees prepare consolidated annual financial year statements, which give a true and fair view of the state of affairs of the NEF and its joint venture and of the results for the year. The increase in the value of the MTN Group shareholding amounting to R595 million during the year has significantly strengthened the group balance sheet.

The capital of R35 million received from the dti for investment purposes will serve as the initial investment pool for the NEF's new products and the balance of the immediate investment capital required as indicated above will be drawn down from the dti in the second half of 2005.

The consolidated net surplus for the year of R3,7 million arose largely due to delays in finalising the NEF's business plan and its initial product launch as a result of which certain expenditure was deferred into 2005. In addition, dividends received in December 2003 and February 2004 from the Trust's investment in Uthingo amounted to R14 million. R5 million thereof was in respect of the prior year and, in terms of the Trust's accounting policies, would have been accrued in March 2003 had the NEF been aware of its beneficial right to these dividends via the nominee company. Accordingly the NEF has accounted for the full value of receipts due to the Uthingo dividends in the current year, matching the dates of notifications received to this extent.

On behalf of the Trustees

MR NCHAKHA MOLOI  
31 August 2004

MS PHILISIWE BUTHELEZI  
31 August 2004



# REPORT OF THE AUDIT COMMITTEE

For the year ended 31 March 2004

We are pleased to present our report for the financial year ended 31 March 2004.

## AUDIT COMMITTEE MEMBERS AND ATTENDANCE:

The Audit Committee consists of the members listed hereunder. It met five times during the reporting period to undertake its responsibilities which culminated in the issue of this report.

Name of member	Number of meetings attended
A C Coombe (Chairperson) (Independent)	5
R G Nicholls (Independent)	5
S Maree (CEO — appointed October 2003; resigned August 2004))	3
P Buthelezi (Non-Executive Trustee)	0
K Motshabi (CEO - resigned August 2003)	1

## AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a)(ii) of the Public Finance Management Act (PFMA) and Treasury Regulations 3.1.13 and 27(1)(10). The Audit Committee also reports that it has drafted appropriate formal terms of reference as its audit committee charter, which was accepted by the Board of Trustees on 7 September 2004. We have regulated our affairs in compliance with this draft charter and have discharged all responsibilities as contained therein.

## THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal control is not considered effective as many instances of non-existent or inadequate procedures, systems, controls and records were reported to us. During the year under review several instances of non-compliance were reported by the internal and external auditors that resulted from a breakdown in the functioning of controls. The weaknesses reported previously had not been addressed satisfactorily as at the date of our last meeting. We are aware of the subsequent appointment of an acting chief financial officer who is addressing these areas of weakness. The effect of these instances has been included in the annual financial statements and the report of the Accounting Authority.

## QUALITY OF MANAGEMENT REPORTS

The Audit Committee is not satisfied with the content and quality of monthly and quarterly reports prepared and issued by management and the entity during the year under review.

The Accounting Authority consists of a Board of Trustees, which

does not have a Financial Sub-Committee to deal with the monthly Management Accounts, Annual Financial Statements and other financial matters. Management accounts do not contain commentary on reasons for variances to provide the required analytical review and variance analysis control.

## INTERNAL AUDIT

In our opinion the scope of internal audit work undertaken did not adequately cover the higher risk areas. Reported findings were insufficient to provide the requirements for the positive changes necessary and therefore internal audit's responsibilities in the risk and control areas are not assessed as effective.

## FINANCIAL MISCONDUCT

We are informed that two major allegations of financial misconduct have been investigated and are being progressed in full compliance with disciplinary procedures and relevant laws and in accordance with proved findings.

## EVALUATION AND FINANCIAL STATEMENTS

The Audit Committee has:

- ¥ reviewed and discussed with the external auditors and senior representatives of management the audited annual financial statements to be included in the annual report;
- ¥ reviewed the external auditors management letter and management's response thereto; and
- ¥ reviewed significant adjustments resulting from the audit.

The Audit Committee concurs with and accepts the conclusions of the external auditors on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the external auditors.



MR ANTHONY COOMBE

Chairperson of the  
Audit Committee

8 September 2004

# REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE NATIONAL EMPOWERMENT FUND TRUST



We have audited the annual financial statements and the group annual financial statements of the National Empowerment Fund Trust set out on pages 16 to 42 for the year ended 31 March 2004. These financial statements are the responsibility of the Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

## SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- ¥ examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements,
- ¥ assessing the accounting principles used and significant estimates made by management, and
- ¥ evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

## AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Trust and the group at 31 March 2004 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice.

## Emphasis of matter

Without qualifying our audit opinion, we draw attention to the following matters:

### Non-compliance with the Public Finance Management Act and Treasury Regulations

¥ In terms of section 51(1)(h) of the Public Finance Management Act (PFMA) the accounting authority must comply and ensure compliance by the public entity, with the provisions of the PFMA and any other legislation applicable to the public entity. The Fund has not yet implemented an operational process to ensure compliance with all legislation;

- ¥ Section 26.1.2 of the Treasury Regulations requires the accounting authority to report on the extent of compliance with the PFMA and the regulations. Instances of non-compliance together with reasons for non-compliance were not reported as required;
- ¥ The internal auditors, in consultation with the audit committee, did not prepare a rolling three-year strategic internal audit plan based on its assessment of key areas of risk for the public entity, having regard to its current operations, the operations proposed in its corporate or strategic plan and its risk management strategy. This is in contravention of section 27.2.7 of the Treasury Regulations;
- ¥ Section 28.1.5 of the Treasury Regulations requires the accounting authority to develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority in consultation with the external auditors. The accounting authority has not yet developed such a framework;
- ¥ A risk management plan or fraud prevention plan, as required by section 27.2.1 and section 29.1.1 of the Treasury Regulations does not exist;
- ¥ A list of banking accounts has not been submitted to National Treasury as required by section 31.2.1 of the Treasury Regulations; and
- ¥ Although an investment policy exists, the policy has not been fully implemented with respect to bank call account management as required by section 31.3.2 of the Treasury Regulations.

*PricewaterhouseCoopers Inc.*

PRICEWATERHOUSECOOPERS INC.  
Registered Accountants and Auditors  
Chartered Accountants (SA)  
31 August 2004

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

04

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NATIONAL  
EMPOWERMENT  
FUND  
Growing Economic Participation

# CONSOLIDATED BALANCE SHEET

At 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

		2004	2003
	Notes	R	R
<b>ASSETS</b>			
<b>Non-current assets</b>			
		784 352 633	289 120 047
Property and equipment	4	2 191 746	3 571 810
Available-for-Sale investments	5	782 160 887	285 548 237
<b>Current assets</b>			
		70 664 316	19 528 378
Trade and other receivables	6	1 336 891	6 275 131
Cash and cash equivalents		69 327 425	13 253 247
<b>TOTAL ASSETS</b>		<b>855 016 949</b>	<b>308 648 425</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
		836 159 007	306 213 832
Trust capital	7	220 000 000	185 000 000
Non-distributable reserve	8	605 794 851	114 547 862
Retained income		10 364 156	6 665 970
<b>Current liabilities</b>			
		18 857 942	2 434 593
NEF Ventures Trust	9	161 137	—
Trade and other payables	10	18 696 805	2 434 593
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>855 016 949</b>	<b>308 648 425</b>





## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

		2004	2003
	Notes	R	R
Revenue	2	20 632 617	11 679 644
Other operating income		3 308 436	83
Administration expenses		(20 242 867)	(15 994 685)
<b>SURPLUS/(DEFICIT) FROM OPERATIONS</b>	3	<b>3 698 186</b>	<b>(4 314 958)</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2004

	Notes	Trust capital R	Retained earnings R	Fair value reserves R	Total R
Balance at 31 March 2002		185 000 000	10 980 928	138 735 640	334 716 568
Restatement of surplus arising from first time adoption of AC133		—	—	(36 562 778)	(36 562 778)
Net deficit for the year		—	(9 377 835)	—	(9 377 835)
Balance at 31 March 2003		185 000 000	1 603 093	102 172 862	288 775 955
Prior year adjustment on AC133 investments	19	—	5 062 877	12 375 000	17 437 877
Restated balance at 31 March 2003		185 000 000	6 665 970	114 547 862	306 213 832
Movement for the year		35 000 000	—	—	35 000 000
Net surplus for the year		—	3 698 186	491 246 989	494 945 175
<b>Balance at 31 March 2004</b>		<b>220 000 000</b>	<b>10 364 156</b>	<b>605 794 851</b>	<b>836 159 007</b>

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

		2004	2003
	Notes	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from/(utilised by) operations	13	26 218 739	(6 807 691)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment		(616 951)	(3 233 461)
Proceeds on the disposal of property and equipment		556 496	257 541
Increase in investments		(5 365 661)	(375)
Movement in current loans		281 555	(374 333)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase in trust capital		35 000 000	—
Increase/(decrease) in cash and cash equivalents		56 074 178	(10 158 319)
Cash and cash equivalents at beginning of year		13 253 247	23 411 566
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>69 327 425</b>	<b>13 253 247</b>



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

## 1. ACCOUNTING POLICIES

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year, except for the policy on financial instruments, which was adopted for the first time in the 2004 financial year and applied to the 2003 results per note 19.

### 1.1 Basis of preparation

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements have been prepared on a historical cost basis, except for the revaluation of investments.

### 1.2 Group accounting

#### Joint venture

Joint ventures are accounted for by applying the proportionate consolidation method, on a line-by-line basis. Surpluses and deficits on transactions between the Trust and its joint venture are recognised only to the extent of the profit/loss attributable to the interest of the other party.

### 1.3 Revenue recognition

Revenue comprises of government grants, dividends received and interest received. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and effective rate over the period to maturity, when it is determined that such income will accrue to the Trust.

Dividends are recognised when the right to receive payment is established.

### 1.4 Property and equipment

Property and equipment is stated at cost less accumulated depreciation provided on the straight-line method, unless otherwise stated.

Depreciation is provided at the following annual rates, which are considered appropriate to write down cost over the useful lives of the assets:

Computer equipment and software	33,33%
Leasehold improvements	lease period expiring 31 October 2004
Audio visual equipment	33,33%
Motor vehicles	25%
Office equipment	20% - 40%
Furniture and fittings	10%
Other assets — Paintings	2%

### 1.5 Impairment

Property and equipment and other non-current assets, including intangible assets, are reviewed for impaired losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, that is, the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

### 1.6 Leases

Leases where the significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statement on the straight-line basis over the period of the lease.

### 1.7 Employee Benefits

The Trust contributes to the Alexander Forbes RF Provident Fund on a monthly basis. A defined contribution plan is one under which the Trust pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions when the fund does not hold sufficient assets to pay all benefits relating to employee services in the current and prior periods. For defined contribution plans, the Trust pays contributions to publicly or privately administered insurance plans on a contractual basis. Once the contributions have been paid, the Trust has no further payment obligations. The regular contributions constitute the net periodic costs for the year in which they are due, and are included in staff costs.

### 1.8 Government Grant

Grants from Government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Trust will comply with all the relevant conditions.

Government Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the cost which they are intended to compensate.

### 1.9 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

### 1.10 Financial instruments

#### 1.10.1 Measurement

Financial instruments are initially measured at cost, which includes transaction costs.

Subsequent to initial recognition, these instruments are measured as set out below:

#### 1.10.1.1 Cash and cash equivalents

Cash and cash equivalents are carried at balance sheet cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of twelve months or less.

#### 1.10.1.2 Investments

##### 1.10.1.2.1 Investments in joint ventures

Investment in joint ventures are recognised at cost less accumulated impairment losses. The Trust classifies these as held-to-maturity investments. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Held-to-maturity investments are included in non-current assets, except for those assets with maturities within 12 months from the balance sheet date, which are classified as current assets.

Joint ventures are accounted for by applying the proportionate consolidation method, on a line-by-line basis. Profits on transactions between the Trust and its joint venture are recognised only to the extent of the profits attributable to the interests of the other party.

##### 1.10.1.2.2 Available-for-sale investments

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. They are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity.

#### 1.10.1.2.3 Investment in associates

Associates are those entities in which the Trust has taken an investment and through which it is able to exercise significant control over the entities operational and financial policies through its level of equity held.

The Trust has elected the early adoption of IAS 28 — Investments in Associates. Accordingly, investments in associates are accounted for at cost due to the Trust falling within the definition of a private equity fund (venture capital fund) in terms of IAS 28. As such this definition obviates the necessity to equity account for these investments, despite the Trust potentially exerting "significant influence" in terms of the definition of IAS 28, and investments will accordingly be accounted for in terms of AC 133 — Financial Instruments — Recognition and Measurement.

#### 1.10.1.3 Accounts receivable

Trade receivables are carried at original invoice amount less provision made for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Trust will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the market rate of interest for similar borrowers.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

	2004	2003
	R	R
<b>2. REVENUE</b>		
Grants received	9 877 857	4 500 000
Dividends received	9 000 000	5 062 500
Interest received — Bank	1 437 313	2 116 767
— Deposits	197 027	—
Bad debts recovered	120 420	—
Donations received	—	377
	20 632 617	11 679 644
<p>Grants are recognised per note 1.8. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and effective rate over the period to maturity, when it is determined that such income will accrue to the Trust. Dividends are recognised when the right to receive payments is established.</p>		
<b>3. SURPLUS/(DEFICIT) FOR THE YEAR</b>		
Surplus/(Deficit) from operations is arrived at after taking into account:		
<b>Auditors' remuneration</b>	163 109	30 780
For audit fees current year	69 000	—
Under provision prior year	94 109	30 780
<b>Depreciation</b>	1 440 519	661 805
Motor vehicles	34 067	34 065
Computer equipment	85 426	118 102
Audio visual equipment	66 901	—
Office equipment	10 349	13 510
Furniture and fittings	125 648	71 122
Other assets	16 548	3 310
Leasehold improvements	1 101 580	421 696
<b>Loss on disposal of property and equipment</b>	—	3 262
<b>Operating lease — property rental</b>	1 622 814	1 456 920
<b>Staff costs</b>		
Salaries and benefits	9 862 822	7 409 023
The number of employees at year-end	25	19

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

### 4. PROPERTY AND EQUIPMENT

	Motor vehicles R	Computer equipment R	Audio visual equipment R	Office equipment R
<b>2004</b>				
<b>Opening balance</b>				
Cost	136 260	288 839	—	55 727
Accumulated depreciation	(48 259)	(150 295)	—	(19 078)
<b>Net book value</b>	<b>88 001</b>	<b>138 544</b>	<b>—</b>	<b>36 649</b>
<b>Movement for the year:</b>				
Additions	—	71 429	481 731	25 168
Disposals	—	—	—	—
Depreciation on disposals	—	—	—	—
Depreciation	(34 067)	(85 426)	(66 901)	(10 349)
<b>Net book value</b>	<b>53 934</b>	<b>124 547</b>	<b>414 830</b>	<b>51 468</b>
<b>Made up as follows:</b>				
Cost	136 260	309 421	481 731	74 361
Accumulated depreciation	(82 326)	(184 874)	(66 901)	(22 893)
<b>Net book value</b>	<b>53 934</b>	<b>124 547</b>	<b>414 830</b>	<b>51 468</b>
<b>2003</b>				
<b>Opening balance</b>				
Cost	136 260	266 230	—	44 821
Accumulated depreciation	(14 194)	(32 192)	—	(5 566)
<b>Net book value</b>	<b>122 066</b>	<b>234 038</b>	<b>—</b>	<b>39 255</b>
<b>Movement for the year:</b>				
Additions	—	233 999	—	57 054
Disposals	—	(262 237)	—	(52 683)
Depreciation on disposals	—	50 846	—	6 533
Depreciation	(34 065)	(118 102)	—	(13 510)
<b>Net book value</b>	<b>88 001</b>	<b>138 544</b>	<b>—</b>	<b>36 649</b>
<b>Made up as follows:</b>				
Cost	136 260	288 839	—	55 727
Accumulated depreciation	(48 259)	(150 295)	—	(19 078)
<b>Net book value</b>	<b>88 001</b>	<b>138 544</b>	<b>—</b>	<b>36 649</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

	Furniture and fittings R	Other assets R	Leasehold improvements R	Total R
<b>2004</b>				
<b>Opening balance</b>				
Cost	712 814	174 200	2 991 618	4 359 458
Accumulated depreciation	(71 122)	(3 310)	(495 584)	(787 648)
<b>Net book value</b>	<b>641 692</b>	<b>170 890</b>	<b>2 496 034</b>	<b>3 571 810</b>
<b>Movement for the year</b>				
Additions	24 149	—	14 474	616 951
Disposals	—	—	(556 496)	(556 496)
Depreciation on disposals	—	—	—	—
Depreciation	(125 648)	(16 548)	(1 101 580)	(1 440 519)
<b>Net book value</b>	<b>540 193</b>	<b>154 342</b>	<b>852 432</b>	<b>2 191 746</b>
<b>Made up as follows:</b>				
Cost	736 963	174 200	2 449 596	4 362 532
Accumulated depreciation	(196 770)	(19 858)	(1 597 164)	(2 170 786)
<b>Net book value</b>	<b>540 193</b>	<b>154 342</b>	<b>852 432</b>	<b>2 191 746</b>
<b>2003</b>				
<b>Opening balance</b>				
Cost	—	—	936 224	1 383 535
Accumulated depreciation	—	—	(73 888)	(125 840)
<b>Net book value</b>	<b>—</b>	<b>—</b>	<b>862 336</b>	<b>1 257 695</b>
<b>Movement for the year</b>				
Additions	712 814	174 200	2 055 394	3 233 461
Disposals	—	—	—	(314 920)
Depreciation on disposals	—	—	—	57 379
Depreciation	(71 122)	(3 310)	(421 696)	(661 805)
<b>Net book value</b>	<b>641 692</b>	<b>170 890</b>	<b>2 496 034</b>	<b>3 571 810</b>
<b>Made up as follows:</b>				
Cost	712 814	174 200	2 991 618	4 359 458
Accumulated depreciation	(71 122)	(3 310)	(495 584)	(787 648)
<b>Net book value</b>	<b>641 692</b>	<b>170 890</b>	<b>2 496 034</b>	<b>3 571 810</b>



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

			2004	2003
			R	R
<b>5. AVAILABLE-FOR-SALE INVESTMENTS</b>				
	<b>Number of shares</b>			
	<b>2004</b>	<b>2003</b>		
(i) Shares in MTN Group at cost	<b>23 388 397</b>	23 288 394	<b>173 880 087</b>	171 000 000
Revaluation through equity			<b>594 662 638</b>	102 172 862
Shares in MTN Group at market value			<b>768 542 725</b>	273 172 862
(ii) Shares in Uthingo (Pty) Ltd at cost	<b>37 500</b>	37 500	<b>375</b>	375
Trustees' Revaluation			<b>12 375 000</b>	12 375 000
Shares in Uthingo (Pty) Ltd at fair value			<b>12 375 375</b>	12 375 375
(iii) Shares in Clickrite (Pty) Ltd at cost			<b>2 485 574</b>	—
Revaluation through equity			<b>(1 242 787)</b>	—
Shares in Clickrite (Pty) Ltd at fair value			<b>12 242 787</b>	—
Total available-for-sale investment			<b>782 160 887</b>	285 548 237

MTN Group shares comprise marketable equity securities and are fair valued annually at the close of business on 31 March. For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted prices. There was no disposal of or provision for impairment on the MTN Group investment for the current or prior year. An additional 100 003 shares were acquired on October 2003 at no cost, this being a settlement of a legal claim and the value thereof is recognised at market price.

Title to the Uthingo (Pty) Ltd shares, previously warehoused by Abercon Estates (Pty) Ltd, has been transferred to the National Empowerment Fund. The fair value is determined by the trustees' valuation, based on the dividend yield approach.

The National Empowerment Fund holds an effective 20% of Clickrite (Pty) Ltd through NEF Ventures Trust. Clickrite (Pty) Ltd has a 28 February year end. The equity loan is interest free and repayment terms have not yet been determined. It has also been subordinated in favour of other creditors of Clickrite (Pty) Ltd for as long as the ratio of borrowings to total shareholders' equity shall be equal or greater than 100%.

### List of Investments:

	Effective holding		Number of shares Held	
	2004 %	2003 %	2004	2003
<b>Listed:</b>				
MTN Group	1.5	1.5	<b>23 388 397</b>	23 288 394
Market price per share at 31 March			<b>33</b>	11
<b>Unlisted:</b>				
Uthingo (Pty) Ltd	5	5	<b>37 500</b>	37 500
Trustees' revaluation per share at 31 March			<b>330</b>	330
<b>Effective investment in associates</b>				
Clickrite (Pty) Ltd	<b>20</b>	20		



# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

	2004	2003
	R	R
<b>6. TRADE AND OTHER RECEIVABLES</b>		
Deposits	890 029	693 000
Other debtors	220 865	719 846
Prepayments	225 997	299 425
National Empowerment Fund—Ventures Trust		
—Current account	—	120 420
—Provision for impairment	—	(120 420)
Dividends receivable	—	5 062 500
Provision for doubtful debts	—	(499 640)
	<b>1 336 891</b>	<b>6 275 131</b>
<b>7. TRUST CAPITAL</b>		
MTN shares	171 000 000	171 000 000
Funds received from the dti for investment capital	49 000 000	14 000 000
	<b>220 000 000</b>	<b>185 000 000</b>
<b>8. NON-DISTRIBUTABLE RESERVE</b>		
Balance at the beginning of the year	114 547 862	138 735 640
Revaluation/Impairment of MTN Shares	492 489 776	(36 562 778)
Revaluation of Uthingo (Pty) Ltd shares	—	12 375 000
Impairment of Clickrite (Pty) Ltd investment	(1 242 787)	—
Balance at the end of the year	<b>605 794 851</b>	<b>114 547 862</b>
<b>9. INTER-GROUP LOAN</b>		
<b>NEF Ventures Trust</b>		
Amount payable in terms of other party's interest	161 137	—
The loan does not bear interest and has no fixed terms of repayment		
<b>10. TRADE AND OTHER PAYABLES</b>		
Sundry creditors	295 711	272 021
Trade creditors	861 411	—
Deferred grants from the dti	14 622 143	—
Provision for bonuses	2 467 086	1 928 857
Provision for leave pay	450 454	233 715
	<b>18 696 805</b>	<b>2 434 593</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

### 11. RELATED PARTY TRANSACTION

National Empowerment Fund Trust (the Trust) is controlled and owned by the Department of Trade and Industry (the dti) from whom it received grants in the current and prior years. The dti focuses on promoting economic growth, helping to create jobs, and redressing past injustices and economic inefficient resources and fulfils its mandate through public entities. The Trust owns 50% interest in the NEF — Ventures Trust, through which empowerment funding is made available. The NEF Ventures Trust does not maintain its own bank account and therefore all cash transactions are done through the bank of the Trust. There were no purchases from the associate or trustees' emoluments for the year under review. The following transactions were carried out with related parties.

	2004	2003
	R	R
<b>Grants and capital received:</b>		
Department of Trade & Industry	59 500 000	23 000 000
<b>Grants received in advance (included in Trade and other payables)</b>		
Department of Trade & Industry	14 622 143	—
<b>Inter-group loan receivable</b>		
NEF Ventures Trust	161 137	—

### 12. TAXATION

The Trust has applied for exemption from income tax in terms of section 10 (1)(cA)(I) of the Income Tax Act. No provision has been made for taxation pending the outcome of the exemption application.

### 13. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of net surplus/(deficit) before taxation to cash generated from operations:

Net surplus/(deficit) before tax	3 698 186	(4 314 960)
Adjustment for:	2 195 487	3 324 017
Depreciation	1 440 519	661 805
Provision for doubtful debts	499 640	—
Provision for bonuses	538 229	1 928 857
Provision for leave pay	216 739	233 715
Operating loss before working capital changes	5 893 673	(990 943)
Working capital changes	20 325 066	(5 816 748)
Movement in trade and other receivables	4 817 822	(5 443 772)
Movement in trade and other payables	15 507 244	(372 976)
Cash generated by/(utilised in) operations	26 218 739	(6 807 691)

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

## 14. FINANCIAL RISK MANAGEMENT

### 14.1 Interest rate risk

The Trust adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis.

### 14.2 Credit risk

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

### 14.3 Fair value estimation

The fair value of publicly traded available-for-sale securities is based on quoted market prices at the balance sheet date. The fair value of equity instruments that are not publicly traded is calculated as the present value of expected future cash flows.

## 15. POST BALANCE SHEET EVENTS

On 30 June 2004, the NEF Ventures Trust acquired a 40% interest in Blink Lifestyle as part of a total investment commitment of R3 500 000. Blink Lifestyle is a media production entity and is incorporated in South Africa.

## 16. MTN SHARE DISPUTE

On 24 August 1998, the Trust together with a number of other Black Economic Empowerment Companies (BEE Companies) acquired a total of 5% of the issued share capital of MTN Group. The Trust's portion of this acquisition amounted to 1,5% of the total number of MTN Group's share capital.

On 27 September 1999, one of the BEE Companies disposed of its shares. These shares were subsequently acquired on a proportional basis by all of the BEE Companies, except for the Trust. This was contrary to the shareholders' agreement in that the shares should have been offered to all of the holders of empowerment shares on a pro-rata basis.

This failure to adhere to the provision of the shareholders' agreement led to the Trust instituting action against the BEE Companies for recovery of its pro-rata portion of the shares that has been disposed of. All but two of the BEE companies have settled with the Trust. The total number of shares recovered to date is 116 618 and the cash component received is R428 224. Of the remaining two BEE Companies that have not settled, negotiations are still underway with one and there is no prospect of recovery with the other.

## 17. CAPITAL COMMITMENTS

### Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	2004	2003
Not later than 1 year	1 929 544	2 498 349
Later than 1 year but not later than 5 years	—	1 929 544
	1 929 544	4 427 893

### Commitment to future investments

Through the NEF Ventures Trust, the Trust has unconditionally approved two new investments amounting to R6,6 million.

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
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### 18. CONTINGENT LIABILITIES

At 31 March 2004, the Trust had a contingent liability in respect of a legal claim arising from CCMA matter, from which it is anticipated, after taking appropriate legal advice, that the outcome will not give rise to a loss beyond the amount of R500 000.

### 19. PRIOR YEAR ADJUSTMENT

	Gross	Taxation	Net
Dividends received	5 062 500	—	5 062 500
Stamp duty	2	—	2
Available for sale investments	375	—	375
Total adjustment to income statement	5 062 877	—	5 062 877
Fair value adjustment	12 375 000	—	12 375 000

Ownership of 37 500 Uthingo (Pty) Ltd shares accrued to the Trust in 2003. This fact was not disclosed to the Trust and therefore these shares were not reflected in the 2003 annual financial statements.

During the year, dividends to the amount of R14 million were received from the investment in Uthingo (Pty) Ltd. R5 million thereof was in respect of the prior year and, in terms of the Trust's accounting policies, would have accrued in March 2003 had the Trust been aware of its beneficial right to these dividends via the nominee company at the time.

The shares acquired were revalued by the trustees to their fair value as at 31 March 2003.

The prior year figures have been restated to reflect the fair value adjustment, dividends and shares received.

### 20. JOINT VENTURE

The financial statements of a joint venture, which represents a 50% interest in the NEF Ventures Trust, were incorporated with the consolidated annual financial statements.

The consolidated results include the following amounts relating to the group's interests in the joint venture:

	2004	2003
	R	R
Revenue	—	—
Administration expenses	(1 694 308)	(1 802 553)
Net loss for the year	(1 694 308)	(1 802 553)
Property and equipment	21 764	53 805
Non-current assets	1 242 787	—
Net current liabilities	(88 841)	(309 496)
Interest in equity	1 175 710	(255 691)
	2 351 420	(511 382)

## ANNUAL FINANCIAL STATEMENTS

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**NATIONAL  
EMPOWERMENT  
FUND**  
Growing Economic Participation

# BALANCE SHEET

At 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

		2004	2003
	Notes	R	R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>788 763 792</b>	291 616 242
Property and equipment		2 169 983	3 518 005
Investment in Joint Venture	5	5 675 709	2 550 000
Available-for-sale investments	6	780 918 100	285 548 237
<b>Current assets</b>		<b>70 656 202</b>	19 646 743
Trade and other receivables	7	1 167 640	6 393 265
Cash and cash equivalents		69 488 562	13 253 478
<b>TOTAL ASSETS</b>		<b>859 419 994</b>	311 262 985
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>		<b>840 659 002</b>	309 019 521
Trust capital	8	220 000 000	185 000 000
Non-distributable reserve	9	607 037 638	114 547 862
Retained income		13 621 364	9 471 659
<b>Current liabilities</b>		<b>18 760 992</b>	2 243 464
Trade and other payables	10	15 689 634	241 380
National Empowerment Fund Ventures Trust	11	322 273	—
Provisions	12	2 749 085	2 002 084
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>859 419 994</b>	311 262 985

## INCOME STATEMENT

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

		2004	2003
	Notes	R	R
Revenue	2	20 632 617	11 679 708
Other income		3 308 436	83
Administration expenses		(19 791 348)	(14 192 198)
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	3	<b>4 149 705</b>	<b>(2 512 407)</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2004

	Notes	Trust capital R	Retained earnings R	Mark-to-market reserve R	Total R
Balance as at 31 March 2003		185 000 000	6 921 189	138 735 640	330 656 829
Restatement of profits arising from first time adoption of AC133		—	—	(36 562 778)	(36 562 778)
Net loss for the year		—	(2 512 407)	—	(2 512 407)
Balance at 31 March 2003		185 000 000	4 408 782	102 172 862	291 581 644
Prior year adjustment	21	—	5 062 877	12 375 000	17 437 877
Restated balance at 31 March 2003		185 000 000	9 471 659	114 547 862	309 019 521
Movement for the year		35 000 000	—	492 489 776	527 489 776
Net profit for the year		—	4 149 705	—	4 149 705
<b>Balance at 31 March 2004</b>		<b>220 000 000</b>	<b>13 621 364</b>	<b>607 037 638</b>	<b>840 659 002</b>

# CASH FLOW STATEMENT

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

		2004	2003
	Notes	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from/(utilised by) operations	15	26 873 111	(6 544 158)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment		(616 951)	(3 230 710)
Proceeds on the disposal of property and equipment		556 496	254 279
Other income		428 224	—
Increase in investments		(6 005 796)	(637 498)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase in trust capital		35 000 000	—
<hr/>			
Increase/(Decrease) in cash and cash equivalents		56 235 084	(10 158 087)
Cash and cash equivalents at beginning of year		13 253 479	23 411 566
<hr/>			
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>69 488 563</b>	<b>13 253 479</b>





# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2004

National Empowerment Fund Trust  
Registration Number: IT 10145/00

## 1. ACCOUNTING POLICIES

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year, except for the policy on financial instruments which was adopted for the first time in 2004 and applied to the 2003 results per note 21.

### 1.1 Basis of preparation

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements have been prepared on a historical cost basis, except for the revaluation of investments.

### 1.2 Group financial statements

#### Joint Venture

Transactions between the Trust and its joint venture are recognised only to the extent of the profit/loss attributable to the interest of the other party.

### 1.3 Revenue recognition

Revenue comprises of government grants, dividends received and interest received. Interest income is recognised on a time proportion basis, taking account of the principal outstanding and effective rate over the period to maturity, when it is determined that such income will accrue to the Trust.

Dividends are recognised when the right to receive payment is established.

### 1.4 Property and equipment

Property and equipment is stated at cost less accumulated depreciation provided on the straight-line method.

Depreciation is provided at the following annual rates, which are considered appropriate to write down cost over the useful lives of the assets:

Computer equipment and software	3,33%
Leasehold improvements	lease period expiring 31 October 2004
Audio visual equipment	33,33%
Motor vehicles	25%
Office equipment	20% — 40%
Furniture and fittings	10%
Other assets — paintings	2%

### 1.5 Impairment

Property and equipment and other non-current assets, including intangible assets, are reviewed for impaired losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, that is, the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

### 1.6 Leases

Leases, where the significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statement on the straight-line basis over the period of the lease.

### 1.7 Employee benefits

The Trust contributes to the Alexander Forbes RF Provident Fund on a monthly basis. A defined contribution plan is one under which the Trust pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions when the fund does not hold sufficient assets to pay all benefits relating to employee service in the current and prior periods. For defined contribution plans, the Trust pays contributions to publicly or privately administered insurance plans on a contractual basis. Once the contributions have been paid, the Trust has no further payment obligations. The regular contributions constitute the net periodic costs for the year in which they are due, and are included in staff costs.

### 1.8 Government grant

Grants from Government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Trust will comply with all the relevant conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the cost which they are intended to compensate.

### 1.9 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
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## 1.10 Financial Instruments

### 1.10.1 Measurement

Financial instruments are initially measured at cost, which includes transaction costs.

Subsequent to initial recognition, these instruments are measured as set out below:

#### 1.10.1.1 Cash and cash equivalents

Cash and cash equivalents are carried at balance sheet cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of twelve months or less.

#### 1.10.1.2 Investments

##### 1.10.1.2.1 Investments in joint venture

Investment in joint ventures are recognised at cost less accumulated impairment losses. The trust classifies these as held-to-maturity investments. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Held-to-maturity investments are included in non-current assets, except for those assets with maturities within 12 months from the balance sheet date, which are classified as current assets.

#### 1.10.1.2.2 Available-for-sale investments

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. They are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity.

#### 1.10.1.3 Accounts receivable

Trade receivables are carried at original invoice amount less provision made for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Trust will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the market rate of interest for similar borrowers.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
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	2004	2003
	R	R
<b>2. REVENUE</b>		
Grants received	9 877 857	4 500 000
—Grant received to clear net deficit for the year ended 31 March 2003	2 512 407	—
—Other	7 365 450	4 500 000
Dividends received	9 000 000	5 062 500
Interest received — Bank	1 437 313	2 116 831
— Deposit	197 027	—
Bad debts recovered	120 420	—
Donations received	—	377
	20 632 617	11 679 708
<b>3. SURPLUS/(DEFICIT) FOR THE YEAR</b>		
Surplus/(Deficit) from operations is arrived at after taking into account:		
<b>Auditors' remuneration</b>	121 547	30 780
For audit fees current year	45 000	—
Under provision prior year	76 547	30 780
<b>Depreciation</b>	1 408 477	630 200
Motor vehicles	34 067	34 065
Computer equipment	54 084	86 962
Audio visual equipment	66 901	—
Office equipment	9 649	13 045
Furniture and fittings	125 648	71 122
Other assets	6 548	3 310
Leasehold improvements	1 101 580	421 696
<b>Loss on disposal of property and equipment</b>	—	3 262
<b>Operating lease — property rental</b>	2 457 469	2 193 066
<b>Staff costs</b>		
Salaries and benefits	8 757 144	5 970 306
The number of employees at year-end	22	15



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
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## 4. PROPERTY AND EQUIPMENT

	Motor vehicles R	Computer equipment R	Audio visual equipment R	Office equipment R
<b>2004</b>				
<b>Opening balance</b>				
Cost	136 260	143 958	—	46 514
Accumulated depreciation	(48 259)	(58 066)	—	(11 018)
<b>Net book value</b>	<b>88 001</b>	<b>85 892</b>	<b>—</b>	<b>35 496</b>
<b>Movement for the year:</b>				
Additions	—	71 429	481 731	25 168
Disposals	—	—	—	—
Depreciation on disposals	—	—	—	—
Depreciation	(34 067)	(54 084)	(66 901)	(9 649)
<b>Net book value</b>	<b>53 934</b>	<b>103 237</b>	<b>414 830</b>	<b>51 015</b>
<b>Made up as follows:</b>				
Cost	136 260	215 387	481 731	71 682
Accumulated depreciation	(82 326)	(112 150)	(66 901)	(20 667)
<b>Net book value</b>	<b>53 934</b>	<b>103 237</b>	<b>414 830</b>	<b>51 015</b>
<b>2003</b>				
<b>Opening balance</b>				
Cost	136 260	174 947	—	42 143
Accumulated depreciation	(14 194)	(21 950)	—	(4 506)
<b>Net book value</b>	<b>122 066</b>	<b>152 997</b>	<b>—</b>	<b>37 637</b>
<b>Movement for the year:</b>				
Additions	—	231 248	—	57 054
Disposals	—	(262 237)	—	(52 683)
Depreciation on disposals	—	50 846	—	6 533
Depreciation	(34 065)	(86 962)	—	(13 045)
<b>Net book value</b>	<b>88 001</b>	<b>85 892</b>	<b>—</b>	<b>35 496</b>
<b>Made up as follows:</b>				
Cost	136 260	143 958	—	46 514
Accumulated depreciation	(48 259)	(58 066)	—	(11 018)
<b>Net book value</b>	<b>88 001</b>	<b>85 892</b>	<b>—</b>	<b>35 496</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
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	Furniture and fittings R	Other assets R	Leasehold improvements R	Total R
<b>2004</b>				
<b>Opening balance</b>				
Cost	712 814	174 200	2 991 618	4 205 364
Accumulated depreciation	(71 122)	(3 310)	(495 584)	(687 359)
<b>Net book value</b>	<b>641 692</b>	<b>170 890</b>	<b>2 496 034</b>	<b>3 518 005</b>
<b>Movement for the year:</b>				
Additions	24 149		14 474	616 951
Disposals	—	—	(556 496)	(556 496)
Depreciation on disposals	—	—	—	—
Depreciation	(125 648)	(16 548)	(1 101 580)	(1 408 477)
<b>Net book value</b>	<b>540 193</b>	<b>154 342</b>	<b>852 432</b>	<b>2 169 983</b>
<b>Made up as follows:</b>				
Cost	736 963	174 200	2 449 596	4 265 819
Accumulated depreciation	(196 770)	(19 858)	(1 597 164)	(2 095 836)
<b>Net book value</b>	<b>540 193</b>	<b>154 342</b>	<b>852 432</b>	<b>2 169 983</b>
<b>2003</b>				
<b>Opening balance</b>				
Cost	—	936 224	1 289 574	
Accumulated depreciation	—	—	(73 888)	(114 538)
<b>Net book value</b>	<b>—</b>	<b>—</b>	<b>862 336</b>	<b>1 175 036</b>
<b>Movement for the year:</b>				
Additions	712 814	174 200	2 055 394	3 230 710
Disposals	—	—	—	(314 920)
Depreciation on disposals	—	—	—	57 379
Depreciation	(71 122)	(3 310)	(421 696)	(630 200)
<b>Net book value</b>	<b>641 692</b>	<b>170 890</b>	<b>2 496 034</b>	<b>3 518 005</b>
<b>Made up as follows:</b>				
Cost	712 814	174 200	2 991 618	4 205 364
Accumulated depreciation	(71 122)	(3 310)	(495 584)	(687 359)
<b>Net book value</b>	<b>641 692</b>	<b>170 890</b>	<b>2 496 034</b>	<b>3 518 005</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
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	2004	2003
	R	R
<b>5. INVESTMENT IN JOINT VENTURE</b>		
<b>National Empowerment Fund—Ventures Trust</b>		
Investment at cost	6 910 383	2 550 000
Impairment of Investment in Joint Venture	(1 242 787)	—
Loan owing by Joint Venture	8 113	—
	5 675 709	2 550 000

National Empowerment Fund—Venture Trust's main objective is to encourage and promote meaningful economic participation by historically disadvantaged persons by providing empowerment funding. The joint venture partners are:

	Country of incorporation	% Interest held
National Empowerment Fund	South Africa	50
Industrial Development Corporation	South Africa	50

There were no changes in the interest held in the joint venture in the current and prior year

## 6. AVAILABLE-FOR-SALE INVESTMENTS

	Number of shares			
	2004	2003		
Shares in MTN Group at cost	23 388 397	23 288 394	173 880 087	171 000 000
Revaluation of shares			594 662 638	102 172 862
Shares in MTN Group at market value			768 542 725	273 172 862
Shares in Uthingo (Pty) Ltd at cost	37 500	37 500	375	375
Revaluation of shares			12 375 000	12 375 000
Shares in Uthingo (Pty) Ltd as at 31 March			12 375 375	12 375 375
Total available-for-sale investment			780 918 100	285 548 237

MTN Group shares comprise of marketable equity securities and are fair valued annually at the close of business on 31 March. Their fair value is determined by reference to Stock Exchange quoted prices. There were no disposals or provision for impairment on the MTN Group investment for the current or prior year. An additional 100 003 shares were acquired in October 2003 at no cost, this being a settlement of a legal claim. The value thereof is recognised at market price.

Title to Uthingo (Pty) Ltd shares, previously warehoused by Abercon Estates (Pty) Ltd, have been transferred to the National Empowerment Fund. The fair value is determined by the trustees' valuation, based on the dividend yield approach.

### List of Investments:

	Effective holding		Number of shares held	
	2004 %	2003 %	2004	2003
<b>Listed:</b>				
MTN	1.50	1.50	23 388 397	23 288 394
Market price per share at 31 March			32.96	11.38
<b>Unlisted:</b>				
Uthingo (Pty) Ltd	5	5	37 500	37 500
Trustees' revaluation per share at 31 March			330	330

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
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	2004	2003
	R	R
<b>7. TRADE AND OTHER RECEIVABLES</b>		
Deposits	890 027	693 000
Other debtors	51 615	717 562
Prepayments	225 998	299 425
NEF Ventures Trust	—	240 840
Dividends receivable	—	5 062 500
Provision for doubtful debts	—	(620 062)
	<b>1 167 640</b>	<b>6 393 265</b>
<b>8. TRUST CAPITAL</b>		
MTN shares	71 000 000	171 000 000
Funds received from DTI for Venture Capital	49 000 000	14 000 000
	<b>220 000 000</b>	<b>185 000 000</b>
<b>9. NON-DISTRIBUTABLE RESERVE</b>		
Balance at the beginning of the year	114 547 862	138 735 640
Revaluation/Impairment of MTN shares for the year	492 489 776	(36 562 778)
Revaluation of Uthingo (Pty) Ltd shares for the year	—	12 375 000
Balance at the end of the year	<b>607 037 638</b>	<b>114 547 862</b>
<b>10. TRADE AND OTHER PAYABLES</b>		
Sundry creditors	206 080	241 380
Suppliers control account	861 411	—
Deferred Grants from dti	14 622 143	—
	<b>15 689 634</b>	<b>241 380</b>
<b>11. INTER-GROUP LOAN</b>		
<b>NEF Ventures Trust</b>		
Amount payable	322 273	—

The loan does not bear interest and has no fixed terms of repayment.

## 12. PROVISIONS

	Leave provision R	Bonus provision R	Audit fees provision R	Total R
Balance at beginning of the year (1 April 2003)	1 785 281	216 803	—	2 002 084
Amount paid during year	(1 568 478)	456 030	—	(1 112 448)
Current year charge to income statement	207 196	1 607 253	45 000	1 859 449
Balance at end of the year (31 March 2004)	423 999	2 280 086	45 000	2 749 085

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
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## 13. RELATED PARTY TRANSACTION

National Empowerment Fund Trust (the Trust) is controlled and owned by the Department of Trade and Industry (dti) from whom it received grants in the current and prior years. The dti focuses on promoting economic growth, helping to create jobs, and redressing past injustices and economic inefficient resources and fulfils its mandate through public entities. The Trust owns 50% interest in National Empowerment Fund—Ventures Trust, through which empowerment funding is made. The National Empowerment Fund—Ventures Trust does not maintain its own bank account and therefore all cash transactions are routed through the bank of the Trust. There were no purchases from the associate and trustees' emoluments for the year under review. The following transactions were carried out with related parties.

	2004	2003
	R	R
<b>Grants and capital received for the year</b>		
Department of Trade & Industry (Income and Capital)	59 500 000	23 000 000
<b>Investments in joint ventures</b>		
National Empowerment Fund—Ventures Trust	2 837 855	1 275 000
<b>Grants received in advance (included in trade and other payables)</b>		
Department of Trade & Industry	14 622 143	—
<b>Inter-group loan receivable/(payable)</b>		
National Empowerment Fund—Ventures Trust	322 273	(240 840)

## 14. TAXATION

The Trust has applied for exemption from income tax in terms of section 10 (1)(cA)(i) of the Income Tax Act. No provision has been made for taxation pending the outcome of the exemption application.

## 15. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of net surplus/(deficit) before taxation to cash generated from operations

Net surplus/(deficit) before tax	4 149 705	(2 512 407)
Adjustment for:	2 839 702	2 755 589
Depreciation	1 408 477	630 200
Loss on sale of assets	—	3 262
Non-cash donations received	—	(377)
Provision for doubtful debts	—	120 420
Provision for leave pay	207 196	1 785 281
Provision for bonuses	1 607 253	216 803
Provision for audit fees	45 000	—
Other income	(428 224)	—
Operating deficit before working capital changes	6 989 407	243 182
Working capital changes:	19 883 704	(6 787 340)
Decrease/(Increase) in trade and other receivables	5 225 625	(5 182 687)
Increase/(Decrease) in trade and other payables	14 658 079	(1 604 653)
Cash generated by/(utilised from) operations	26 873 111	(6 544 158)



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2004

National Empowerment Fund Trust  
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## 16. FINANCIAL RISK MANAGEMENT

### 16.1 Interest rate risk

The Trust adopts a policy of ensuring that its exposure to changes in interest rates is on a floating basis.

### 16.2 Credit risk

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

### 16.3 Fair value estimation

The fair value of publicly traded available-for-sale securities is based on quoted market prices at the balance sheet date. The fair value of equity instruments that are not publicly traded is calculated as the present value of expected future cash flows.

## 17. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

## 18. MTN SHARE DISPUTE

On 24 August 1998, the National Empowerment Fund Trust, together with a number of other Black Economic Empowerment Companies (BEE Companies) acquired a total of 5% of the issued share capital of MTN. The Trust's portion of this acquisition amounted to 1,5% of the total number of shares issued.

On 27 September 1999, one of the BEE companies disposed of its shares. These shares were subsequently acquired on a proportional basis by all of the BEE companies, except for the National Empowerment Fund Trust. This was contrary to the shareholders agreement in that the shares should have been offered to all of the holders of empowerment shares on a pro-rata basis.

This failure to adhere to the provision of the shareholders agreement led to the National Empowerment Fund Trust instituting action against the other BEE companies for recovery of its pro-rata portion of the shares that had been disposed of. All but two of the BEE companies have settled with the Trust. The total number of shares recovered to date is 116 618 and the cash component received is R428 224. Of the remaining two BEE Companies that have not settled, negotiations are still underway with one and there is no prospect of recovery with the other.

## 19. CAPITAL COMMITMENTS

### Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	2004	2003
	R	R
Not later than 1 year	1 929 544	2 498 349
Later than 1 year but not later than 5 years	—	1 929 544
	<b>1 929 544</b>	<b>4 427 893</b>

## 20. CONTINGENT LIABILITIES

At 31 March 2004, the Trust had a contingent liability in respect of a legal claim arising from a CCMA matter, from which it is anticipated, after taking legal advice, that the outcome of this legal claim will not give rise to a loss in excess of R500 000.

## 21. PRIOR YEAR ADJUSTMENT

	Gross	Taxation	Net
Dividends received	5 062 500	—	5 062 500
Stamp duty	2	—	2
Available for sale investments	375	—	375
Total adjustment to income statement	5 062 877	—	5 062 877
Fair value adjustment	12 375 000	—	12 375 000

Ownership of 37 500 Uthingo (Pty) Ltd shares accrued to the Trust in 2003 as a result of a donation. This fact was not disclosed to the Trust and therefore these shares were not reflected in the 2003 annual financial statements.

During the year, dividends to the amount of R14 million were received from the investment in Uthingo (Pty) Ltd. R5 million thereof was in respect of the prior year and, in terms of the Trust's accounting policies, would have accrued in March 2003 had the Trust been aware of its beneficial right to these dividends via the nominee company.

The shares acquired were revalued by the trustees to the fair value as at 31 March 2003.

The prior year figures have been restated to reflect both the dividends and shares received.



# ADMINISTRATION

National Empowerment Fund Trust  
Registration Number: IT 10145/00

## TRUSTEES

The following Trustees term of office expired during the term:

Mr Khanya Motshabi (Resigned 31 July 2003)

The following Trustees continued in office during the year under review:

Dr Alistair Ruiters (Chairman)

Ms Philisiwe Buthelezi

Dr Mahlape Mohale

Mr Brain Molefe

Mr Nchakha Moloji

Mr James Theledi

Mr Sydney Maree (CEO) (Appointed August 2003)

## BANKERS

Standard Bank Limited

First National Bank Limited

## AUDITORS

PricewaterhouseCoopers Inc.

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