Championing Partnerships for Inclusive Growth

NATIONAL EMPOWERMENT FUND
INTEGRATED REPORT 2019

National Empowerment Fund
Growing Black Economic Participation











Explaining the cover of the Integrated Report 2019

The cover of this Integrated Report 2019 depicts a continuous and gradually widening coil which spirals into a galaxy of opportunities. At its epi-centre is the funder with a soul, the National Empowerment Fund (NEF), which plays a pivotal role in providing opportunities for inclusive growth. The NEF ignites the imagination of black entrepreneurs to become industrialists and brings a new glow to their dreams for success as instruments towards an inclusive economy. Like a spiral, the symbiosis between the NEF and entrepreneurs is focussed on partnerships where collaboration is the core that propels motion. Every business journey has its challenges, its twists and turns – and that is why the NEF provides interventions such as business planning, incubation, entrepreneurial training, investor education and mentorship support to improve the chances of success. From growing township and rural economies to creating industrial capacity with women at the forefront, the NEF values the individual contributions of its staff and the aspirations of its clients, and urges for partnerships in the quest for inclusive growth.

His Excellency
President Cyril Ramaphosa,
President of the Republic of South Africa

"It has long been recognised that one of the constraints that inhibit the growth of our economy is the high level of economic concentration. The structure of our economy was designed to keep assets in a few hands.

This has stifled growth and enterprise and has to a large extent kept many young South African entrepreneurs and small enterprises out of the economy or confined them to the margins."

State of the Nation Address by President Cyril Ramaphosa, 7 February 2019 – Parliament

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Mr Ebrahim Patel
Minister of Trade and Industry

Foreword by the Minister of Trade and Industry

The annual report for the National Empowerment Fund (NEF) coincides with the beginning of the 6th administration of the democratic South Africa. The focus of the new administration is to boost economic growth and enable deeper levels of economic inclusion and transformation.

A new Department of Trade, Industry and Competition has been established, through a merger of **the dti** and Economic Development Department, which will drive the implementation of a more focused, high-impact industrial strategy.

Over the next five years, the focus will be on practical actions and improved governance, to pull our economy onto the higher growth levels we require to create decent work and entrepreneurial opportunities for many more South Africans, particularly young people. There are no quick fixes if we want to build this high-growth, high-employment, high-inclusion economy.

Using the resources and mandate of the trade, industry and competition portfolio, we will support efforts to unleash private investment and energise the state to boost economic growth and inclusion. This is an essential part of building confidence and the platform for job-creation.

The NEF in carrying out its mandate, will have a key role to play in this new industrial strategy. As priorities for the new Administration we have outlined six focus areas in the trade, industry and competition portfolio, within which the NEF falls:

First, to support improved industrial performance, dynamism and competitiveness of local companies.

These include developing Master Plans in priority sectors to help create conducive conditions for industries to grow, improve their industrial capacities and sophistication, focus more on export orientation and reclaim domestic market space lost to imports.

The Master Plans will be action-oriented, developed and carried out in partnership with business and labour and implemented in stages, so that we can move expeditiously.

Second, to improve the levels of fixed investment in the economy

Over the five year period from 2018/19, Government set a target of R1.4 trillion in new investment in the economy. The vast bulk of this must come from the private sector.

The state's role will be to enable higher levels of fixed investment (both domestic and foreign), through addressing infrastructure and skills gaps; and by partnering with the private sector through a range of incentives and financial packages.

Third, to expand markets for our products and facilitate entry to those markets.

The single biggest initiative is the African Continental Free Trade Area (AfCFTA) which will connect 1.2 billion people into a single bloc where local products will be traded between countries, with minimal tariffs. These agreements lay the basis for increased intra-African trade and can cement the continent's position as the next growth frontier.

The implementation phase was launched on 7 July 2019, at a Special African Union Summit meeting in Niger, with the intention to come into effect on 1 July 2020.

The Agreement will fundamentally change and reshape the South African economy. Already, exports to other African countries support about 250 000 South African jobs and it is the fastest-growing market for our manufactured exports.

Fourth, to promote economic inclusion.

This means opening up and changing our market structure, to bring more young people, women and Black Industrialists into the economy.

To enhance the growth of black industrialists, we will combine the efforts of the Department and its agencies into a seamless and coordinated programme. Over the next 5 years, we will support an additional 400 Black Industrialists' projects with financial support of R40 billion, through identifying sustainable businesses and promoting both industrialists, new enterprise formation and worker involvement in the enterprises, using a combination of private and public sector resources.

> "Over the next 5 years, we will support an additional 400 Black Industrialists' projects with financial support of R40 billion, through identifying sustainable businesses and promoting both industrialists, new enterprise formation and worker involvement in the enterprises, using a combination of private and public sector resources."

Fifth, to promote more equitable spatial and industrial development.

A pillar of our industrial policy is to develop new investment clusters through special economic zones, revitalisation of industrial sites and support for business and digital hubs.

Sixth, to improve the capability of the state.

This means being more responsive to the needs of South Africa's entrepreneurs, moving faster in making decisions and carrying out functions, coordinating better between departments and agencies and creating a business-encouraging environment in which more investment and more job creation can take place.

Part of a smart state is partnering with domestic businesses to invest more in innovation and R&D, as new techniques, new products and new distribution platforms can move South Africa up the value-chain and enhance job creation.

All public entities will have to work with a greater sense of urgency to support government in achieving its ambitions for the new administration. This is what has been called the spirit of ***khawuleza,*** and it must define our approach both within Government and public entities to addressing the structures in the economy which impede growth, economic inclusion and job creation.

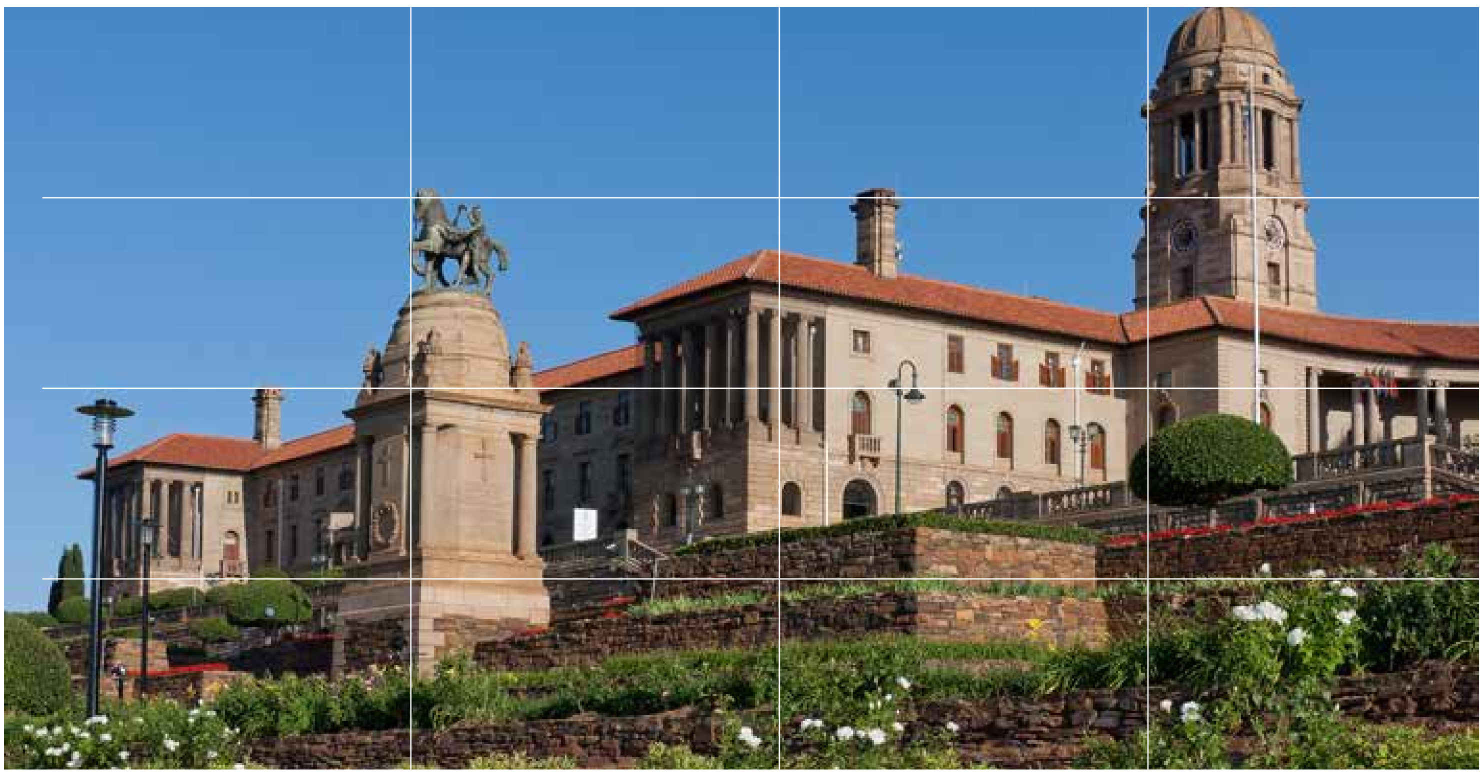
I wish to thank the Chairperson, Mr Rakesh Garach, and the Chief Executive Officer, Ms Philisiwe Mthethwa, as well as the staff of the NEF for their work in the past year.

the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Mr Ebrahim Patel

Minister of Trade and Industry

Government of the Republic of South Africa



About this Report

This is the National Empowerment Fund (NEF)'s fifth year of integrated reporting, applying King Code of best corporate governance. The preparation of the report was further guided by the International Integrated Reporting Council's (IIRC) Integrated Reporting (IR) Framework's fundamental concepts, guiding principles, content elements and presentation guidance. The IR Framework states that an integrated report is aimed primarily at financial capital providers, i.e. investors, and serves as a source for improved quality of information on the uses of allocated capitals. However, as a public entity, the NEF's main aim and focus is rather on material factors that affect the creation of value for a much broader stakeholder.

The NEF chose to report in an integrated manner because it aims to provide a balanced, accurate and accessible assessment of the NEF Trust's (excluding its operating subsidiaries, refer page 11) strategy, business model, performance, risks and opportunities for the year ended 31 March 2019. A high-level overview of the four subsidiaries in the Group is provided on page 11.

The NEF's mandate places it as a significant entity through which radical economic transformation is being facilitated. We hope that through this report we will provide our stakeholders with a transparent overview of our mandate, how we respond to our operating context, our strategic objectives, the values that outline everything we do, our stakeholder engagement processes, risks and opportunities ahead.

" The NEF's mandate places it as a significant entity through which radical economic transformation is being facilitated. "

The aim of this report is to provide stakeholders with an account of the usage of capitals via various value creating activities in the short, medium and long term in order to create value for the organisation. It is a reflection of the past as well as the current performance achievements and challenges of the NEF.

Our annual financial statements are prepared in accordance with standards of Generally Recognised Accounting Practice (GRAP) and where relevant, the International Financial Reporting Standards (IFRS). Additionally, the requirements of the Public Finance Management Act (PFMA) of South Africa and the National Empowerment Fund Act have been complied with. These financial statements are included in full in this report as part of our regulatory reporting obligations in accordance with the PFMA.

The NEF's ongoing stakeholder engagements as well as ongoing scanning of external macro-environment (these mainly entail economic, regulatory, policy factors) allow us to identify material issues that inform the content of our report and validate the importance of what we communicate through this report. We assess the materiality of issues to be included in this report by considering:

- Our Materiality Framework, which largely guides financial materiality levels; and
- Assessing issues that could substantially affect our ability to be sustainable, impact on our ability to discharge our mandate or influence decisions of the Trust and its stakeholders.

The financial as well as key performance information in this report have been independently assured by our external auditors, SizweNtsalubaGobodo. Internal audit also conducts quarterly reviews of our performance milestones to give ongoing assurance of the integrity of the information we provide to our stakeholders throughout the year and at year end.

We welcome your views on this integrated report and the manner in which we approach strategic priorities. Please send us your feedback on info@nefcorp.co.za

Approval of the Integrated Report

The Board of Trustees (The Board), assisted by the Audit Committee, acknowledges its responsibility to ensure the integrity and completeness of this report. The Board confirms that it has collectively reviewed the contents and that this report addresses material issues and provides a fair representation of the performance and prospects of the NEF.

The integrated report contains certain statements about the NEF that are, or may be deemed to be, forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties as they relate to future events and depend on circumstances that may or may not occur in the future. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect or incomplete, then actual future performance and achievements may be materially different from those expressed or implied by such statements. The Board therefore advises readers to use caution regarding interpreting any forward-looking statements in this report.

The Board unanimously approved this report and authorised its release on 29 July 2019.

Mr Rakesh Garach
Chairman

Ms Philisiwe Mthethwa
Chief Executive Officer

PERFORMANCE HIGHLIGHTS

Who we are

Our Vision

The NEF's vision is to become the leading provider of innovative transformation solutions for an economically inclusive South Africa.

Our Mission

The NEF is a catalyst for Broad-Based Black Economic Empowerment (B-BBEE) in South Africa. We promote, enable, implement and develop innovative investment and transformation solutions to advance sustainable black economic participation in the economy.

Our Mandate

Established by the National Empowerment Fund Act No. 105 of 1998 (NEF Act), the NEF is the only Development Finance Institution (DFI) mandated to be a driver and thought leader in promoting and facilitating black economic participation. This is achieved through the provision of financial and non-financial support to black-owned and -managed business as well as by promoting a culture of savings and investment among black people.

In order to guide the process of crafting a growing, inclusive and employment-generating economy, Parliament passed the Broad-Based Black Economic Empowerment Act No. 53 of 2003 as amended Act No. 46 of 2013.

Our Policy and Regulatory Framework

Government discharges the implementation of B-BBEE through **the dti,** and specifically through its BEE Unit, which drafts and monitors policy and legislation, and provides practical guidelines for the implementation of B-BBEE for industry.

The NEF's strategy and operations are informed by various government policies, and especially by the NEF Act. Other policies to which the NEF strategy and operations are aligned include the various policies and legislation directing macro-economy and governance. These include:

- The National Development Plan
- National Empowerment Fund Act
- Broad-Based Black Economic Empowerment Act No. 53 of 2003 as amended by Act No. 46 of 2013, and the B-BBEE Codes of Good Practice
- Industrial Policy Action Plan
- Public Finance Management Act No. 1 of 1999 (PFMA) as amended, including National Treasury regulations
- King Report on Governance for South Africa 2009 (King Code of best corporate governance)
- Protocol on Corporate Governance in the Public Sector, 2002
- Preferential Procurement Policy Framework Act No. 5, 2000
- Basic Conditions of Employment Act 75 of 1997
- Employment Equity Act 55 of 1998
- Financial Intelligence Centre Act 38 of 2001
- Labour Relations Act 66 of 1995
- Occupational Health and Safety Act 85 of 1993
- Promotion of Access to Information Act 2 of 2000
- Protected Disclosures Act 26 of 2000
- Protection of Personal Information Act 4 of 2013

In its quest to achieve inclusive economic growth, and to discharge its mandate as outlined in the NEF Act, the Executive and Board of Trustees have translated these policy objectives into strategic objectives, which represent the NEF's priorities for the future. The strategic objectives are used to monitor and review the performance of the NEF.

NEF Values

Our Values

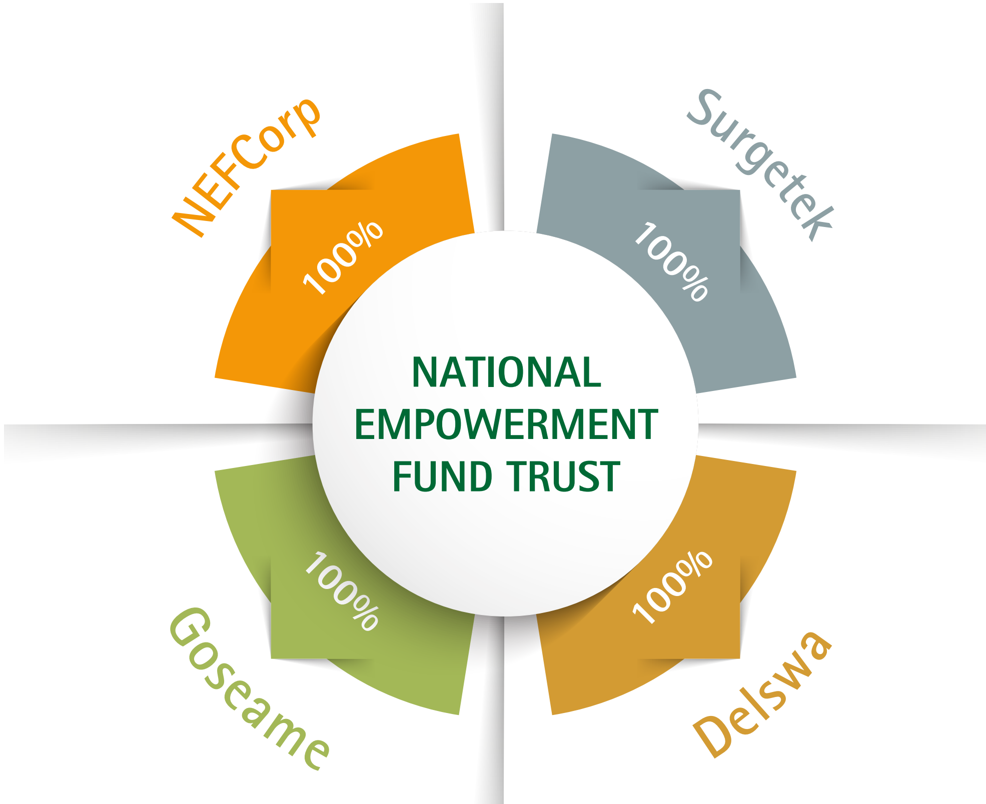
The NEF's values play a significant role in its ability to successfully execute its strategic plans. The values are instilled in employees as the ethos and a tenet that is driven from the senior management to all employees. These values are a business tool that is used to drive business strategy to create a strong competitive advantage by aligning our people to the mission, purpose, vision, and values.

E	M	P	O	W	E	R
Ethics	**Motivation**	**Performance**	**Ownership**	**Worthy**	**Excellence**	**Respect**
Choosing to do what's right over what's wrong	*Being self-driven and passionate in what we do*	*Achieving results timeously and with impact*	*Owning our actions, our decisions and consequences of actions*	*Recognising the value of others' contributions*	*Exceeding our clients' expectation*	*Treating everyone with dignity and meaning*

> "All South Africans yearn for a society defined by equality, by solidarity, by a shared humanity. They yearn for a society in which our worth is determined by how we value others. It is a society guided by the fundamental human principle that says: '*Umuntu ngumuntu ngabantu. Motho ke motho ka batho. Muthu ndi muthu nga vhangwe vhathu. Munhu yi munhu yi vanhu.*'"

Presidential Inauguration by President Cyril Ramaphosa, 25 May 2019

Group Structure



NEFCorp SOC Ltd (NEFcorp)	Surgetek (Pty) Ltd	Zastrovect Investment (Pty) Ltd (Trading as Goseame)	Delswa (Pty) Ltd
NEFCorp is an investment holding that was established by the NEF Trust in 2002. The company has made strategic acquisition of the land and property on which the Goseame business is conducted and earns rental income.	Surge Technologies (Pty) Ltd (Surgetek) is a leading manufacturer and distributor of earthing, lighting and overvoltage surge protection devices in Africa. During the financial year, the entity experienced extensive financial distress, compelling the NEF to exercise its rights in terms of the loan agreement. The NEF will be pursuing avenues to dispose of the entity at the point where the entity has become financially viable.	The NEF invested in Goseame in June 2012. The business is involved in wholesale and retailing of fresh produce, groceries, flowers and meat in Limpopo. In September 2013 the promoter that was supported through this transaction was found to be in breach of loan terms. The breach compelled the NEF to exercise its rights in terms of the loan agreement and expel the promoter from the business, consequently temporarily taking over 100% of the entity's shareholding.	In April 2013, the NEF invested in Delswa, a clothing manufacturing entity in the Northern Cape. Regrettably in December 2013 Delswa went into financial distress. The NEF exercised its rights in terms of the shareholders agreement and stepped in to run the entity in order to save jobs. The NEF currently holds 100% of the non-trading company which became a property holding entity. Additionally, the NEF holds a 30% share in the operating entity, Jaff and Company (Pty) Ltd.

Snapshot of Investee Profiles

Below is a sample of investee companies profiled in this report:

Companies	Woman % shareholding	Youth % shareholding	Province	Jobs	Strategic Sector	Rural areas/ peri-urban	Industrial Development	Amount
1. Rikatec (Page 13)	n/a	57.15%	GP	12	4th Industrial Revolution	n/a	4th Industrial Revolution	R15m
2. South Hill Trading (Page 20)	100%	n/a	NC	49	Property Development – Hotel, TTF	NC	Govt strategic sector – Hospitality – TTF	R15m
3. Tshellaine (Page 21)	50%	100%	GP	252	Property Dev – Student Accommodation	Township – UJ Soweto	Student Accommodation Township Economy	R37.5m
4. Ordicode (Page 28)	100%	n/a	GP	358	Property Development – Affordable Housing & Student Accommodation	n/a	Affordable Housing & Student Accommodation	R27m
5. Gemilatex (Page 29)	85%	n/a	EC	289	Manufacturing – Health Sector	EC	IPAP, BIS (**the dti**) Healthcare	R50m
6. Mendi Rail (Page 68)	80%	n/a	GP	160	Manufacturing – Rail	n/a	IPAP, BIS (**the dti**)	R16.5m
7. BVN Market store (Page 69)	n/a	n/a	GP	176	Retail	Township	Township Economy	R1.4m
8. Kings of Mulberry (Page 88)	100%	n/a	KZN	351	Arts and Culture – DAC	n/a	Govt strategic sector	R3.5m

Investee Profile Rikatec (Pty) Ltd

Company Profile

Rikatec (Pty) Ltd was co-founded by Mr Rivoningo Mhlari (black South African male youth aged 24) and Mr Jesse Matheri (non-South African black male youth aged 24) in August 2013 during their first year of studies at the University of Cape Town (UCT). The company was registered in 2014 and started operating in 2017 in Johannesburg.

The company is a start-up intelligent fleet management solutions company established to meet an identified market gap within the telematics industry. The company is embracing and taking advantage of the 4th Industrial Revolution (4IR). Rikatec has a vision to leverage Artificial Intelligence (AI) and Big Data, and become a dominant player in the Internet of Things (IoT) when it comes to vehicles. After four years of research and investing in pilots, and ultimately pre-commercialisation of the Rikatec™ device, the company has introduced a remote diagnostics and mobile interconnectivity system in vehicles manufactured from 1996 to date. Through machine learning, Rikatec™ can detect trends within different vehicles, showing, inter alia: detection of breakdowns, predictive breakdowns, predictive maintenance, driver behaviour, vehicle health, engine stress, wear and tear, and driver profile creation all in real-time.

Development Impact

The NEF funded Rikatec with total facility of R15 million including acquisition finance and working capital. Development impact achieved through the NEF Investment:

- The company is majority youth owned where the shareholding is 57.15% and 61.5% black owned.
- Sustainable job creation of up to 12 employees where all those employed by Rikatec are South African youth with the average age of 28 years, except the chief technical officer.
- Rikatec has the potential of creating 37 youth employment opportunities in the next 12 months.
- Opportunity to support the creation of a black-youth-owned Telematics Company, operating in the 4th Industrial Revolution.

Rikatec™ Device

Rikatec™ Testing Kit

> "The fourth industrial revolution (4IR) is upon us. 4IR is affecting all levels of society, including the world of work. 4IR is characterised by a fusion of technologies that is blurring the lines between the physical, digital and biological spheres. It follows that 4IR simultaneously brings great opportunities as new technologies are able to process information faster, which in turn can drive economic growth, empower individuals and fuel entrepreneurship. Since inception the NEF has invested R 235 million in the ICT sector unleashing 333 jobs."
>
> Mr Nhlanhla Nyembe – Acting Divisional Executive, SME and Rural Development

Our Strategic Objectives

As depicted below, our business model is premised on the four main strategic objectives, which advance the creation of value for the NEF. These are as follows:

Strategic objectives	Advancing B-BBEE	Maximising Empowerment dividend	Establish the NEF as a financially sustainable DFI	Optimising non-financial support
Key outputs	Provide finance to business ventures established and managed by black people.	Invest in black-empowered businesses that have high employment-creating opportunities. Support the participation of black women in the economy. Facilitate investment across all provinces in South Africa.	Establish the NEF as a financially sustainable DFI. This is achieved by ensuring that we invest in transactions that have economic merit, through sound financial management of the NEF itself, as well as through portfolio monitoring and support activities.	Encourage & promote savings, investment & meaningful economic participation by black people. Advanced black economic empowerment through commercially sustainable enterprises.
Key performance indicators	• Value and number of deals approved • Value of new commitments • Value of new disbursements	• Number of jobs created or supported • Percentage of investment in women-owned and -managed businesses • Percentage of investment activities to be invested in the following targeted provinces: NW, NC, FS, LP, MP and EC	• Percentage of portfolio impaired • Target ROI before impairments • Collection ratio	• Number of entrepreneurial training sessions provided • Number of entrepreneurs referred and successfully completed business incubation • Number of social facilitation sessions for NEF investees • Number of investor education sessions held across the country

"This land is an instrument of your dignity and socio-economic development. You must till this land and produce. From this land must come opportunities for employment and entrepreneurship. But fundamentally, this land must help you answer aspects of our national question, not only about land restitution but about women emancipation and all other struggles and forms of discrimination."

Deputy President David Mabuza on the occasion of the Presidential Handover ceremony of the settled and finalised land claim to Ubizo Community, Empangeni, KwaZulu-Natal 16 March 2019

Our Business Model

Governance

NON-FINANCIAL SUPPORT

Processes	Functions	Activities
ENQUIRIES AND APPLICATIONS	PRE-INVESTMENT UNIT AND REGIONAL OFFICES	• Enquiries and Product advisory • Business planning tool • Business incubation
SCREENING AND DUE DILIGENCE	FUNDS AND REGIONAL OFFICES	• Deal expertise • Due diligence • Optimal deal structuring
DEAL APPROVAL	APPROVAL STRUCTURES	• Governance frameworks and structures • Credit risk assessment
LEGAL IMPLEMENTATION PROCESSES	LEGAL DEPARTMENT	• Drafting legal agreements, • Trust registration • Bond registration • Litigation • Disbursement file preparation and collection of conditions precedent (CPs) • Legal support and compliance
FINANCE	FINANCE DEPARTMENT AND FUNDS	• Disbursement of funds • Collections
INVESTEE SUSTAINABILITY AND POST-INVESTMENT SUPPORT	POST-INVESTMENT UNIT, TWR AND REGIONAL OFFICES	• Portfolio monitoring • Mentorships • Back office support • Turnarounds, Workouts and Restructuring

How we are Organised

The NEF is structured and transacts through its Funds to address the needs of businesses as demonstrated by the nature of products housed in each of the five funds below. Projects that require more than R75 million are assisted through a co-funding arrangement with other capital funders in the market.

The Funds:

	Strategic Projects Fund	iMbewu	uMnotho	Rural and Community Development	Women Empowerment Fund
Objectives	• Funds the development of projects through stages of projects	• Supports start-up businesses • Provides capital for the expansion of small enterprises	• Provides capital for expansion of businesses, the buying of shares in white-owned businesses or funding new ventures	• Supports the development and growth of a rural economy in rural communities, which is achieved by the mobilisation of structures such as cooperatives	• Supports businesses that are more than 50% owned and managed by black women
Products	• Venture Capital funding structures • Development of Black Industrialist funding in strategic sectors	• Franchise financing • Procurement/Contract • Entrepreneurship funding	• Acquisitions • New Ventures • Expansion • Capital Markets • Liquidity and Warehousing funding	• New Ventures • Business Acquisition • Expansion	• The product offerings cut across all products provided by the different Funds
Funding range	• Funding up to R75 million	• Funding from R250 000 to R10 million	• Funding ranges from R2 million to R75 million	• Funding ranges from R1 million to R50 million	• Funding from R250 000 to R75 million

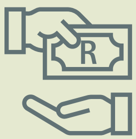
Non-financial Support

Pre-investment unit (PIU)	Post-investment unit (POIU)	Turnaround workouts and restructure (TWR)	Legal service unit	Socio-economic development unit (SEDU)
• Application administration, which entails the registration of new applications and distribution of applications to the respective funds for assessment;* • Product advisory, which entails the handling of enquiries from clients and business development support;* and • Non-financial support, which has three key elements, namely: - Business Planner Tool, which is an online tool that assists users to compile business plans; - Business incubation, which is aimed at providing support to clients that have an idea that is at an early stage; it is not ready for funding and therefore needs nurturing; and - Entrepreneurial training, which is targeted at entrepreneurs that require capacity building and enhancement in running their fledgling businesses*	• This unit has been established to perform portfolio management through monitoring of investee operational performance, credit control and collections; and to provide advice and support through mentorship programmes.*	• TWR has the responsibility of restructuring and turning around all distressed invested NEF transactions.	• This unit's function is to draft, negotiate and conclude legal agreements for and on behalf of the NEF. It also has the obligation to consider and take legal action to recover losses incurred, including recoveries in instances of illegal and criminal conduct, against NEF investees and guarantors.	• SEDU facilitates social interventions in transactions with broad-based groups or communities. It identifies opportunities for beneficiaries in transactions and assists in developing market linkages. • This unit also sources funding for the Enterprise and Supplier Development programme to benefit investees. In addition, it fosters a culture of saving and investing through its Investor Education programme.

*Regional offices also provide these services

Value Creation and the Forms of Capital

We have, with the focus on the creation of value, made use of four forms of capital that have enabled us to achieve key performance measures and ultimately the strategic objectives aligned to them. In order to promote broad-based participation of black people in the economy, the below business inputs and activities have assisted in creating value for our stakeholders.

	Capitals	Inputs & business activities	Outputs	Impact
	• FINANCIAL CAPITAL through mentorship programmes*	• Income earned from customer loans provided through loan approval, legal agreement/commitment and disbursement • Cash available for future funding • Dividends earned on investments	• Deals approved valued at R576 million • Committed deals valued at R513 million • Disbursement of deals to the value of R437 million recoveries in instances of illegal and criminal conduct, against NEF investees and guarantors	• Financial sustainability • Continued achievement of mandate to empower and enable black-owned businesses to participate and contribute to economic growth
	• HUMAN CAPITAL	• Positive ethical culture, skills, capacity and motivated staff • Trainee programme • HR policies and systems	• 170 employees, 61% of them are female, with 46% of senior management being female • Employee turnover at 8.2% • Value of training spent on employees R714 000 and R410 000 on employee bursaries	• Career development through training interventions • Increased level of skills, education and financial literacy • High levels of employee engagement and longevity • Positive employee morale

Value Creation and the Forms of Capital (continued)

	Capitals	Inputs & business activities	Outputs	Impact
	• SOCIAL AND RELATIONSHIP CAPITAL	• Funding activities to maintain jobs in new investments, increase investment in black women-owned business and provincial distribution • Stakeholder engagements • Bursary scheme and other Social Investment (CSI) programmes • Socio-economic development and investor education seminars • Activities to increase brand reputation	• 32% of disbursements to black women-owned investments • 16 deals worth approximately R73 million (17% of disbursements) have been invested in targeted provinces • 3 713 supported job opportunities of which 3 432 are new • 42 and 103 social facilitation and entrepreneurial training sessions held respectively • Media coverage of R57 million; 94% of the coverage was positive, 85% balanced and 1% negative in tonality	• Continued achievement of mandate to empower and enable black-owned businesses to participate and contribute to economic growth • Our brand is viewed in a more positive light than in the prior year
	• INTELLECTUAL CAPITAL	• Innovative B-BBEE funding initiatives • Improvement to IT systems	• Assisted clients to implement innovative funding strategies and models • Tests and improvements made, including network vulnerability tests, to secure IT systems	• Innovative solutions to funding student accommodation • Increased IT security over our systems

Investee Profile

South Hill Trading (Pty) Ltd

Company Profile

South Hill Trading (Pty) Ltd was established with the purpose of acquiring, renovating, and operating a 4-star top-end Boutique Hotel trading as Luxe Boutique Hotel based in Upington, Northern Cape.

It is owned by Zuri Concepts and Projects (Pty) Ltd, an existing travel agency that predominantly services corporates and state-owned entities regarding their travel requirements. Through the travel agency, Ms Nontuthuzelo Mogoje identified the opportunity to establish a Boutique Hotel in Upington as they are experiencing substantial travel requests for that area due to the vast business activity.

Development Impact

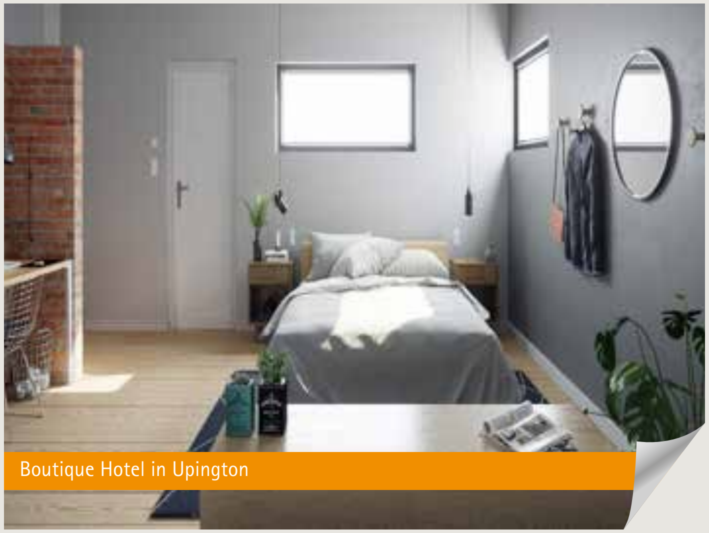
The NEF in collaboration with the Department of Tourism (DoT) through Tourism Transformation Fund (TTF) provided total funding of R15 million. The funding was utilised to purchase the property, refurbish it, acquire furniture and fittings, and to fund the working capital requirements of the proposed boutique hotel.

The refurbished boutique hotel will consist of 13 bedrooms, which will constitute 10 queen-bed bedrooms, 3 twin single-bed bedrooms, a dining room area, and a Conference facility. Below are further Development impact that will be achieved through the investment:

- This funding has created an opportunity to support the establishment of a black-owned Boutique Hotel in Upington, an area that is dominated by white-owned establishments.
- Development in less-developed areas/geographic spread of the NEF investment as the project is located in Upington, Northern Cape.

Boutique Hotel in Upington

- Tangible socio-economic benefits in the form of creating up to 49 jobs made up as follows:
  - Permanent jobs – 12
  - Jobs during construction phase – 37
- There will be skills transfer and development – Staff employed during and after construction will be primarily sourced locally and extensive training will be provided to the operational staff to get their skills to the internationally acceptable standard of Luxe Boutique Hotel.
- This opportunity will enable Ms Mogoje to vertically integrate her business operations, by operating across the value chain; a model that is popularly utilised by large travel agencies. This enables the group of companies to:
  - Cut on business expenses and also to increase business profitability;
  - Value for both businesses is retained in-house as travel expenses from the agency are revenues for the guesthouse;
  - Guaranteed customers for the guesthouse through the travel agency;
  - Marketing efforts for the Boutique Hotel are also driven through the travel agency; and
  - Operate efficiently and utilise their resources effectively.



Boutique Hotel in Upington

About the NEF

Investee Profile

Tshellaine Holdings (Pty) Ltd

Company Profile

Tshellaine Holdings (Pty) Ltd is a 100% black-youth-owned and 50% black-woman-owned Business that was founded by Tshepo Lekgau (28 years of age) and Elaine Phasha (27 years of age) (the Sponsors), following their struggle to find employment post-university graduation. Tshepo Lekgau and Elaine Phasha, both UJ graduates, established Tshellaine in 2012 with the stipend that they received from serving in the structures of the university as well as earnings from casual employment, and started operations by sub-leasing one unit; a two-bedroom apartment with a kitchen, bathroom to 4 UJ Soweto Campus students.

Tshellaine used the first unit to apply for Off-campus Housing Accreditation with UJ and was granted accreditation in 2013 to accommodate 56 students. The directors then approached Southgate Ridge, owned by IHS Property Management, for rental space and managed to get 9 units and 36 beds. The 56-bed accreditation turned into 104 beds in 2015 and 160 beds in 2017. Tshellaine is currently accredited for 200 beds by UJ and has been fully operational at 100% capacity since 2012, from the property at Southgate Ridge.

Development Impact

The sponsored (youth) having gained the operational experience of five years and keen to own property, Tshellaine approached the NEF for funding of R37.5 million to purchase a piece of land in Winchester, Johannesburg for the development and construction of 66 units that would accommodate a maximum of 264 students. The project is co-funded with Gauteng Partnership Fund (GPF).

Tshellaine currently employs 3 people. The project will result in the creation **of 252 new jobs,** 245 of which will be created during construction. The **10 permanent jobs** that will remain post-construction will be entirely made up of black unemployed youth. Construction is expected to begin in May 2019.

Post-construction, the property will be managed in-house, to retain and further develop the Director's property management skills.

Student Accommodation in Southgate Ridge, Gauteng

Student Accommodation in Southgate Ridge, Gauteng

"The NEF is behind the drive to support the provision of student accommodation as one of the growing property opportunities in South Africa. South Africa has a student population of more than 1.1 million in higher education institutions and only 20.1% can be accommodated. By 2030, to meet the enrolment targets set out in the Post School Education and Training policy as well as the National Development Plan of 1.6 million enrolments, an extra 570 208 beds would be needed for student accommodation. That is why the NEF has entered this space to support black entrepreneurs who are committed to addressing this shortage."

Mr Nhlanhla Nyembe – Acting Divisional Executive, SME and Rural Development

Stakeholder engagements

As a development financier the NEF is deeply connected to the environment in which it operates and the black entrepreneurs we are mandated to serve. The organisation's ability to deliver value is dependent on our relationships, the contributions and activities of our stakeholders. By providing for their needs and meeting their expectations we create value for our stakeholders and for the NEF. The organisation is part of a greater socio-economic environment and we recognise that we are dependent on robust relationships with all other stakeholders. As a financier of choice to black business we appreciate the role played by all of our stakeholders and are committed to cultivating impactful relationships that deliver mutual benefits.

It is an unchallenged perspective that effective management of relationships with stakeholders is crucial to resolving issues facing organisations. Through their influence, the NEF stakeholders hold the key to the environment in which the organisation operates and its subsequent financial and operating performance. Thus the effective management of stakeholder relations should be an essential focus of Public Relations and organisational activity. As a developmental financier the NEF through stakeholder relations management aims to influence stakeholder attitudes, decisions, and actions for mutual benefit.

This approach is informed by the view that stakeholders need to gain from the relationship, or they may not be sufficiently motivated to cooperate. These include any person, group or organisation that can place a claim on the NEF's attention, resources or output, or is affected by that output. They have a stake in the organisation, something at risk, and therefore something to gain or lose as a result of corporate activity.

It is imperative that the NEF cultivates a culture that is commercially focused, client-centred and innovative, and this requires a diverse and inclusive staff profile.

In 2018 the NEF continued to build capabilities around client-centricity and innovative thinking while encouraging leadership capabilities among the internal stakeholders. The operating model continued to encourage the organisational culture and how we work together to deliver on our strategic developmental mandate. Given the significant impact of digitisation in financial services, the NEF is anticipating the required future skills of the workforce, and readying our people for the future will receive significant focus.

It is always important to list the people, groups or organisations who are affected by the NEF mandate, who have influence or power over it, or have an interest in its successful or unsuccessful conclusion. Stakeholders can be assessed systematically according to criteria such as influence, impact and alignment.

To achieve the above, these are some of the questions that the NEF explores to ascertain stakeholder relevance:

- To what extent does the NEF strategy affect each group, positively or negatively?
- How far does the strategy align with their existing beliefs about your organisation's values and purpose?
- How far do these stakeholders share the NEF's organisational values and purpose?
- How robust is the existing relationship with such stakeholders?
- What information do they need from the NEF?
- How do these stakeholders want to receive it?
- Who influences their opinions about the NEF? Are some of these secondary sources therefore potential stakeholders as well?
- What is their potential to influence the business directly or indirectly (via other stakeholders), positively or negatively?
- If they are not likely to be positive, what will get their support?
- If you can't get their support, how will you manage their opposition?
- How likely will actions towards one stakeholder group influence the attitudes of other stakeholder groups?
- What are the consequences of this?

A very good way of finding the answers to these questions is to talk to your stakeholders directly and tactfully. The NEF is constantly engaging the stakeholders through various platforms, which include among others the Perception Survey, Parliamentary engagements and presentations.

Brand Audit to Understand Stakeholder Perceptions

In 2018 the NEF conducted a Brand Audit across the broad spectrum of its stakeholder publics, inclusive of entrepreneurs, media, government, staff, suppliers, business associations, applicants, financiers and others, to identify material issues that needed attention. The NEF used the audit to gauge and monitor the perceptions of stakeholders about its services, efficiencies, culture, accessibility and overall experience of the NEF, to identify areas of improvement.

The perception of the NEF is one of the most important aspects that needs to be evaluated and understood in order for the NEF to fully understand the prevailing perceptions, needs and opinions that are held by their stakeholders. The perceptions that the stakeholders have of the NEF are, to a large extent, driven by its reputation, products and services, vision and leadership, and its ability to communicate clearly.

When evaluating the top South African organisations that are associated with advancing Black Economic Empowerment, the NEF was ranked first in terms of awareness. The total awareness score attained by the NEF with regard to this space is 93%, which has increased by 7% when compared to the 2017 result (86%).

The NEF Pledge

Approximately 89% of all stakeholders perceived the NEF's pledge as credible; this constitutes an 11% increase from the 2017 study, which was 78%. Even with most of the respondents perceiving the pledge as credible, there were concerns raised regarding the organisation's ability to meet the expectations that the pledge has created.

Roughly 16% of the stakeholders were not sure if the NEF should be recapitalised, while 70% of stakeholders supported the recapitalisation of the NEF as outlined by the Act. This is supported by the reasons given by the NEF stakeholders, who feel that the recapitalisation of the NEF will allow the entity to reach more black entrepreneurs.

Key Risks and Material Issues

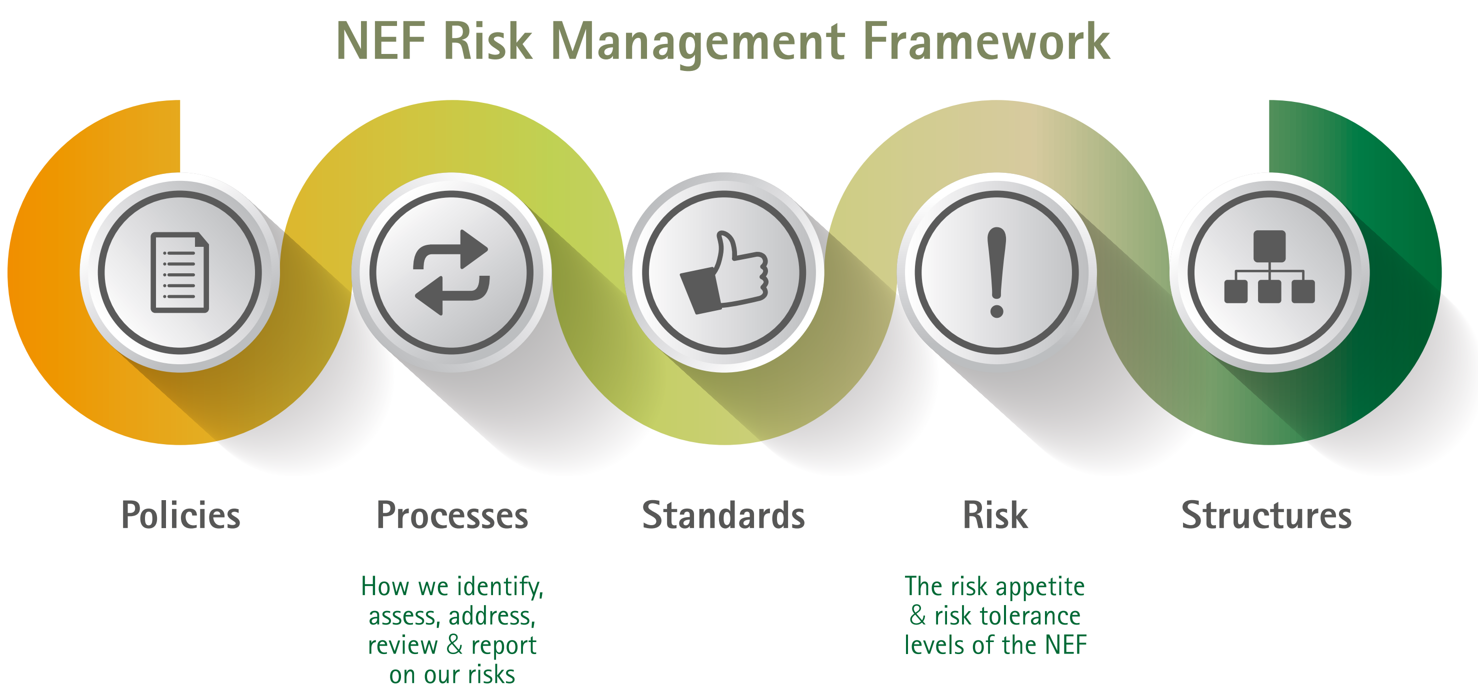
Our risk management approach involves the consideration of the risks faced by the NEF by way of a continuous assessment of both current and emerging risks through our enterprise risk management process. We review our risk appetite regularly, taking into account the changes in the environment in which we operate and manage our exposures accordingly. Risk management activities cut across the organisation, with the aim of maintaining an effective risk management culture.

As a developmental finance provider, our business model involves the provision of funding to entrepreneurs who have a minimal to no own contribution and would otherwise not qualify for loans from traditional finance institutions. As a direct consequence, the NEF is required to take on a higher level of risk. It therefore becomes of critical importance that the NEF maintains a strong risk management process to manage the various risks.

Some of our key concerns include credit risk, market risk, sustainability risk, risks from missed opportunities, and risks to our reputation. If not managed appropriately, these risks can adversely affect our performance, our promise to our stakeholders, our customers and members of the public.

Risk Management Framework

Our risk management framework and strategy outline the following as important elements to effective risk management:

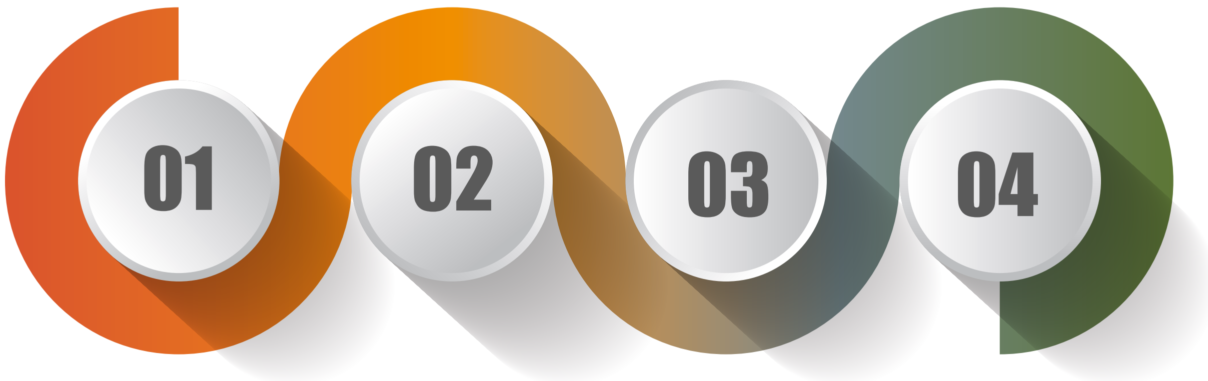


Key Risks and Material Issues (continued)

Risk Management Standards

Our risk management standards are based on best practice and good corporate governance as detailed by:

NEF Risk Management Standards



01 – National Treasury Regulations in terms of the Public Finance Management Act

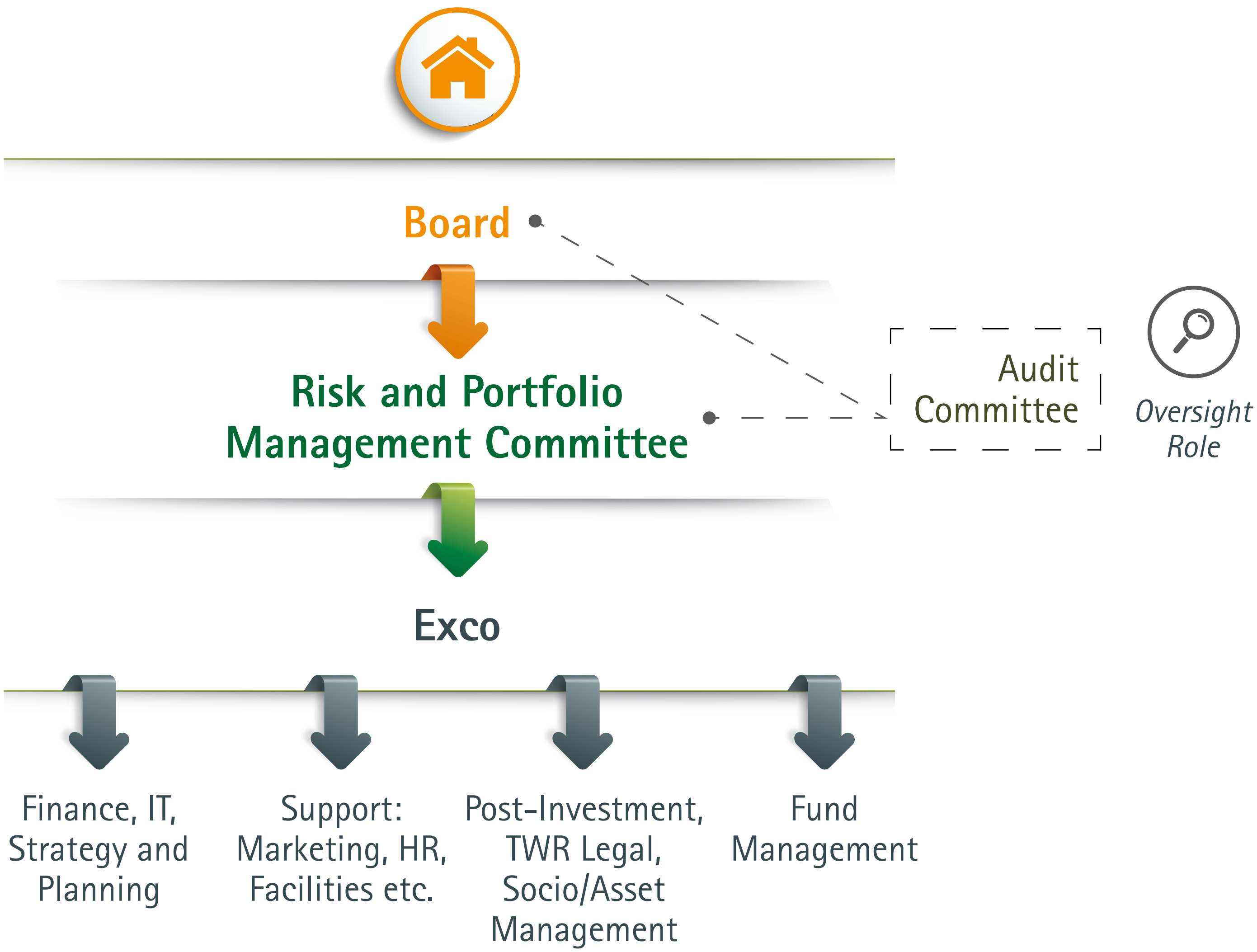
02 – Institute of Risk Management Standards on Risk Management

03 – ISO 31000 Risk Management Standards

04 – National Treasury Guidelines on Risk Management

Key Risks and Material Issues (continued)

Our Board of Trustees is responsible and accountable for directing and monitoring the NEF's risk management performance in a structured framework. The Risk and Portfolio Management Committee (RPMC), as a sub-committee of the Board, has been established for governance oversight of risk management. The NEF's executive committee, with the assistance of the Chief Risk Officer, is responsible for implementing the enterprise-wide risk management process. The Audit Committee provides additional assurance to the Board mainly on the financial reporting risk management process and internal control on an annual basis. All business divisions of the NEF support the Board and its sub-committees to implement the risk management process.



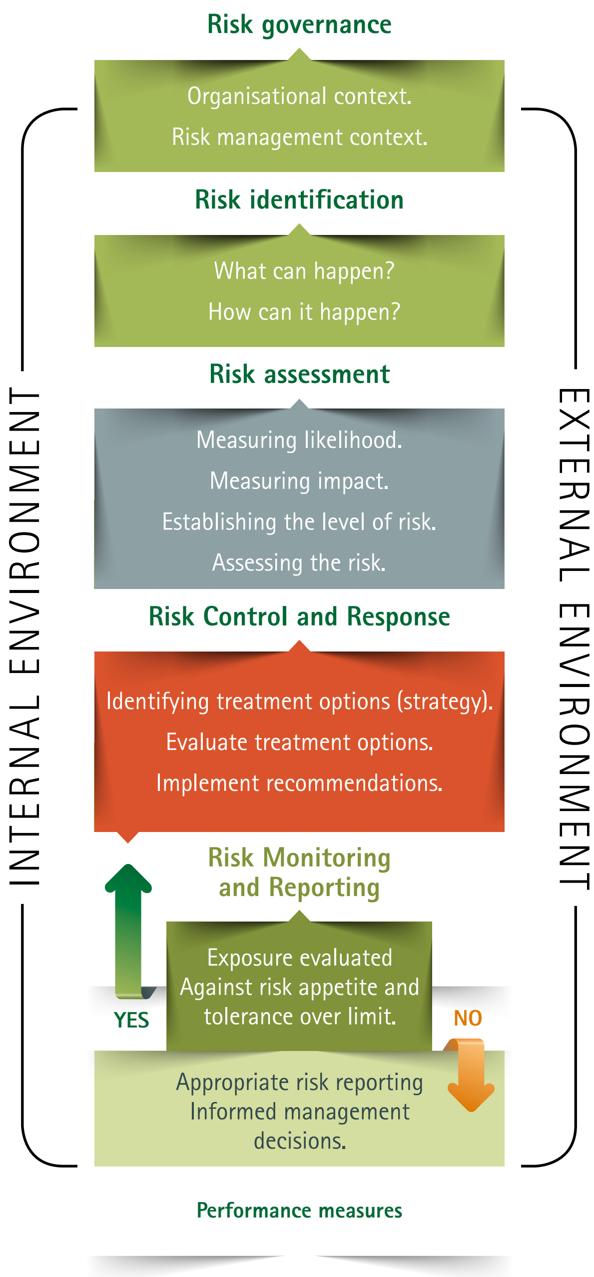
Our approach to risk management involves balancing the management of our threats and taking advantage of the opportunities.

Key Risks and Material Issues

(continued)

Risk Management Process

The diagram below outlines our risk management process in terms of our ERM methodology.

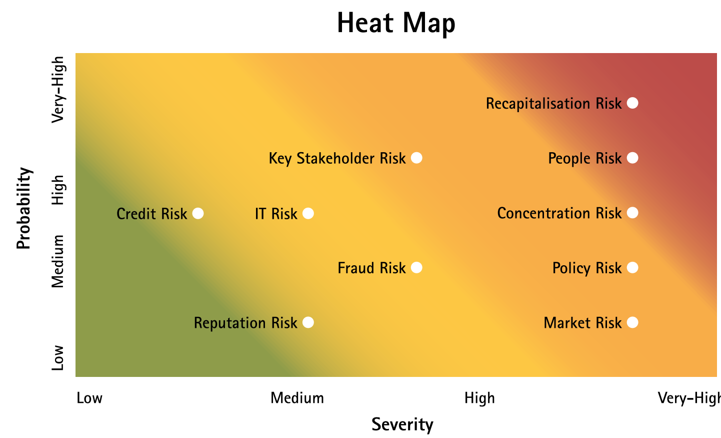


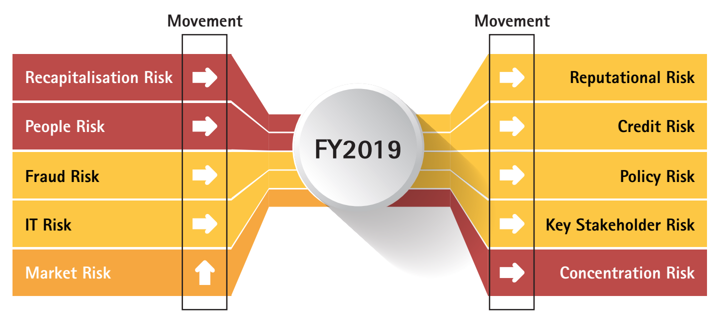
Key Risks & Material Issues

Our material issues are identified as part of a risk management process from which key risks and opportunities are identified. This process is overseen by the Executive Committee, the Risk and Portfolio Management Committee, the Audit Committee, and approved by the Board.

Key Risks Heat Map

Indicated below are the ratings of the residual risk that remains after management has applied all measures to mitigate the key risk.





- Market risk has further increased from the previous financial year due to uncertainty in the political and economic environment of the country.
- The tough economic conditions are likely to increase the credit risk of the organisation. These economic conditions impact negatively on the ability of NEF-funded businesses to honour their loan obligations as these businesses are also vulnerable to external factors.

Investee Profile

Ordicode (Pty) Ltd T/A

Company Profile

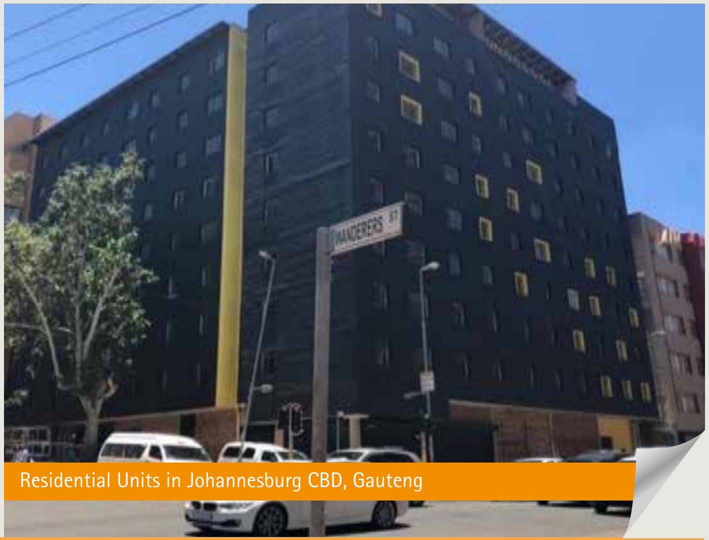
Ordicode (Pty) Ltd trading as Bataung Heights is a property development of residential units and retail space. The property is located in Joubert Park, Johannesburg. The property is within 5 minutes walking distance of Park Station, Gautrain Station and Metrorail, and both Wanderers MTN Taxi Rank and The Bridge Shopping Centre. This project was green field development with retail on the ground floor plus 8 storeys of 106 2-bedroom affordable housing units. The ground floor is 100% let to Shoprite U-Save on a commercial lease.

Ordicode is 100% black-female-owned and -managed. Ms Neo Mokhobo (Neo or Project Sponsor) as an owner of the property is a seasoned property practitioner and has been in the property industry for over 12 years, having previously been employed by Investec Property Group. Neo as an emerging black female property entrepreneur, has a long-term goal of growing a sustainable, sizeable and successful black-female-owned and -managed property development business and investment portfolio.

Development Impact

The property development was worth R50 million in the Johannesburg CBD, which has received R27 million funding from the NEF. The project creates 343 construction jobs and will create 15 permanent jobs. The Company is 85% woman-owned and 15% owned by a student trust.

Residential Units in Johannesburg CBD, Gauteng



Residential Units in Johannesburg CBD, Gauteng

“A key model for the delivery of affordable housing is social housing, which provides medium density, affordable, rental housing to low and middle income households. Social housing contributes to transforming urban spatial patterns as it promotes integration and densification in close proximity to economic and social amenities. The NEF has invested more than R343 million, creating 6128 jobs in the property sector.”

Ms Hlengiwe Makhathini - Divisional Executive, Venture Capital and Corporate Finance

Investee Profile

Gemilatex

Gemilatex (Pty) Ltd is a company owned by promoters Nompumelelo Mhlontlo (51%), Michael Proctor (15%) and the National Empowerment Fund (34%). The company was incorporated initially with the view of acting as an agent to the Bankable Feasibility Study (the BFS) looking into the viability of establishing a condom manufacturing factory (the Project). The factory is earmarked to have a nameplate capacity of 280-million units. For the 2019 financial year the project was approved for financial close funding by the NEF. The factory will be located in the East London IDZ and is projected to create 289 permanent employment opportunities.

South Africa consumes around 100-million condoms per month, with the government procuring about 83-million condoms monthly. However, despite government continually awarding tenders for the supply of condoms, the country persistently experiences a supply shortage of condoms. Unfortunately, this shortage has consistently prevailed for several years to date and it is mainly caused by the fact that over 90% of the government condoms are imported. These shortages have caused a serious threat to the progress the country has made in the fight against HIV/AIDS because the majority of South Africans get their condoms predominantly from the government-branded ‘Choice’ supplies accessible within their communities.

The project will require R135 million at financial close to construct and operationalise the plant. To date the NEF has approved R50 million for investment into the Project. R6 635 500 was approved to conduct and conclude the BFS. A further R6.3 million revolving credit facility to supply the South African Department of Health while the factory is being constructed and finally R37 064 500 was approved for financial close funding. The project is currently in the process of capital raising with the Black Industrialist Scheme and other Development Funding Institutions (DFIs) currently being considered as co-funders. Ms Nompumelelo Mhlontlo recently commented: “The NEF team gave us immense support when bidding for the Government Condoms tender. This really showed us that they understood our project and believed in it. NEF’s funding of the contract was proof that we are true partners who are committed to the same outcomes for the project.”

In July 2018, the NEF, in partnership with the Gemilatex Promoters submitted and presented the offering of a new Manufacturing Plant to the National Treasury Procurement department tasked with the administration of approving condom suppliers to the DOH. Support for local manufacturing of male latex condoms is encapsulated in the objectives of the National Condom Policy and Strategy, which states the need to “support the local manufacture of quality male condoms for local consumption; and for export to reduce unit costs to South African consumers and to improve security of supply”. In lieu of these initiatives, Gemilatex was appointed (among other suppliers) with the view of taking up the plant’s output once it has been constructed and the condoms certified for safety standards by the South African Bureau of Standards (SABS).

The successful commission of the Gemilatex facility will auger well for the development of South African solutions to African problems that create sustainable employment opportunities through the expansion of industrial capacity.

Gemilatex (Pty) Ltd Manufacturing Factory in East London, Eastern Cape

“As one of the world’s fastest growing sectors, healthcare contributes over 10% to gross domestic product in most developed nations. In South Africa the private healthcare sector has also experienced phenomenal growth over the past decade, yet the sector has remained largely untransformed. That is why the NEF has invested more than R619million in the sector supporting 608 jobs. The NEF wishes to see more black entrepreneurs participating in healthcare to bring about transformation and growth.”

Ms Hlengiwe Makhathini - Divisional Executive, Venture Capital and Corporate Finance

About the NEF

The key risks that impact on the achievement of NEF's strategic objectives are detailed below along with the mitigation actions and opportunities. These have also been linked to the capitals affected.

Extreme	High	Medium	Low

Strategic Objectives	Risks	Inherent Risk	Mitigating Actions and Opportunities	Residual Risk	Link to Capitals
Advancing BBBEE	**Recapitalisation Risk** There is a risk that the NEF will not have adequate capital to continue operating as it has been operating. This will negatively impact on the NEF achieving its mandate.		**Mitigating Actions**: There are currently efforts to secure funding for the NEF through the following: - Application for funding allocation by the National Government (MTEF application). - Recapitalisation through business combination process with the IDC. - Applications for funding from other DFIs. - Portfolio performance monitoring to facilitate collections and possible early exits. **Opportunities**: NEF is exploring a legal right to raise funding from the financial market through reclassification from Schedule 3A to a Schedule 2 institution in terms of PFMA. The NEF is also exploring funding opportunities with various government departments such as Department of Tourism and Department of Arts & Culture.		**Financial Capital**
	IT Risk ICT systems do support the business and risk of Cybercrime.		**Mitigating Actions**: There is an IST Steering Committee constituted by various internal stakeholders that ensures that all IT-related risk factors are adequately and promptly addressed. System Architecture project is currently in progress to ensure that enhancements to NEF IT systems meet user's expectations. This includes ensuring that the following controls are in place: - Infrastructure monitoring tool in place - Disaster Recovery Plans - Physical security - General controls in place such as used of passwords to gain access to the system - Application controls - Firewalls - Scan machines for anti-virus software - Penetration testing to see if system is protected from external threats - Mobile Security Policy - Proper system testing and user acceptance testing done for any changes to IT system **Opportunities**: Implement enhancements to NEF IT systems after completion of System architecture project.		**Social and Relationship Capital**

Strategic Objectives	Risks	Inherent Risk	Mitigating Actions and Opportunities	Residual Risk	Link to Capitals
Advancing B-BBEE	**Fraud and Corruption** This is the risk that applicants, investees and employees may defraud the NEF leading to financial loss and reputational damage.		**Mitigating Actions**: - Background checking process on employees and applicants including extensive due diligence process. - Portfolio monitoring of investees which including the review of use of funds is performed by the Post-Investment Unit. - A fraud prevention plan which is communicated to all managers and personnel on how to prevent and deal with fraud. - Our Risk Division in collaboration with the Legal Service Unit pursues criminal charges in instances where fraud is identified. - Code of conduct and conflict of interest policy are communicated to all personnel to assist with the understanding of situations of conflict to avoid. - A fraud hotline for internal and external people to report fraud. **Opportunities:** We are in the process of conducting an ethics survey to anticipate the possibility of fraud internally. We also conducted a biannual brand audit to identify perceptions that are likely to expose the NEF to possible instances of fraud.		Social and Relationship Capital
	Reputational Risk There is a risk that the organisation's reputation and brand may be damaged due to inefficient administration of funds managed on behalf of third parties. This risk could also emanate from the association with the third parties in instances where their reputation suffers damage.		**Mitigating Actions**: - There are dedicated, capable and competent individuals within the NEF assigned to manage all third party transactions. - There are memoranda of understanding (MOUs) which govern these relationships and protect the organisation against any matters that do not form part of the agreement. **Opportunities:** With great success in the management of these third party funds, there is an opportunity to increase the number of these funds under management, to earn additional fees and remain sustainable.		

> "To enhance the growth of black industrialists, we will combine the efforts of the Department, the IDC and the NEF into a seamless and coordinated programme. Over the next 5 years, we will support an additional 400 Black Industrialists' projects with financial support of R40 billion, through identifying sustainable businesses and promoting both industrialists, new enterprise formation and worker involvement in the enterprises."
>
> **Budget Vote Speech: Trade and Industry and Economic Development, Minister Ebrahim Patel, 11 July 2019, National Assembly**

Strategic Objectives	Risks	Inherent Risk	Mitigating Actions and Opportunities	Residual Risk	Link to Capitals
Advancing B-BBEE	**People Risk** There is a risk of loss of key skilled and experienced human resources at all levels of the organisation due to recapitalisation uncertainty, lack of adequate succession planning or lack of a clear career path, all leading to poor organisational performance. There is risk of poor performance of personnel due to inadequate skills.		**Mitigating Actions**: - Ongoing communication with personnel regarding recapitalisation process and liquidity status of the organisation. - The Human Resources Department maintains the organisation's succession plan. - The NEF has an effective recruitment process that facilitates swift replacement of key skills. - There is biannual performance management process, which identifies and addresses skill inadequacy and provides for training opportunities. - The NEF offers financial study assistance to encourage personnel to improve their knowledge and skills. **Opportunities**: We are striving to create a working environment that seeks to make the organisation an employer of choice for existing and potential employees.		Human Capital
Advancing B-BBEE	**Key Stakeholders Risk** Changes in Leadership at Key Stakeholders due to recent political events, impacting on our ability to continue operating as we have been.		**Mitigating Actions**: - Ongoing stakeholder engagements to ensure that the leadership at our stakeholders understand the role of the NEF. **Opportunities:** Establish relationships with new leadership at Key Stakeholders.		
Advancing B-BBEE	**Policy Risk** Policy changes or changes in government priorities resulting in diminished focus on B-BBEE and the NEF. Government may change its position with regard to how BEE is implemented i.e. focusing on funding a Broad-Based approach.		**Mitigating Actions**: - Shareholders' Compact, which defines the role of the NEF and ongoing engagements with Key Stakeholders. **Opportunities:** The NEF, due to its previous experience in implementing Broad-Based share schemes could assist government in the roll-out of these schemes.		

Strategic Objectives	Risks	Inherent Risk	Mitigating Actions and Opportunities	Residual Risk	Link to Capitals
Financial efficiency and sustainability	**Credit Risk** Risk that the borrower will not honour financial obligations resulting in unsustainable impairment levels.		Mitigating Actions: - There is a robust screening process of applications by experienced and trained analysts. - The due diligence investigations are thoroughly planned and reviewed by senior managers who also manage performance issues of dealmakers. - Analysts perform extensive entrepreneurial assessment to ensure that only credit-worthy entrepreneurs are funded. - There is an independent credit risk assessment process, which ensures that approved transactions are financially viable and free of bias. - There is a background check process performed by dealmaker and independently by the Credit Risk Division. - There are properly constituted approval structures, which ensure that applications are financially viable and adhere to prudential limits. - There is active portfolio management and monitoring. **Opportunities:** We constantly seek ways to improve credit risk mitigation process though upskilling of personnel and implementation of tools that reduce credit risk and improve portfolio quality, which will allow the organisation to take on additional high-risk, high-return transactions.		Financial Capital
Financial efficiency and sustainability	**Market Risk** Risk relating to changes in the macroeconomic conditions that have an adverse effect in the performance of NEF investees, ultimately having an effect in the overall financial performance of the organisation.		Mitigating Actions: - We provide ongoing mentorship to our investees who require assistance, including activation of new markets or additional customer base, reducing consequences of market risk. - We restructure transactions in distress due to adverse changes in the market, to allow them an opportunity to recover financially. - We perform sensitivity analysis on a continuous basis to address the effects of market risk before they occur at investee and organisational levels. **Opportunities:** The renewed hope in the economy due to changes in the political environment of the country, brings with it an opportunity to facilitate the expansion of existing successful businesses to create additional job opportunities.		Financial Capital
Financial efficiency and sustainability	**Concentration Risk** Approximately 20 - 25 % of our Balance Sheet consists of our investment in MTN.		Mitigating Actions: - Due to the fact that we required National Treasury approval to dispose of significant assets, we had previously not taken a decision to dispose of this investment. **Opportunities:** The CFO and Financial Manager are currently exploring options with regard to how we deal with this strategic asset.		

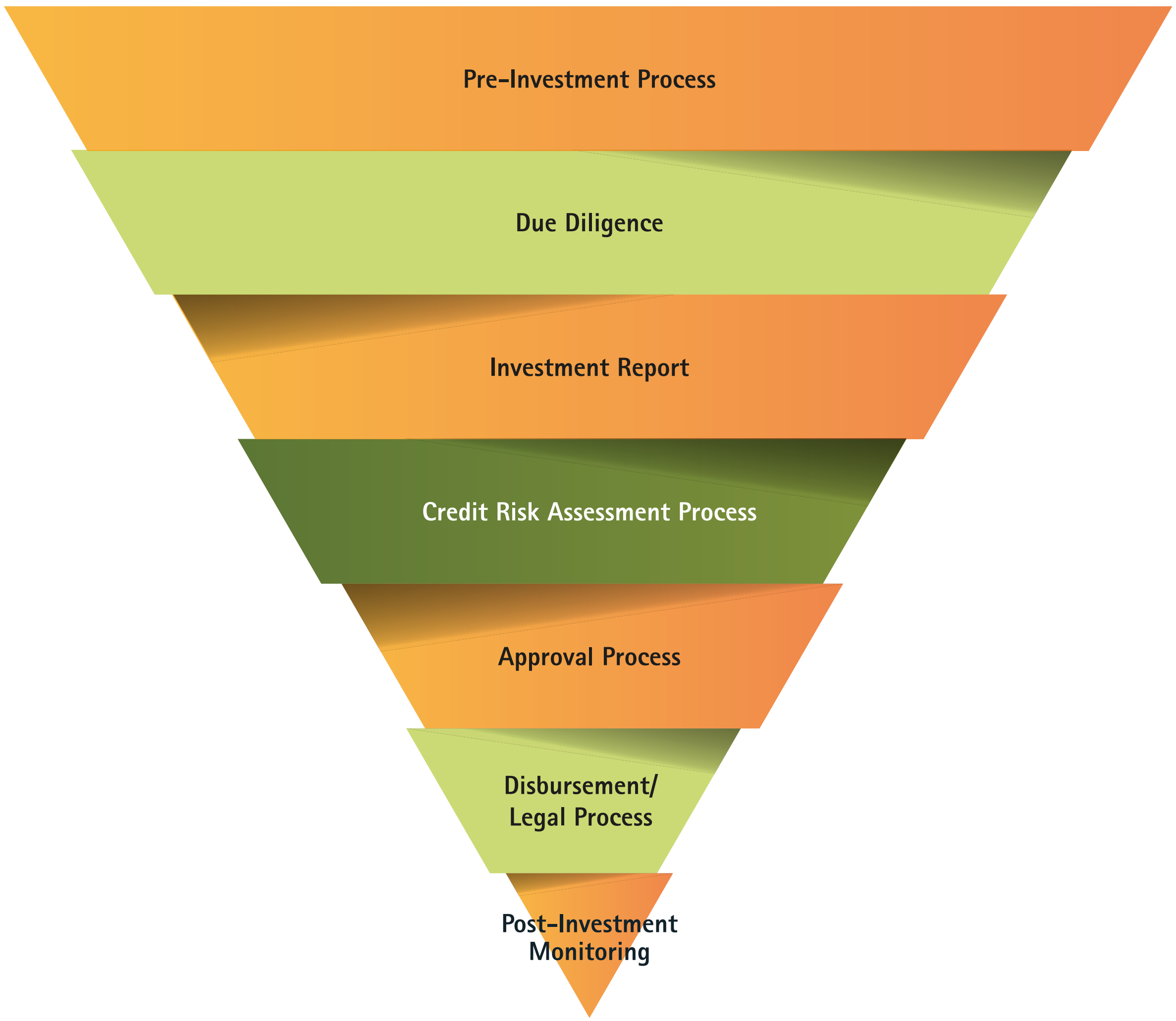
Credit Risk Management

Credit Risk Management forms part of the Enterprise-wide Risk Management process of the organisation. As NEF is a funding institution, Credit Risk Management becomes the significant part of the ERM process that is assigned priority and resources.

Credit Risk is defined as the risk that a borrower or counterparty will fail to honour, or will fall short in honouring, their obligations arising from a credit agreement's terms and conditions, resulting in financial loss to the credit provider.

Credit Risk is considered a dominant risk within the NEF as the provision of debt and or quasi-equity finance represents the organisation's core business. As such, effective management of credit risk is of paramount and essential importance to the long-term success and sustainability of the organisation.

Although NEF's Credit Risk Management process forms part of ERM process, the principal role of the Credit Risk Function is to ensure that the funds of the organisation are advanced to enterprises that are credit-worthy and have proven to have commercially viable enterprises or business models. In other words, the function, inadvertently, plays an active role in the investment process as seen below:



Credit Risk Management

Although there is a dedicated and independent department responsible for credit risk assessment of all applications tabled at approval committees, the NEF Board of Trustees apportions the responsibility for credit risk management across all departments making up the investment process as detailed below:

Responsible Team	Credit Risk Management Actions	Desired Outcome
Investment Team – Interdisciplinary team of financial, technical, community development and legal specialists	• Identification of factors that may expose NEF to credit risks, including mitigating measures on each credit application reviewed, and conclusion on credit worthiness, feasibility and commercial viability of such a credit proposal. • Performance of adequate due diligence investigations to confirm existence of mitigating measures and commercial viability of credit applications. • Structuring of credit proposals such that credit advance does not burden the applicant's finances but reduces credit risk. • Preparation of a credit approval (investment) report that is factual and assists investment committees in making informed credit decisions.	• Letter of decline or informed decision to proceed to due diligence investigation. • Letter of decline or approval committee bound investment report or proposal. • Well-structured and priced transactions. • Accurate committee decision
Credit Risk Division – Division independent of the due diligence and business generating team	• Detailed review of credit approval/investment reports prepared by the investment teams. • Independent identification of credit risk factors for each credit application or investment proposal, which is approval committee bound. • Provision of support to the approval committees with objective opinion on viability of the evaluated credit application or investment proposal with regard to the level and acceptability of credit risk.	• Adequate and independent credit risk assessment. • Credit Risk Assessment report. • Accurate committee decision.
Investment Approval Committees – Approval committees evaluating funding proposals in line with delegation of authority	• Analysis of credit application or investment proposals or reports to ensure that all credit risk elements have been adequately addressed. • Formulation of an informed credit or investment decision on the basis of economic viability and acceptable credit risk exposure.	• Accurate committee decision. • Approval or decline of funding application.
Post-Investment Unit – Division supported by portfolio management committee responsible for managing the portfolio during the life of each transaction and maintaining portfolio risk within acceptable parameters	• Provision of ongoing post-investment monitoring to ensure that the investees adhere to the business plan or to address emerging operational risks of the investee that have the potential to affect their cashflows and ability to honour the NEF loan. • Monitoring of non-performing or slow-paying investees and collection of outstanding debts promptly. • Provision of mentorship and other support deemed necessary in areas of business management in which the NEF investees lack adequate experience, skills and capacity to successfully operate their enterprises for which funding was provided.	• Financially sustainable enterprise that is profitable, capable of making debt repayments and/or dividend distribution while enhancing its equity value. • Timely interventions and collections. • Timely interventions and collections.

Responsible Team	Credit Risk Management Actions	Desired Outcome
Legal Services Unit – Unit responsible for ensuring legal compliance in the funding process	• Performance of an independent legal due diligence for each credit application to identify legal risk factors. • Drafting, negotiating and conclusion of legal agreements and other legal documents with investees and other external stakeholders involved in the applicant's business in line with applicable statutes. • Investigation and acting on investees transferred to the Legal Unit as a result of failure by investees to honour their obligations, including those for which all turnaround options have been exhausted. • Acting on securities or collateral to recover some or all debts from investees failing to honour their debt obligations. • Legally pursuing and litigating on behalf of the NEF against investees defaulting on their credit obligations to ensure all possible avenues to collect or recover debts are exhausted.	• Mitigation of legal risk in each credit proposal. • Watertight agreements that ensure collection and for legal to handle in case of default. • Credit recovery or acting on security. • Credit or Loan recovery. • Credit or Loan Recovery and/or default judgements listed with credit bureaux and civil and criminal convictions of investee companies and/or their directors.
Turnaround, Workouts and Restructure Unit (TWR) – Unit responsible for reviving distressed transactions	• Provision of specialist service and intensive monitoring of investees experiencing cashflow or liquidity challenges and similar challenges affecting debt repayment. • Analysis of the causes of financial distress leading to operational challenges and repayment defaults. Restructuring of business operations to ease the cashflow constraints and devising turnaround or workout strategies.	• Turnaround of distressed business and/or collection. • Turnaround, collections and/or exit.

Key Credit Risk indicators

As part of portfolio risk monitoring, the Risk and Compliance Division tracks the key risk indicators to highlight potential credit risk factors that may adversely affect the overall performance of the organisation. An adverse movement in the credit risk indicator (year on year) and/or movement in contrast to the organisation's risk appetite, risk-bearing capacity or desired target, denote a potential increase in credit risk. These indicators have been highlighted below:

Indicators	Measurement	Acceptable level/ Target	2019	2018
Impairments	Impairments as a % loan book value	18%	18%	15.24%
Financial Performance	Return on Investment (ROI)	9-10%	9%	9.77%
Portfolio Risk	Portfolio Risk Rating	Medium	Medium	Medium
Non-Performing Loans	Outstanding Loans with instalments > 90 days as % Active Loan Book Value	n/a	28.6%	30%
Collections	Collections as % of instalments raised	80%	128.4%	142.5%
Security Cover	Security value over loan book value	n/a	16.1%	8.1%

These indicators are further analysed and explained below to provide a broader understanding of the level of credit risk monitoring at the NEF:

Impairments

Impairment ratio indicates potential erosion of the book value of the investment/credit portfolio of an organisation and the extent of the potential credit risk on the existing portfolio. Increase in this ratio reflects a potential increase in credit risk. There was a slight increase in the impairment ratio from 15.24% in 2018 to 18% in 2019, however, the impairment margin remained below the accepted tolerance level of 18%. There was a decrease in the valuation of the available-for-sale investments with a net effect of increasing the value of impairments.

Financial performance

ROI is an indicator of financial performance of the organisation's investments determined as a percentage of total returns over the total investment book value. An increase in ROI from the previous period (year on year) and/or above the organisational target (which target is set above break-even ROI) reflect good quality of investments made and lower credit risk, whereas a lower than budgeted ROI and decrease in ROI (year on year) means a possible increase in credit risk of the portfolio. The decrease in ROI from 9.77% in 2018 to 9% in 2019 is a result of subdued economic growth leading to increase in defaulting loans. It also reflects a slight increase in credit risk in the current year under review.

Portfolio risk

The Post-Investment Unit of the NEF monitors the entire portfolio of the organisation and undertakes the rating of the portfolio credit risk on a quarterly basis. The portfolio is rated from low to high using a Board-approved risk rating model. An increase in the portfolio risk indicates an increase in the credit risk for the organisation. The Portfolio Credit Risk has remained medium for three years in a row (including the current year), which is indicative of a stable credit risk outlook as assessed by our Post-Investment Monitoring Unit.

Non-performing loans

Non-performing loans (NPLs) are defined at the NEF as loans with monthly repayments/instalments that remain unpaid for a period exceeding 90 days. The NPLs are determined as a percentage of total active loan book value (Total Value of NPLs divided by Total Active Loan Book Value). The increase in NPLs indicates increase in credit risk of the organisation. There was a slight decrease in the NPLs from 30% in 2018 to 28.6% in 2019. There is an concerted effort applied to keep defaulting investees as low as possible in spite of the slow economic growth.

Collections

Collections are defined as scheduled and unscheduled receipts or repayment of credit or debt by investees. Collections are expressed as percentage or ratio of receipts over instalments raised. Scheduled or periodic (monthly, quarterly or annually) instalments are raised on investments structured as debt/senior loan. Waterfall of cashflow is sometimes collected as an unscheduled loan repayment from mezzanine structured loans where no instalment is raised. The waterfall of cashflow is sometimes collected from unscheduled exits for either debt, mezzanine or seldom equity structured investments.

Due to the fact that no instalments are raised for mezzanine loans, equity investment and unscheduled exits, the collections ratio increases above 100% when a part payment of the mezzanine loan is received. Despite this anomaly, collections of close to 100% and above indicates acceptable credit risk. A decrease of collections ratio from 142.5% in 2018 to 128.4% in 2019 was recorded and was due to lower exits and loan repayment acceleration as compared to 2018. Collections still remained above the target for the year.

Security cover/collateral

The security cover for the NEF's investments is generally low due to the nature of NEF's mandate, which places emphasis on commercial viability as the basis for funding as opposed to collateral based credit provision. This has an adverse effect on the overall credit risk of the organisation compared to traditional commercial banks. Over 84% of the NEF's loan book is unsecured. The security cover has increased from 8.1% in 2018 to 16.1% in 2019, which slightly reduces credit risk of the organisation.

Overall credit risk assessment

Based on the above indicators, there is a notable marginal increase in the credit risk rating of the organisation. This marginal increase in credit risk reflects the continued subdued economic growth of the country, which remained at 0.8% in 2018 against a projection of 1.4%. NEF Management is committing resources to keep credit risk at an acceptable level by ensuring vigorous assessment of credit applications to reduce impairments and by intensifying post-monitoring to ensure timeous interventions and collections.

Internal Credit Risk Rating and Pricing Models

The NEF developed and utilised credit risk rating and risk pricing models, which are aligned to the organisational mandate. The output of the credit risk rating model is used as an input in the pricing of transactions.

Concentration Risk

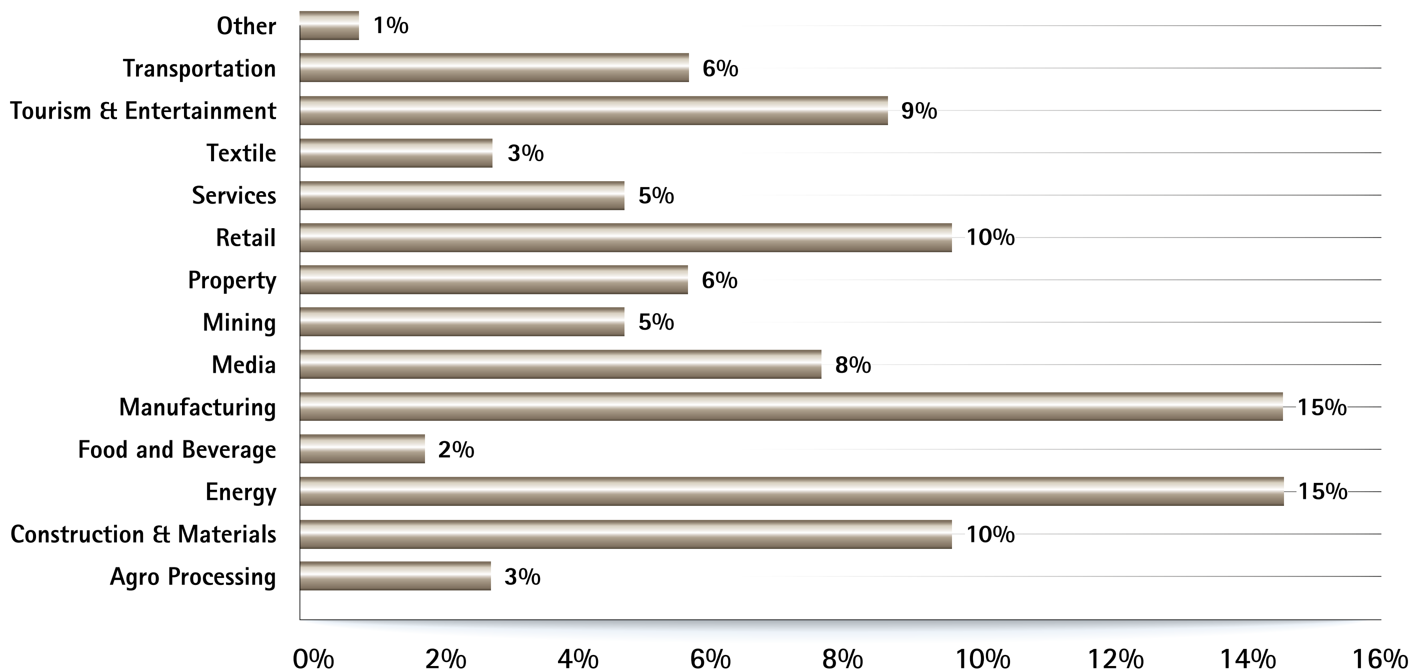
The NEF consistently and deliberately makes an effort to manage concentration risk using various techniques to ensure that the organisation's investment portfolio is appropriately diversified. The management of this risk begins at the marketing stage of the organisation through to approval stages by ensuring that NEF is marketed, and investments are considered and made in all nine provinces of South Africa and across all sectors of the economy.

> “The Post-Investment Unit of the NEF monitors the entire portfolio of the organisation and undertakes the rating of the portfolio credit risk on a quarterly basis. The portfolio is rated from low to high using a Board-approved risk rating model. An increase in the portfolio risk indicates an increase in the credit risk for the organisation. The Portfolio Credit Risk has remained medium for three years in a row (including the current year), which is indicative of a stable credit risk outlook as assessed by our Post-Investment Monitoring Unit.”
>
> **Mr Rakesh Garach, NEF Chairman, Board of Trustees**

The following graphical presentations provide evidence of diversification referred to above (by sector and by geographical location, which is testament to the efforts employed):

Portfolio by sector

The NEF manages concentration risk by ensuring that investments are made across all South African provinces and cover several sectors, as depicted in the following diagram.



The portfolio is well distributed across 15 sectors and the focus is on manufacturing, energy, retail, construction and tourism, which are sectors the South African government is targeting for job creation.

> "The NEF will need to intensify efforts in respect of mentorship support as well as the Turnaround, and Workouts environment, to lessen the debilitating impact of lethargic recovery in the medium term. The inequality gap and high levels of unemployment will also compel the NEF to continue assisting entrepreneurs who do not qualify for funding from Banks, which are expected to tighten their lending criteria because of an increase in credit risk as a result of tough economic conditions."
>
> **Mr Rakesh Garach, NEF Chairman, Board of Trustees**

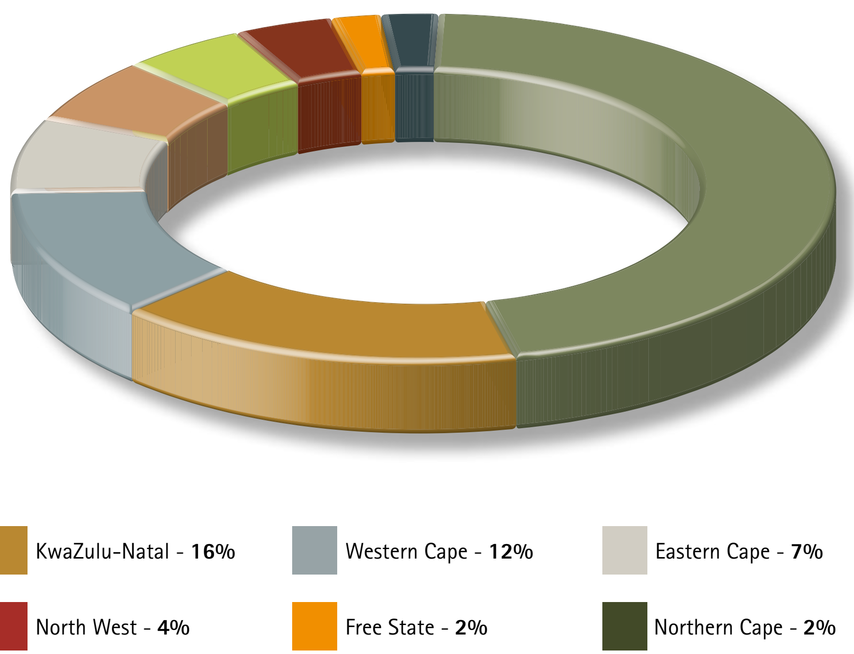
Compliance

Adhering to the various compliance obligations that are relevant to our business is important for our organisation's sustainability and success. These compliance obligations include the applicable requirements set out in statutory, regulatory and supervisory requirements as well as the relevant industry codes and best practice guidelines. As such, the NEF utilises an inclusive approach towards the identification of applicable compliance obligations, by not only considering the strict legal requirements arising from laws that are applicable, but by adopting a broader view that considers other relevant requirements.

Our compliance processes are governed by a Compliance Management Framework, which guides the various compliance activities. On an annual basis (as well as when it may be required), we consider the statutory, regulatory and supervisory environment within which we operate to determine our key compliance priorities. Key, high-risk compliance areas are identified and inform the prioritisation of our compliance programme.

Portfolio by geographical location

The NEF has made it a priority to change their investment portfolio, by making more investments in those provinces with the least exposure to contribute in increasing economic activities in black communities. The growth in exposure in provinces like Eastern Cape, Limpopo and Mpumalanga at 7%, 6% and 5% respectively attest to the organisation's commitment to transform the geography of economic activities in South Africa.



"The NEF has made it a priority to change their investment portfolio, by making more investments in those provinces with the least exposure to contribute in increasing economic activities in black communities. The growth in exposure in provinces like Eastern Cape, Limpopo and Mpumalanga at 7%, 6% and 5% respectively attest to the organisation's commitment to transform the geography of economic activities in South Africa."

Overview of the Operating Environment

Macroeconomic Environment

Global economy faces more headwind

The IMF reported that global economy grew by 3.6% in 2018 and is projected to post 3.3% in 2019 before returning to 3.6% in 2020, the sluggish growth was marked by heightened trade war between the US and China instigated by the US after imposing higher import tariffs on steel, solar panels, aluminium and washing machines during 2018. The IMF reported that emerging market and developing economies (EMDE) grew by 4.5% in 2018 and is projected to increase by 4.4% in 2019 before picking-up by 4.8% in 2020. As per the IMF world economic outlook, China and India were the main drivers of growth, with India projected to continue experiencing buoyant growth (7.5% in 2020) in the short to medium term while China growth prospects is expected to stabilise at 6.1% in 2020. Growth prospects for Sub-Saharan Africa remains strong despite being hindered by subdued commodity prices, high debts, lack of demand and structural bottlenecks. On the other hand, advanced economies are projected to decelerate further by 1.8% in 2019 before worsening to 1.7% in 2020 reported the IMF. The euro area is the most contributor to this negative growth amongst advanced economies. This is primarily due to Germany experiencing production challenges in the auto sector as the US threatens to impose up to 25% tariffs on imported auto and auto parts coupled with weak global demand.

Slowing GDP will negatively affect tax collection and fiscus

Stats SA revealed that real gross domestic product (GDP) fell by 3.2% in the first quarter of 2019, after an increasing by 1.4% in the fourth quarter of 2018. The annualised and seasonally adjusted real GDP at rose by 0.8% in 2018, following an increases of 1.4% and 0.4% in 2017 and 2016 respectively. Growth prospects in South Africa remains sluggish as the country battle with low fixed private sector investment, constrained household income and consumption, high unemployment, and weak production in key economic sectors (manufacturing, mining, trade, and transport industries) as Eskom struggles to keep lights on. The SARB May 2019 growth forecast for SA has been revised downward to 1.0% and remains unchanged at 1.8% for 2020. The downward revision confirms the anticipated impact of the negative events in the global economy as South Africa is a small open economy vulnerable to world developments and also faces the local current structural challenges. World growth is now expected to slow, constraining South Africa's export growth forecast. These macroeconomic conditions have led to a weaker domestic economic outlook.

Weak state of investment hinders economic activity outlook

Stats SA reported that gross fixed capital formation (GFCF) declined by 4.5% in quarter 1 of 2019, leading to the fifth consecutive decreases from quarter one of 2018. The main contributors that posted decreases were construction works, transport equipment and non-residential buildings. On the other hand, South Africa's foreign direct investment (FDI) rocketed by 446% between 2017 and 2018, representing an increase of R98.6 billion. This significant increase was driven mainly by investor confidence, foreign investors in particular towards the new political leadership inaugurated during February 2018. The NEF should play a leading role in ensuring that the previously disadvantaged group also benefit from these investment initiatives by facilitating and promoting partnerships in those key strategic sectors.

High government debt levels reduces the likelihood of securing additional funding

The National Treasury reported SA national government net debt of R2.52 trillion in 2018/19 budget year and it is projected to rise to R3.03 trillion in 2020/2021, which is 52.2% of the GDP. The gross debt is expected to continue growing at least for the next four years or so and peak at 60.2% of GDP in 2023/24 as per the National Treasury 2019 Budget report. Debt-service costs is one of the fastest growing contributor to net loan debt and is estimated to rise to R213.9 billion in 2020/21, a 23.7% increase from 2017/18 budget year. The rising net debt will make it less likely for the NEF to be recapitalised over the medium term as the state tries to put measures in place to curtail government expenditures whilst managing indebted SOEs. As a result, the NEF's quest to promote and facilitate ownership of income generating assets by previously disadvantaged people will be hampered.

Interest rate, inflation and the rand

The annual consumer inflation was 4.4% in April 2019, down from 4.5% in March 2019. The consumer price index increased by 0.6% month-on-month in April 2019 as per the Stats SA report. The rand has appreciated by 1.5% against the US dollar, 2.5% against the euro, and 3.1% on a trade-weighted basis between March and May 2019 as per the SARB report. The depreciating rand will increase input costs for NEF's clients who are dependent on imported materials and consequently affecting their revenues and ability to meet debt obligations. The SARB decided to keep the repurchase rate unchanged at 6.75 basis points on the 23 May 2019 on the back of favourable inflation outlook. The higher interest rate increases the cost of borrowing, affecting the balance sheet of companies and threating their sustainability.

Social and Service Delivery Environment

Stats SA reported that South Africa's mid-year population is estimated at 57.7 million for 2018 and black people account for about 80% of the total population. Approximately 51% (about 29.5 million) of the population are female. The economy experienced a quarter-on-quarter increase of 149 000 or 0.4% in the number of working population between the fourth quarter of 2018 and first quarter of 2019. The number of employed persons fell by 237 000 to 16.2 million in Q1: 2019 while the number of unemployed persons increased by 62 000 during the same period. Employment decreased in Formal, Informal and Agriculture sectors as well as Private households. The unemployment rate increased from 27.1% in the fourth quarter of 2018 to 27.6%in the first quarter of 2019. A further assessment shows that black people were worse affected by the scourge of unemployment as it stood at 31.1% in the first quarter of 2019 while for whites were 6.6%, shows Stats SA report. One of the NEF's strategic objective is to invest in black-empowered businesses that have high employment creating opportunities to address the problem of unemployment amongst black people. This problem has increased over the last ten years despite many government initiatives. The need for the NEF and government to aggressively facilitate and provide more financial support to black entrepreneurs is expected to increase with the rise in population growth.

National Empowerment Fund Impact

Since its establishment, the NEF played a very meaningful role in integrating black people into the mainstream economy. In doing so, our endeavours has undoubtedly contributed directly and indirectly to the curtailment of the tripe challenges of unemployment, poverty and inequality as this has been prevalent in black communities. The NEF's strategy of particularly targeting women and rural provinces is beginning to bear fruits as those are the most affected by the scourge of unemployment and poverty. As a development financier, we have invested over R6.7 billion since inception in the South African economy, with more emphasis on black-owned businesses.

In terms of sectors, the NEF invested R1.182 billion (18.9%) in the wholesale and retail sector. Making significant investments in this sector has led to the actual desired socio-economic developmental impact amongst black people, particularly in terms of ownership, management and job creation in the sector as well as the support of small businesses in townships and rural areas. Transformation of this sector is integral to the entire transformation agenda due to the value chain and interconnectedness of the retail and wholesale sector to other sectors of the economy, such as producers of primary and secondary products as well as transport and storage industries. The manufacturing and construction sectors are the second and third sectors the NEF has mostly invested in, at R856 million (13.7%) and R841 million (13.5%) respectively. We have also invested nearly R400 million in the property sector and a significant proportion were channelled towards student accommodation to help eradicate the dire lack of proper accommodation. The tourism sector has one of the largest multiplier effect per rand invested in terms of job creation and the NEF has headed the call of government to prioritise the sector by investing around R224 million. A table below depicts the NEF socio-economic developmental impact.

Outputs	Achievements
Approvals	• Approved **988 transactions** worth more than R9.886 billion across the country
Disbursement	• Approximately **R6.7 billion** has been disbursed to these companies since inception
Integrity	• Secured **clean external audit** opinions for 15 years running
Supporting jobs	• Since inception, the number of job opportunities supported is **99 445** of which 68 191 were new
Industrialisation	• 27 strategic and industrial projects worth **R27 billion,** with the potential to support over **85 000 jobs** • Since inception, **3 600 jobs** opportunities have been created
A culture of savings & investment	• In a transaction worth over R1 billion, the NEF Asonge Share Scheme made available more than 12 million MTN shares to over 87 000 investors comprising black individuals and groups; 49% of investors were women
Investor education	• Reached approximately **69 551 people** in villages and townships through 285 community seminars on how to save and invest, personal finance discipline, shares, dividends, bonds, the property and money markets
Entrepreneurship training / incubation	• Business skills training provided to over **3 078 potential entrepreneurs** who attended 147 seminars from 20102 to date
National footprint	• Approximately 72% of the number (76% by value) of approved transactions emanating from the regional offices and Pre-Investment Unit, as at 31 December 2018
Collections	• Over **R3.3 billion** has been repaid by investees

Chairman's Report

Mr Rakesh Garach
Chairman, Board of Trustees

On the threshold of a new trajectory

Economic overview

The consolidation of the democratic dividend through Government's determined resolve to restore the value, reputation and effectiveness of State-Owned Enterprises as well as the commitment to stem the tide of corruption across the economy are the tonic necessary to rekindle and grow South Africa's economic fortunes in the medium to long terms. Black entrepreneurs, whose support is the reason for the existence of the National Empowerment Fund (NEF), must be at the center of this recovery and growth.

The reporting period 2018/2019 saw the economy experiencing headwinds due to the impact of global macro-economic factors and tough local economic conditions. The trade war between the US and China is impacting on emerging economies such as South Africa, which are more vulnerable to external events.

A recent World Bank report has once again highlighted South Africa as one of the most unequal countries in the World, a reality that vindicates the NEF's determined focus in supporting the development of township and rural economies, with particular focus on supporting businesses that are owned and managed by black women entrepreneurs. Unemployment, which is particularly virulent against young black rural women, is currently at 27.6% and remains one of the country's most obstinate challenges, even as entities such as the NEF continue to do their bidding with almost 100 000 jobs supported since operational inception in 2004 to date.

The economy grew by a relatively low 0.8% during 2018. This was below previous expectations and tough economic conditions are expected to continue due to uncertain global economic conditions, increasing unemployment through the anticipated spate of industry-wide retrenchments and financial pressure on households due to an escalation in living costs.

This harsh economic environment will place additional pressure on businesses funded by the NEF, which, because of the many unique market failures that confront them, are less resilient in mitigating shocks to the economy. The NEF will need to intensify efforts in respect of mentorship support as well as the Turnarounds, Workouts and Restructuring environment, to lessen the debilitating impact of lethargic recovery in the medium term. The inequality gap and high levels of unemployment will also compel the NEF to continue assisting entrepreneurs who do not qualify for funding from Banks, which are expected to tighten their lending criteria because of an increase in credit risk as a result of tough economic conditions.

BEE landscape

Over the years Government has done commendable work on the policy and legislative fronts to provide a solid framework for economic transformation and growth. The promulgation B-BBEE legislation in 2003 heralded a new trajectory in creating an enabling environment for economic transformation. Various successes have been recorded, including a significant number of B-BBEE deals worth over R317 billion peaking between 2006 and 2007, the establishment of an institutional framework for the verification industry, the institutionalisation of the Presidential B-BBEE Advisory Council, the promulgation of the Codes of Good Practice in 2007 and the establishment of Sector Charter Councils, as well as the gazetting of sector codes.

Also significant, the B-BBEE Commission was established in 2016 as the regulator to put an end to fronting, which the Act defines as any act that, even indirectly, undermines or frustrates the achievement of legislated B-BBEE objectives. However, challenges in implementing the B-BBEE policy persist, and these include but are not limited to corruption, fronting, lack of implementation and inadequate funding.

According to the B-BBEE Commission 2018 report a key challenge is the low level of B-BBEE reporting by JSE-listed entities and organs of state. Only 30% of the 401 JSE-listed entities reported their BEE score cards to the B-BBEE Commission, while only 4 SOEs out of a total of 131 state owned companies, complied. One of the constraints identified towards achieving transformation goals is the organs of state and public entities failing to effectively apply the B-BBEE Act. This results in non-compliant entities unduly benefitting from Government tenders, licences and other authorisations. There is little, if any, due diligence and monitoring of conditions in contracts, licences and other authorisations awarded by organs of state and public entities. Tragically, some awards are made without verifying the B-BBEE credentials of the entity, with no conditions attached for maintenance of the B-BBEE status. Even where conditions are included, there is virtually no monitoring to ensure that the entity maintains or improves on its B-BBEE status.

A debilitating challenge is the abject lack of funding for black entrepreneurs. Assuming a net measurable procurement spend of R1 trillion across the economy, hypothetically the B-BBEE Codes would require that at least 40% of that is spent with black-owned enterprises and 12% with black-women-owned businesses. While these thresholds are low, in the view of the NEF, this would translate to approximately R400 billion and R120 billion for black and black-women-owned-businesses, respectively. A significant portion of funding would need to be provided for working capital, transitional loans, debtor/invoice factoring and capital raising. There is simply not enough funding available among Development Finance Institutions (DFIs), including the NEF, to adequately provide for the procurement needs of black business across the market.

We believe the time has come for Government to use procurement as a catalyst for transformation by making it mandatory for private and public sector entities to fulfil national transformation objectives through the implementation of the preferential procurement requirements of the amended codes. This should be used as an anchor to transform corporates and ensure the implementation of Enterprise and Supplier Development (E&SD), which the NEF has started to implement though it could be enhanced via unlocking offtake agreements by state and private companies as a market risk mitigation, for the benefit of black businesses.

Cabinet to enable funding of the NEF

We are now more confident than ever before that the recapitalisation of the NEF, a source of great anguish that has afflicted the organisation as well as the empowerment fraternity for the better part of the last decade, will soon be resolved. The recent amalgamation of the two organs of state that have been seized with this priority over the past four years, the erstwhile Department of Economic Development and **the dti**, now portends a reason for the season of hope.

We look forward to engaging with **the dti** and the Industrial Development Corporation, whose Board had previously approved a facility of R500 million for the NEF, to conclude a sustainable funding solution. This facility could not be disbursed to the NEF because of the need first to secure Cabinet approval. Recapitalisation of the NEF remains the Board's most momentous imperative to enable the NEF to maximise its impact as the only DFI exclusively mandated to grow black economic participation in South Africa.

A partner trusted by many

Among its many successes, in 2012 the NEF established the Enterprise Development (ED) Fund through which it would mobilise resources from various private and public sector entities to empower black enterprises. These partners include Bakwena Ba Mokgopa, Western Cape Department of Economic Development and Tourism, Evraz Highveld Steel, the Laser Group, BP, Engen, Shell, Chrysler, Transalloys, the Department of Rural Development and Land Affairs, the Department of Tourism, among others.

Through the NEF ED Fund, partners typically contribute 40% and the NEF co-invests 60% towards the needs of beneficiary enterprises, resulting in the provision of funding on a 40 to 60 ratio. To date the NEF has unlocked third-party funding of approximately R8.8 billion from a combination of enterprise development and other co-funding arrangements which has been invested for the benefit of black entrepreneurs.

The Board encourages the development of these partnerships because they provide a secure, efficient, tried and tested vehicle for the empowerment of black entrepreneurs, especially in township and rural environments. In the last year alone the NEF has leveraged a total of R782 million in third-party funding from partnerships with various private and public-sector stakeholders.

The national effort to defeat poverty, unemployment and inequality

In the State of the Nation Address in June 2019, President Cyril Ramaphosa makes the urgent and historic call for the nation to "take extraordinary measures" to defeat poverty, unemployment and inequality, adding that "we need to focus on those actions that will have the greatest impact, actions that will catalyse faster movement forward, both in the immediate term and over the next 10 years". Declaring this "the time to focus on implementation", the President then unveiled seven priorities as outlined below, and asserts that "all our programmes and policies across all departments and agencies will be directed in pursuit of these overarching tasks".

These are:

- Economic transformation and job creation;
- Education, skills and health;
- Consolidating the social wage through reliable and quality basic services;
- Spatial integration, human settlements and local government;
- Social cohesion and safe communities;
- A capable, ethical and developmental state; and
- A better Africa and World.

The mandate of the NEF is aligned to a significant number of these priorities, and this Integrated Report 2019 is a narrative of how the NEF has been "taking extraordinary measures to focus on those actions that will have the greatest impact, actions that will catalyse faster movement forward" in the quest for inclusive growth.

Having approved over R9.8 billion in funding for black entrepreneurs in various sectors of the economy, more than 99 445 jobs have been supported countrywide. Through the continuing investor education campaign close to 70 000 people in villages and townships have been provided training on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets. From 2012 to date business skills training has been provided to over 3 000 potential entrepreneurs.

The NEF has heard the President's call and we concede that much more needs to be done with greater purpose and alacrity. It is for this reason that the NEF will intensify these priorities further, deepening our commitment to supporting black SMEs and potential industrialists to participate in tourism, student accommodation, the 4th Industrial Revolution, social housing, manufacturing, logistics, energy, creative industries, agroprocessing, textiles, industrialisation, localisation, exports and much more across the economic spectrum.

Corporate governance

Appointed in terms of the National Empowerment Fund Act, members of the Board of the NEF possess expertise in the fields of, amongst others, finance, risk management, strategy, economics and policy development. At year end, the Board comprised 6 independent non-executive Trustees and 1 executive Trustee.

The Board is committed to maintaining the highest standards of governance, ethics and integrity. It is for this reason that the NEF has established robust corporate governance structures to help the Board ensure compliance with legislation, policies and regulatory requirements, and in terms of established corporate governance best practice.

The Board and its subcommittees hold regular meetings to ensure that these important structures meet their objectives as outlined in the various charters. These guardians of public and institutional trust are the bastion that has ensured that the NEF has continued for successive years to achieve clean external audit opinions.

In providing oversight and leadership the Board and its subcommittees have maintained unstinting independence and foresight in setting strategies and policies for the organisation, and in supporting the efforts to recapitalise the development financier.

Together with the **Audit Committee** the Board is central in safeguarding the assets of the institution as well as developing and monitoring adequate and effective systems and control processes. The preparation of financial statements in compliance with all applicable legal and regulatory requirements and accounting standards, is yet another key function of the Board.

Together with the **Risk & Portfolio Monitoring Committee (RPMC)** the Board has also managed the risk universe of the NEF closely, ensuring that proper business risk assessment is carried out and that a risk profile of the organisation is upheld.

The **Board Investment Committee (BIC)** has assisted the Board, in pursuit of the mandate of the NEF, to assess and where appropriate, to approve such transactions as delegated in terms of the DOA.

Together with the **Social & Ethics Committee (SEC)** the Board has continued to monitor the social and economic development of beneficiary committees, the promotion of equality, the prevention of unfair discrimination and corruption, oversight of the environment, health and public safety, including the impact of the NEF's activities and of its products or services as well as the NEF's employment relationships, its contribution towards the educational development of its employees, gender parity and employee wellness.

Through the **Human Capital & Remuneration Committee (HCRC)** the Board has consistently reviewed and set human capital policies, procedures, structures and all matters relating to the relationship between the NEF and its staff, overseeing compliance with the human capital policies, procedures and structures regulating the relationship between the NEF and its staff, overseeing and monitoring the remuneration structure to ensure that the NEF's employees are fairly rewarded for their individual contributions to the NEF's overall performance.

Appreciation

The Board and management look forward to working under the reputed, principled and patriotic stewardship of Minister Ebrahim Patel and congratulate him on this esteemed appointment. We are equally enthused about the support and guidance the NEF will receive from Deputy Minister Nomalungelo Gina and Deputy Minister Fikile Majola.

The NEF is grateful to have served under the counsel of former Minister Rob Davies, whom we wish well in his future endeavours. The Director General, Mr Lionel October, and his team, have been a sterling credit in supporting the implementation of the mandate of the NEF. The NEF also appreciates the important oversight role of Parliamentary Committees and looks forward to benefiting from their wisdom and leadership.

The Board values and holds in the highest regard the partnerships that the NEF has established with private and public sector entities for the advancement of enterprise and supplier development aspirations of black entrepreneurs.

The NEF is recognised far and near as a high-performing organisation, a distinction for which the Board is thankful to the CEO, management and staff for their integrity, expertise and indefatigable commitment to the supremacy of the empowerment dividend.

Among the many stakeholders to whom we are deeply thankful is the Black Business Council, which has continued to serve as a progressive, consistent and dependable bulwark for the recapitalisation of the NEF, and as the premier voice and guardian of the multitudes that we serve, black entrepreneurs.

Mr Rakesh Garach
Chairman
Board of Trustees

CEO's Report

Ms Philisiwe Mthethwa
Chief Executive Officer

The quest for economic emancipation

A historic mission

It was the founding President of independent Ghana, the great Pan-Africanist and visionary stalwart, Dr Kwame Nkrumah, who declared that "Seek ye first the political kingdom and all things shall be added unto you".

Closer to home, it is a declaration that had resonance with the seminal assertion in the Freedom Charter that **THE PEOPLE SHALL SHARE IN THE COUNTRY'S WEALTH,** which continues to inspire the work of the National Empowerment Fund (NEF).

Over the ages this is the resolve that inspired South Africa's liberation struggle, and indeed after the birth of freedom and democracy, the Government of Dr Nelson Mandela founded the NEF as a creature of statute in order "to establish structures and mechanisms to redress the inequalities brought about by apartheid by facilitating the broader economic ownership by historically disadvantaged persons".

The existence of the NEF, therefore, is a continuation of the liberation struggle, validated and certified by Section 9 of the Constitution of the Republic of South Africa, 1996, which "authorises measures to be taken designed to promote the achievement of equality by protecting or advancing persons, or categories of persons, disadvantaged by unfair discrimination," to borrow from the NEF Act of 1998.

This Integrated Report 2019 is a catalogue of the continuing and historic mission of the NEF to contribute to the pursuit of economic emancipation.

Recapitalising the NEF to support economic transformation

It is because of this seminal historic mission of the NEF, which is to grow black economic participation in South Africa, that we remain optimistic that in the 9th year of concerted efforts to achieve the recapitalisation of the NEF, a solution now beckons.

Section 18 of the NEF Act No. 105 of 1998 provides for the NEF to be funded by Government as follows: "The operating and capital expenses of the Trust will be financed by grants, loans, income generated by the Trust or money appropriated by Parliament for that purpose".

In 2004 Government undertook at Parliament to fund the NEF to the tune of R10 billion over the next five years. This, however, did not materialise.

The NEF was capitalised in 2004 by Government to the value of R2.4 billion as a first tranche, all of which was fully disbursed by 2010, as planned.

Since then, the NEF has been self-financed with proceeds from dividends and interest income from its investments and proceeds from the sale in 2007, through the Asonge Share Scheme, of a portion of the NEF's holding in the MTN Group. This resulted in more than 87 000 black South Africans becoming investors in one of the country's leading cellular operators. The NEF generated R1 billion in cash as a result of the sale of a portion its shares in MTN.

Additional capital was generated from loan repayments totalling R3.3 billion, which are still being collected in the normal course of business for reinvestment into funding operations.

To discharge the 2019/20 strategy, a minimum of R1 billion will be required as cash injection for the NEF to implement its mandate of creating jobs and advancing the quest for inclusive growth.

The NEF is exploring recapitalisation initiatives as follows:

i. Direct MTEF allocations.

ii. The NEF is presently classified under Schedule 3A in terms of the Public Finance Management Act (PFMA), which precludes the NEF from any form of borrowing in the capital markets. Between 2012 and 2016 the NEF applied unsuccessfully to National Treasury for reclassification as a Schedule 2 entity to be granted Limited Borrowing Rights, to enable the entity to be able to borrow from the capital markets.

iii. Endowments from the Industrial Development Corporation (IDC).

The NEF is confident that given its numerous and exceptional milestones, as well as the historic import of its mandate, Government will soon finalise the longstanding challenge of resourcing the NEF adequately to enable it to provide for the considerable financial and non-financial support of black entrepreneurs.

This is an aspiration that is shared among others by the Black Business Council, the premier confederation of black business which on numerous occasions has called for the NEF to be recapitalised, a case in point being the following declaration by Mr Sandile Zungu, President of the BBC at the Black Business Summit in March 2019 that "the NEF is one of the most powerful weapons that we have in our arsenal to deliver real broad-based black economic empowerment and we are very proud of its record. We are absolutely sure that with the right level of resources at its disposal, the NEF can move the needle and ensure that the empowerment of black people, women and youth takes centre stage in the mainstream economy".

Our confidence is also bolstered by the endorsement received from President Ramaphosa at the same event, that "Over 20 products have been designated for local production and content, ranging from rail rolling stock to valves and pumps, from certain pharmaceutical products to furniture. Importantly, there have been improvements in the participation of black industrialists in the production of some of these products. Philisiwe Mthethwa, through the NEF, has also been supporting quite a number of entrepreneurs and moving them, nurturing them to go forward along the manufacturing route".

The overwhelming demand for funding by black business

In the previous financial year (2017 - 2018) over 1 400 black businesses approached the NEF seeking funding of over R11 billion for start-up, expansion and acquisition of businesses.

In the year under review the demand for funding was so phenomenal that it literally tripled to R33.4 billion by value. It saddens us at the NEF that in the face of such huge demand by black people to integrate into the economic mainstream, the NEF could only approve 8% of the value of applications, due to the NEF's unrealised capitalisation.

In most instances the NEF had to refer these entrepreneurs to other potential funders due to limited capital available for investment. This shows that black entrepreneurs are eager to play an active role in the economy and with adequate resources at its disposal the NEF can make a huge difference.

How the NEF has created value by deploying Trust capital

Having been originally capitalised to the tune of R2.4 billion in 2004, over time the NEF has approved over R9.8 billion for 935 black companies and disbursed more than R6.7 billion into the national economy.

In the process the NEF has leveraged over R6 billion in third party funding. Well over R3.3 billion has been repaid by investees, and this continues even though as a patient-capital lender the NEF's investment horizons are typically up to 8 years and up to 10 years for rural and industrial funding.

More than 95 000 jobs have been supported, which is a significant contribution, we believe, towards a key national priority. Over R3.4 billion has been approved for the empowerment of black women in business, and in terms of supporting black industrialists, the entity can point to 24 strategic industrial projects valued at R13.2 billion that have been developed together with local and international partners, with potential to support 85 000 additional jobs.

Clearly, with the R2.4 billion total recapitalisation since inception, the NEF has more than doubled its initial capital and delivered key socio-economic benefits.

With recapitalisation much greater value can be grown given how the organisation's capacity, speed and efficiencies have gained maturity over time.

NEF response to Government's stimulus package plan

South Africa operates in the context of a global economy that weakened to 3.7% in 2018. Ominously, it is projected to fall further to 3.5% in 2019 before gaining in 2020.

The IMF 2019 growth forecast for SA was at 1.4% and it is also unchanged at 1.7% for 2020. The net loan debt is expected to continue growing at least for the next four years or so and to peak at 60.2% of GDP in 2023/24 as the state tries to curtail government expenditures whilst managing indebted State-Owned Enterprises.

In response to these challenges, in September last year President Cyril Ramaphosa unveiled a range of measures known collectively as the Economic Stimulus and Recovery Plan.

The intention was to set the country on a new path of growth, employment and transformation. Among the priorities he set were "the need for decisive steps to rebuild investor confidence, end corruption and state capture, restore good governance at state-owned enterprises and strengthen critical public institutions".

These measures included:

- The need to attract $100 billion in FDI by 2023.
- Implementation of growth enhancing economic reforms.
- Reprioritisation of public spending to support job creation.
- Establishment of an Infrastructure Fund.
- Addressing urgent and pressing matters in education and health.
- Investing in municipal social infrastructure improvement.
- The sectors to focus on were identified as:
  - Tourism (great job creator)
  - Procurement from small business
  - Township, Youth & Women
  - Rural & Agriculture
  - Infrastructure (include human settlements & student accommodation)
  - Sectors in distress like textiles

In various sections this publication outlines how the NEF, as a patriotic corporate citizen, has sought to complement and support the Government's Economic Stimulus and Recovery Plan, as outlined below:

Stimulus Plan	NEF Response
Tourism	• The Tourism Transformation Fund was established in 2018 as a partnership with the national Department of Tourism. • Among the Hotels & Lodges co-financed by the NEF and the Department are Park Inn and Tala in Limpopo and KZN respectively. • Launched in 2018, the iconic Graskop Gorge Lift Company in Mpumalanga has also been a beneficiary of co-funding with the Department of Tourism.
Small Business	• The iMbewu Fund continues to support small businesses through franchising and overall entrepreneurial funding. In this portfolio, Filling Stations are among the most successful. • Non-Financial support to small business such as entrepreneurial training, business-planning, incubation and mentorship are some of the examples in this area.
Township economy	• The NEF is passionate about providing financial and non-financial support to township businesses, and examples of this work include the NEF's partnership with Pick n Pay, through which Spaza shops will be revamped and turned into mini-supermarkets, with store owners remaining 100% independent.
Rural & Agriculture	• Examples in the rural and agriculture space include the shopping centres and lodges that are owned in part by rural communities, as well as the harvesting, packaging and sale of mussels, support for poultry farmers as well as the bottling of fresh milk.
Infrastructure & Human Settlements	• The NEF's spirited support for various Student Housing Projects as well as Affordable Housing Projects are some of the examples in the sector.
Sectors in distress	• The Turnaround Workout and Restructuring Unit (TWR) has a mandate to turnaround businesses that are distress in sectors such as oil and gas and manufacturing (i.e. electrical products, heavy engineering, FMCG), amongst others.
Women & Youth	• The establishment of the Women Empowerment Fund and funding of youth-owned businesses in advancing the 4th Industrial Revolution illustrate NEF support in this space.

Operational milestones during the year under review

We are pleased to report that over the past year the NEF met and exceeded operational targets in its balanced scorecard. This was in part due to targets having been revised owing to unrealised recapitalisation, during the financial year and specifically on 19 June 2018, and because of the cash position in unencumbered capital standing at R100 million at the time.

- In the period under review, the NEF approved 61 deals worth R576 million against a target of 56 deals worth R471 million.
- Total commitments of R513 million against a target of R387 million were achieved.
- Annual Disbursements amounted to R487 million against a target of R422 million.
- Over the years the NEF has continued to stand out as one of the beacons in the public sector, having consistently secured clean external audit opinions for 16 years running.
- An important focus of the NEF in assessing applications for funding is job-creation, and accordingly 3 713 jobs, 3 432 of which were new, vs. a target of 2 597, were supported through approved funding of black-owned businesses. The total job opportunities supported since inception is 99 445, of which 68 191 were new.
- With regard to portfolio management:
  - Our impairment is 18% vs a target of the same number.
  - The return on investment stands at 9% and is within the targeted range of between 9 and 10%.
  - Our vigorous collection demeanour drove the ratio to 128.43% against a target of 80%. The higher collection rate is because of clients catching up on missed instalments and loan settlements.
  - We can point to 29 successful exits at TMB of 1.17 against the prior year TMB of 1.24.
  - Through the provision of turnarounds, business rescues & restructuring support a total of 827 jobs were saved or maintained and this includes 74 new jobs.
- Because black women empowerment lies at the heart of the work of the NEF as a key criterion, at 32% we were 8% shy of the 40% target, which will remain unchanged until we begin to develop a more vibrant pipeline of applications among businesses that are owned and managed by black women entrepreneurs. For this purpose, the NEF's partnerships with the likes of the African Women Chartered Accountants Forum, the Business Women Association and women's organisations across the sectors, as well as training and incubation for women in township and rural areas, will continue to deepen.

  The NEF has for the past eleven years been hard at work carving a space for the development of black industrialists via the Strategic Projects Fund (SPF). This makes the NEF a pioneer in the space identified by the Black Industrialist Policy, which was launched by Government in February 2016.

  Industrial projects typically undergo an extensive and rigorous development cycle prior to reaching a bankable stage at which point they can be evaluated for commercial viability and for additional funding by other investors.

  Unlike in previous years, the focus in the year under review, by design, was to progress transactions already in the portfolio to preserve available capital. Our expertise in this unique and specialised area of development finance will see the NEF making a more meaningful contribution towards the reindustrialisation and growth of our economy, once recapitalisation has been secured.

  Accordingly, 26 strategic and industrial projects worth R27 billion, with the potential to support over 85 000 jobs are in the pipeline. 79% of these are at advanced development stages, namely financial close and construction.

  - Graskop Gorge Lift Company which we are proud to report was officially launched in August 2018 alongside the former Minister of Tourism, Mr Derek Hanekom, among a host of other dignitaries. During quarter 2 of the last financial year, Joyhouse Academy progressed from Construction to Operations and for the first time in the area, pupils are learning in a dignified, secure and conducive environment.
  - In the healthcare space, we are pleased that Jalo & Gemilatex are at financial close. Jalo is black-woman-owned company that will soon revolutionise the treatment of kidney disease by becoming the first South African company to manufacturing dialysers to help filter the blood in the same way that kidneys do.
  - In the case of Gemilatex, following its appointment by National Treasury as one of the preferred suppliers in National condom procurement programme, the location of the company's manufacturing plant has been vetted and selected in the East London IDZ.
  - Gemilatex has progressed to Financial close successfully, and capital raising is in progress, with 3 different potential funders currently assessing BFS outcomes.
  - Similarly, we are proud of the strides made in respect of Mendi Rail, which is on track with a pilot plant having been commissioned and operated.
  - Lab equipment has been procured and commissioned for on-site testing, and the sleepers have passed all testing requirements for Transnet Freight Rail.
  - Transnet has confirmed that the Mendi Rail sleeper is ready to be considered for operational procurement.
  - This is phenomenal progress because BFS is now 95% complete.

The SPF portfolio is spread across the country by number and value. The portfolio is expected to create 85 000 jobs at financial close, and 3 600 job opportunities have been created to date.

NEF equity ranges between 18% and 100%, and the equity will be warehoused by the NEF until black partners are identified.

A good number of these boast women shareholding of up to 100%, because the empowerment of black women is central to the mandate of the NEF.

Because of the high-risk nature of the investments, the NEF is the only DFI with full Venture Capital (VC) capability, offering focused participation of black people in project development.

To date the NEF has approved just over R850 million for these projects, which has leveraged R4.3 billion in external funding, attesting to the positive reputation of the NEF in the market as a partner of choice and an able facilitator of inclusive growth.

- Portfolio collections for the year under review are at R414 million compared to R488m of the year prior, registering a decrease of 15% which is largely attributable to a contraction of our national economy, rather than economy of effort. Over R2.3 billion has been repaid by investees for the past 5 years.
- Regional Offices contributed 18% to the approval of total transactions by volume worth R103 million. Active portfolio management by the regional offices helped in the total collection of the R101 million, which represents a 122% collection rate.

- With regard to geographic activity we can report that since inception to date, Gauteng now comprises 46% of the NEF's total invested portfolio, a significant improvement to the time when Gauteng accounted for the lion's share at 61% in 2008/2009.
- Accordingly, the NEF has not achieved the targeted disbursements in the targeted provinces, which are the Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and the North West. A total of R83 million was invested in all the provinces, representing 19% of annual disbursements vs a target of 25%, however, the provinces have made significant contributions in terms of containing impairments, optimising collections, stakeholder relations and management of the portfolio.
- Since inception, the Rural and Community Development Fund (RCDF) invested over R72 million in four rural and tourism related transactions. The R72 million leveraged an additional R114 million co-investment by the private sector. A total of 260 jobs were created by virtue of NEF participation.
- Because black economic empowerment must in essence become a grassroots revolution, the NEF has been innovative in supporting the revitalisation of township and rural economies. Over R785 million has been invested in the development of community-owned shopping malls, whether in Umlazi, in Qumbu, in Orange Farm or in Umvoti, township and rural communities are shareholders in medium-sized shopping malls, with co-investment by major property developers.
- The NEF has invested a total R2.3 billion in rural and township businesses, and with intensified entrepreneurial training and incubation support, buttressed by recent improvements on the NEF's business planning tool which is available for free to the public, we intend to deepen support for rural and township-based businesses that are owned by black people.

Control environment

- In light of recent industry challenges with grand corruption and corporate governance failures in the private sector, the NEF is pleased with its Internal Audit record. The NEF's control environment is fully compliant with the Auditor General's dashboard. The NEF has successfully implemented controls, which have been found to be adequately designed and operated effectively.
- Our audit findings at year-end came down to 14 compared with 23 in the last financial year, and this underscores Management's commitment to resolving audit findings.

Turnarounds, Workouts and Restructuring (TWR)

In the period the NEF managed to turn around declining or distressed businesses. Highlights are as follows:

- Supported 827 jobs under the TWR portfolio. This includes 74 new jobs.
- Resuscitated 3 businesses after extended period of closure – Petrocom, Ga-Matlala and Golden Dice Foods, and Surgetek.
- Alternative equity funding sourced for other clients.
- Collected R13.4 million from TWR investees.
- Collection pipeline for FY 2020 amounts to R37.5 million.
- In all these turnarounds we ensure partnerships solely with BEE investors.

Risk and Compliance

In this environment the NEF has the following policies and procedures in place:

- Policies & Frameworks
- Credit Risk Policy approved
- Risk Management Framework updated and approved
- Fraud prevention plan updated and approved
- Whistleblowing policy updated and approved
- Credit Risk
- Credit risk reports completed for all transactions submitted to committees
- Enhanced background checking tool in place
- Fraud Prevention
- Various Fraud awareness sessions completed covering topics such as cybercrime
- Ethics Survey completed
- Ethics training completed
- New whistleblowing line implemented
- Progress made in dealing with criminal matters
- Compliance
- Implementation of Compliance Framework
- Positive feedback received regarding compliance reporting by Board sub-committees
- Other
- Business Impact Assessment completed for all departments
- Departmental Business Continuity plans updated

- Our IST governance framework continues to be entrenched through the steering committee as well as policy and Standard Operating Procedures.
  - The Approved Governance Framework has continued to be entrenched and improved.
  - IT security enhancements made to the environment and the policy was approved.
  - The IST Patch Management Policy and procedure was approved.
- It gives us pleasure to report 26% achievement versus a target of 20% on preferential procurement from black-women-owned businesses, and 69% versus a target of 65% for procurement from black businesses, while 43% was procured from Exempted Micro Enterprises compared to 39% in 2018.

- Entrepreneurial Development has also grown appreciably, with 103 Business Today training sessions having been provided countrywide against a target of 30 training sessions with a total of 368 delegates attending.
- A total 141 entrepreneurs have been referred for business incubation and 23 entrepreneurs were successfully incubated against the target of 125 referrals and 15 entrepreneurs in the final incubation stage.
- In relation to brand propagation we can report media coverage in excess of R57 million against a target of R50 million, as measured independently by an external media monitoring agency, NewsClip. 94% of the coverage was positive, 85% balanced and 1% negative in tonality. The results of the brand audit, also conducted by an independent research company, Plus 94, show that the NEF now enjoys 93% brand awareness against a target of 90%. The reputation of the NEF has also grown to 65% from 59% in the last brand audit 2 years ago.
- In terms of socio-economic development 84 sessions comprising investor education seminars & industrial theatre performances were completed to drive home the message of saving and investments among black people, especially in rural and peri-urban communities. In the last year alone, this important campaign reached 29 551 people in total.
- Since inception in 2007 the Investor Education drive has reached over 69 551 people in villages and townships through 285 community seminars.
- Social facilitation was extended to 42 transactions and these will benefit over 2 million people.
- The NEF awarded 29 bursaries to the tune of R1 784 598 to South African students, most of whom are from rural areas, and 24 successfully progressed to the next academic year. This equates to an 83% pass rate.
- Enterprise and supplier development inroads have seen the NEF attract contributions of R95 million raised in the current year vs a target of R75 million. Our partners are:
  - Department of Tourism contributed R40 million,
  - The Department of Arts & Culture, to the value of R25 million,
  - The Department of Rural Development and Land Reform, which disbursed R19.6 million,
  - The Western Cape Department of Economic Development & Tourism, to the value of R7 million,
  - Pick n Pay contributed R2.6 million, and
  - Nissan contributed R1.4m.

Since the launch of the NEF's Supplier and Enterprise Development Fund, a total R782 million has been sourced in third-party funding from partnerships with external stakeholders.

What this shows is that the NEF is a catalyst for unlocking economic value, because once the entity has de-risked transactions, provided business incubation support and training where applicable especially in the SME and rural transactions, as well as feasibility and related funding, third-party funders are then emboldened to come forward, confident to follow where the funder with a soul has pointed the path.

Highly skilled Human Capital

The NEF competes with the private and public sectors for the recruitment and retention of specialised financial and investment skills. Exactly 70% of our staff complement is in the core divisions, which are the engine rooms that are responsible for the implementation of the specialised funding mandate of the NEF.

One of the NEF's greatest assets is not only because we have a highly skilled and driven human capital, but one that is both dynamic and youthful. While this staff complement is maturing, at 39 years our human capital is an investment in the future and continuity of the organisation.

We are proud of the fact that 62% of the employee complement is female, and 43% of managers are women.

Our staff is committed to the mandate or growing black economic participation because NEF values are founded on the crucible of service, patriotism, excellence and integrity.

The major tribulation, however, has been the loss of critical staff resulting from the fear of recapitalisation challenges.

Examples are the resignations by 3 managers and 1 executive between June and November 2018, resulting in the loss of 59 years of collective experience and over 4 years' average at the NEF. These are:

- The former CFO, who is a chartered accountant,
- The former Internal Audit Manager, also a chartered accountant,
- The former Finance Manager, another chartered accountant,
- As well as the former IST Manager, a BCom and IT graduate.

Appreciation

These milestones would not have been possible had the NEF not invested meaningful time and effort in building relations with the broadest spectrum of stakeholders across the Government sphere, the legislature, in the private sector and across organised commerce, in civil society, across communities and indeed in the mass media.

The staff, management and investees of the NEF gratefully acknowledge the guidance and wisdom of the Chairman, the Board of Trustees and Sub-Committee Members.

Ms Philisiwe Mthethwa
Chief Executive Officer

CFO's Report

Mr Lebogang Serithi
Chief Financial Officer

Finance Report

New Developments and Updates

The Group results include four subsidiaries, namely Zastrovect Investment (Pty) Ltd (trading as Goseame Open Market – Goseame), Delswa (Pty) Ltd, Surgetek (Pty) Ltd and National Empowerment Fund Corporation SOC Limited (NEFCorp SOC Ltd). These entities are briefly described on page 11.

Management is still intent and working on disposing of Goseame. It has, however, taken longer than anticipated; as a result, an application to extend the PFMA Section 92 exemption has been made with National Treasury. Management also intends to dispose of Surgetek once it has stabilised enough to attract suitors. A prospective purchaser for the property in Delswa has been found and once the sale agreement has been concluded and finalised the entity will then be disposed of.

The Trust has prepared the line-by-line consolidated annual financial statements for the first time in the 2018/19 financial year. The full consolidation was triggered by revised GRAP 100, which requires the Trust to consolidate all its subsidiaries line-by-line in terms of GRAP 6. Previously, the Trust had consolidated its subsidiaries (except NEFCORP) on net basis in terms of IFRS 5 (Non-current assets held for sale). Since the revised GRAP 100 became effective before 2018/19, the Trust has restated group annual financial statements for 2017/18 as required by GRAP 3.

Due to the immaterial net contribution to the results of the Group from all these subsidiaries, my report will only focus on the performance and financial position of the Trust.

> "South African economy reported a sluggish annual growth of 0.8% in 2018, after posting 1.4% in the prior year. This growth level is inadequate as compared to the desired target of 5% set in the NDP and is expected to hinder the NEF's portfolio growth potential if it remains at these levels in the next few years."
>
> NEF CFO, Mr Lebogang Serithi

Highlights in this Report

Portfolio impairment provision

18%

(Up from 15.24% in 2018)

IT General Controls audit achieved a 'Good' rating first-time

procurement from black controlled entities

68.98%

(Down from 69.6% in 2018)

Financial Performance Overview of the Trust

A five-year snapshot of the results and financial performance of the Trust is as follows:

Table 1:

Rm	5 year CAGR	5 year average	Annual Growth	2018/19	2017/18	2016/17	2015/16	2014/15
Financial Position								
Cash and Cash equivalents	-7%	1 273	-10%	1 017	1 134	1 345	1 419	1 448
Investment in development activities	1%	2 458	-4%	2 469	2 569	2 537	2 369	2 344
Financial market assets	-15%	1 398	-26%	925	1 248	1 287	1 412	2 116
Other assets	54%	42	9%	56	51	4	92	6
Total assets	**-5%**	**5 170**	**-11%**	**4 467**	**5 003**	**5 173**	**5 292**	**5 915**
Liabilities	30%	231	-16%	236	281	386	188	63
Trust capital and reserves	-6%	4 939	-10%	4 231	4 722	4 787	5 104	5 852
Total liabilities and equity	**-5%**	**5 170**	**-11%**	**4 467**	**5 003**	**5 173**	**5 292**	**5 915**
Financial Performance								
Interest on development activities	3%	224	10%	255	231	212	206	218
Interest on cash investments	-2%	80	2%	75	73	85	83	83
Total interest	**2%**	**304**	**8%**	**330**	**304**	**297**	**289**	**301**
Dividends from development activities	-8%	6	-63%	5	13	1	7	7
Dividends from financial market assets	-16%	94	-28%	54	76	75	137	130
Other income	75%	44	160%	46	18	52	101	3
Profit/(loss) on disposal of investments	0%	13	0%	-	-	8	58	-
Total income				**435**	**410**	**432**	**591**	**440**
Impairments (including write-offs)	7%	274	27%	275	217	240	445	196
Fair value gains/(losses) on development assets	25%	-33	-365%	-85	32	-145	60	-28
Income after credit impairment charges and fair valuations				**75**	**226**	**48**	**206**	**217**
Operating expense	5%	239	2%	257	251	240	237	206
Operating surplus/(deficit) for the year				-182	-26	-192	-31	11
Fair value gains/(losses) on listed equities	18%	-265	692%	-309	-39	-125	-716	-135
Surplus/(deficit) for the year	32%	-349	658%	-491	-65	-317	-747	-124
Financial Ratios								
Cash and Cash equivalents to total assets		24,6%		22,8%	22,7%	26,0%	26,8%	24,5%
Net Return on assets		-6,9%		-11,0%	-1,3%	-6,1%	-14,1%	-2,1%
Return on investment (before impairments)		8,8%		9,0%	8,3%	7,8%	9,5%	9,4%
Return on investment (after impairments)		2,4%		-0,4%	1,2%	-0,5%	-3,5%	15,4%
Operating expenses to income		52,6%		59,2%	61,3%	55,7%	40,2%	46,9%

As a result of the muted and inadequate GDP growth rate which grew by only 1.4% in the 2018 calendar year and shrank an annualised 3.2 percent quarter on quarter in the three months to March of 2019, compared to the desired growth rate of 5%, per the NDP, it is unfortunate that the NEF is reporting a 4% decline in year-on-year growth in development assets. Muted disbursements during the year were at R383 million against R445 million in 2018 and net write-off of assets was R10.3 million for the year.

Whilst the NEF continued to deliver a healthy level of commitments, lower disbursements were mainly as a result of conditions precedents that proved to take longer than anticipated. In some cases, where we had co-funded transactions, our partners were required to inject funds ahead of us as part of our risk mitigation process. Once these disbursements are made in ensuing years and the economy performs better as largely anticipated by the market, we expect our development portfolio to continue the growth trajectory that it has shown over the past few years.

The compounded growth in our portfolio since 2015 at 1% is slightly lower than the recorded average GDP growth over the same period of 1.1%. However, it is also pleasing to note that the cost per job for the year was about R117 695, against a target of R162 500.

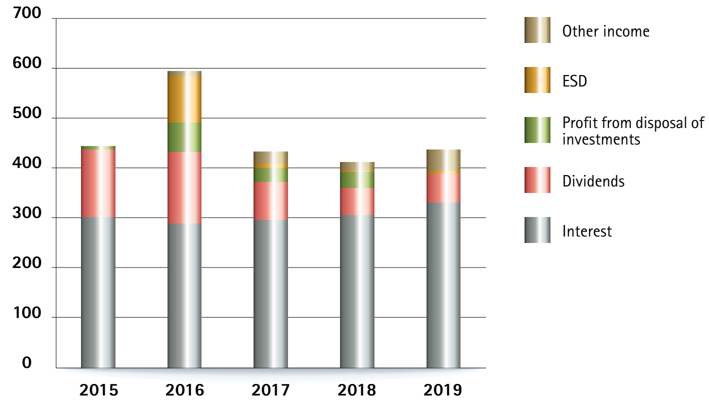
It is, however, worth pointing out that despite the muted growth in development assets, interest earned on these assets has increased by 10% year on year. This growth in our main income line has resulted in reported return on investment (ROI) at 9%, which is 70 bps up when compared to the prior year's ROI of 8.3%.

These levels of returns continue to highlight the need for the NEF's funding mix to have some element of concessionary pricing, especially given the significant socio-economic benefits that have been (and continued to be) derived from NEF activities – as demonstrated in the performance highlights and the performance overview sections of this report.

Dividend income from listed equity holdings (especially MTN) has declined by 28% year on year at R59 million (R88.5 million in 2018). The increase in total income was at 6.1% (which is 160 bps above CPI), resulted in a cost-to-income ratio of 59.2% (61.3% in 2018). The reported cost-to-income ratio has unfortunately broken the upper-end of our long-term target range of 54-58%. Management has worked tirelessly to ensure that expense growth is limited, as demonstrated by a compounded growth in expense at 5% over the past five years, which is fairly in line with average CPI growth reported for the economy over the same period. Management is therefore continuing to explore initiatives with the intention of diversifying and growing the NEF's income.

Figure 1 below shows how the income mix has changed over the past five years. The graph shows that interest income and dividends used to be the core sources of income for the organisation. This income mix has changed over time with the introduction and growth of other income sources. In line with the nature of our business and our instrument mix, interest income has continued to be the core source of income, comprising on average about 70% of total income over the period (i.e. excluding 2016 where we saw a much varied income mix than the norm). Dividend income has significantly reduced in the current financial year, while unconditional ESD income has materially reduced since 2016. Other income includes bad debt recovered and raising fees charged on new facilities. The steady growth in the contribution from raising fees over the years is particularly good in light of the pressures around income growth.

Figure 1: Income mix



Due to tough economic conditions, which adversely affected our portfolio, impairment provisions and write-off charges were increased at R275 million (R217 million in 2018), a 27% increase in these charges for the year. This total charge represents net write-offs at R10.3 million (R62.9 million in 2018), while impairment provision charges were at R264.5 million (R153.7 million in 2018). Based on assessment of the portfolio, economic conditions got worse than anticipated.

It is key to point out that the NEF has consistently delivered a surplus after impairment and write-off charges, as well as following fair valuation movements of all its unlisted equity investments. In particular, the NEF reported net income of R75 million before operating expenses and fair value movement on listed equity investments. In the last five years, the NEF recorded a net surplus of R771 million.

As a schedule 3A Public Entity; if government had continued to make annual contributions towards operating expenses (which include non-financial support programmes that are part of the NEF's mandate), the balance sheet of the NEF would have grown by over R1.9 billion (36% potential increase to the financial position) since 2010. These resources would have been used to support the core mandate of the NEF in providing financial assistance to black business.

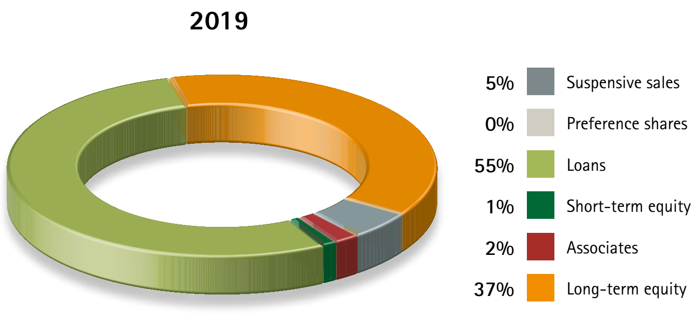
Since the NEF has had to fund its operating expenditure as well, a net operating deficit of R182 million was reported during the 2019 financial year (R26 million in 2018). The last item that impacts our net performance, is the fair valuation of listed equity holdings (mainly driven by the MTN shares), which as demonstrated in Table 1 above, have resulted in material unrealised fair valuation movements in the recent past. During the 2019 financial year, a net deficit of unrealised fair value movement of R309 million was reported, resulting in a net deficit of R491 million for the year.

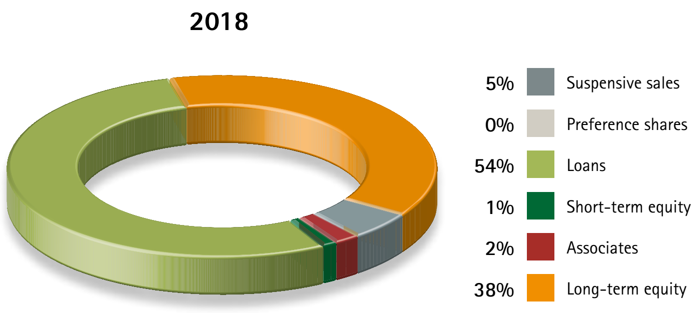
Sustainability of our Portfolio

Figure 2 indicates that interest-bearing lending remains a focus for the NEF. Originated loans, preference shares and suspensive sale advances have remained steady at 60% compared to 59% in 2018.

The portfolio skew in favour of non-equity instruments provide the NEF with the required element of predictable cashflows, though this must be done in full consideration of the level of loans in moratorium at that specific reporting date.

Figure 2: Portfolio Make-up (Gross Amortised Cost/Fair Value)





The collection ratio (measured as receipts as a percentage of instalments raised) at 128.43%, has declined from the prior year's 142.5%. Total collections and disposal income on the portfolio at R379.4 million is 15.8% lower than total portfolio collections made in 2018. When equity disposals are excluded, pure portfolio collection is 19% lower than the prior year. Despite the decline in total collections for the current year, this is testament that active portfolio management has ensured that over R3 billion is collected from our invitees since inception.

Portfolio impairment provisioning in the year further increased to 18% from prior year's 15.41% mainly as a result of increasing of non-performing investments affected by the adverse economic conditions. Management will, however, continue to pursue the legal processes for bad debt recovery where applicable.

Fair value movements on unlisted equity positions resulted in an unrealised loss of R85 million against an unrealised gain of R32 million in 2018 based on the performance of our investees, which were further affected by the adverse current economic conditions.

Information Systems and Technology (IT) Management

Our governance framework around IT continued to be entrenched and enhanced during the year. One of the key milestones is to initiate the process of procuring the Enterprise Architecture (EA). The intention of an EA is to determine how an organisation can most effectively achieve its current and future objectives; more specifically relating to IT, to ensure that IT can efficiently support the organisation in achieving those business objectives. We have appointed a service provider to develop EA to define the blueprint for the NEF.

We worked on three major projects during the year; the first one being the improvement of bandwidth infrastructure of head office and all our regional offices to enhance efficiencies. The second one is to conduct a needs analysis and benchmarking exercise that will allow us to invigorate and enhance our video conferencing facilities. This project has been implemented. Lastly, we have upgraded all our computers to Windows 10 operating systems, to secure, stabilise and increase performance in our environment.

We are proud that the IST department has demonstrated the value add of all projects and technology investments, which include:

- Cloud backup and recovery solutions that have assisted in limiting the capital investment in IT infrastructure; and
- An approximately 40% reduction in annual Vodacom expenditure being realised through the NEF migrating our data packages to the Supply and Delivery of Mobile Communications Services for the State contract that was facilitated by the National Treasury.

The NEF remains committed to ensuring stability of the IT systems, with 99.62% system availability attained during the year as well as securing our IT environment with regular network vulnerability testing and annual health checks, and constant monitoring of both our IT infrastructure and applications.

The IST team is always looking for better ways to efficiently enhance the organisation's security. We have for instance revised IST policies, procedures and framework guidelines, to minimise risk of data leak or loss, strengthen access control, outline acceptable and unacceptable use, and to set guidelines for best practices for use, ensuring proper compliance for NEF system data.

In addition we have deployed a mobile device management (MDM) tool that assists IST to efficiently manage mobile devices that are connected to our environment and which would allow NEF data to be remotely wiped off devises in case of theft and/or loss.

Regarding information Systems and Technology (IST), we have very exciting projects to roll out in 2019/2020. These include the development of the EA and to centralise our telephone management system with no cost spending by NEF when dialling the regional sites. The solution is possible through the use of Voice over IP (VoIP). We will also continue to create awareness on cybersecurity, disaster recovery and IST policies to reduce threats and attacks.

Supply Chain Management

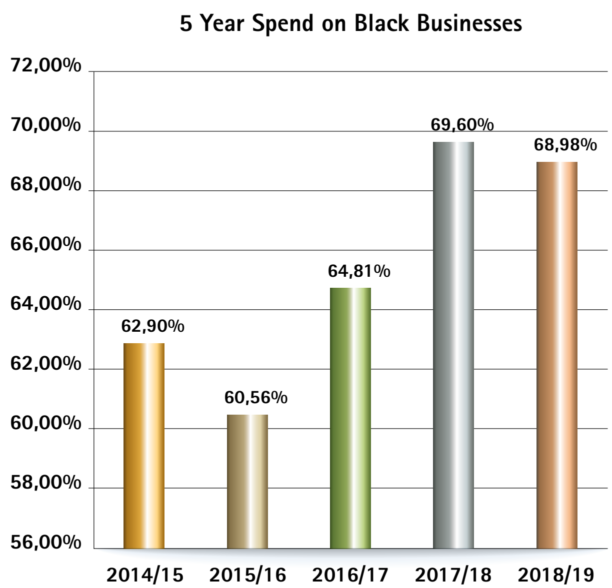
During this financial year, five tenders were issued and four were awarded; one is still in progress. In addition, one tender from 2017/18 financial year was also awarded in the current financial year, making the total of five tenders. These tenders were evaluated against the process set out in the NEF Supply Chain Management Policy, the National Treasury Supply Chain Management Regulations and Preferential Procurement Policy Framework Act and all of the relevant practice notes.

The NEF, by virtue of its mandate to support and promote enterprises owned and managed by black people, focuses its efforts on identifying and procuring from businesses that have significant black ownership and whose owners are operationally involved in the management of these businesses. Furthermore, the emphasis on developing black-owned emerging businesses in targeted sectors as part of the NEF Supply Chain Management Policy, is underpinned by specific targets set in the annual business plan in this regard.

The NEF's total procurement for the year was R61.6 million from 370 suppliers. This represents an achievement of 68.98% against a target of 65% for suppliers with black ownership of between 50.1% and 100%. Using the minimum acceptable target of 25.1% according to the Codes of Good Practice as amended, the NEF achieved a 76.07% total procurement from black-owned and -managed businesses. An analysis of our procurement spend of the last five years also indicates that we have managed to shift the composition of our increasing procurement spend on EMEs from 32.31% during the 2014 financial year to 43.48% in the current year.

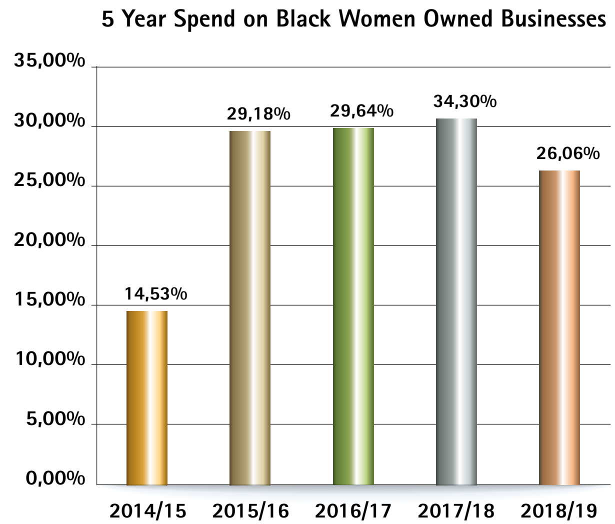
The traction we have made in the past five years in procuring from the majority of black-owned entities is demonstrated in Figure 3 below.

Figure 3: Five Year trend on spend towards Black-owned entities



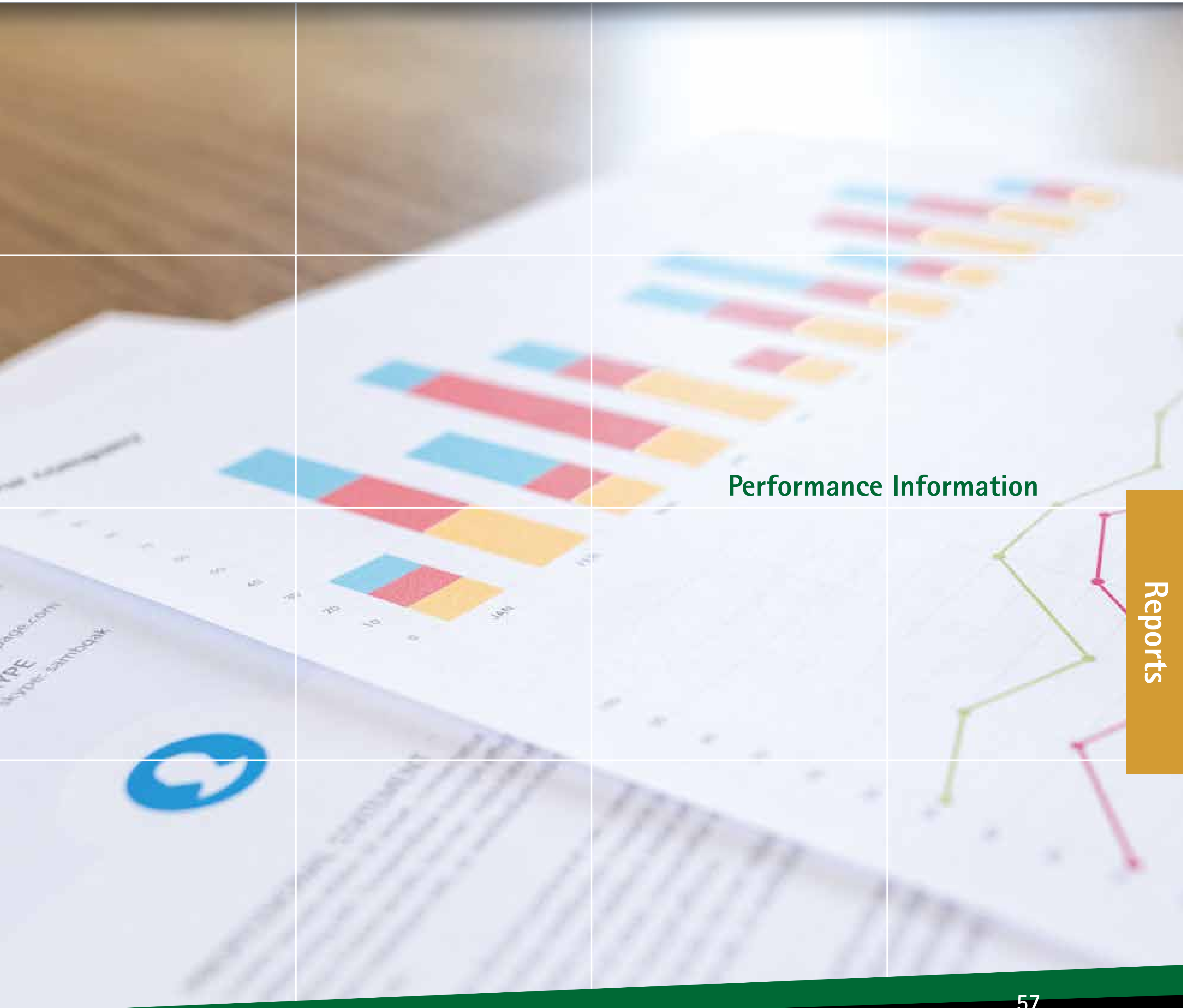
Even more gratifying is the achievement of 26.06% procurement from the majority of black-women-owned businesses; against a target of 20%. This achievement might not be the highest when comparing to the previous financial year 2017/18, however, the NEF continues to support and empower black-women-owned businesses.

Figure 4: Five Year trend on spend towards Black-women-owned entities



Supply Chain Management practice has been maintained at the highest levels of good governance and the Procurement Committee is able to report that no procurement irregularities were identified in the financial year ending 31 March 2019

Mr Lebogang Serithi
Chief Financial Officer

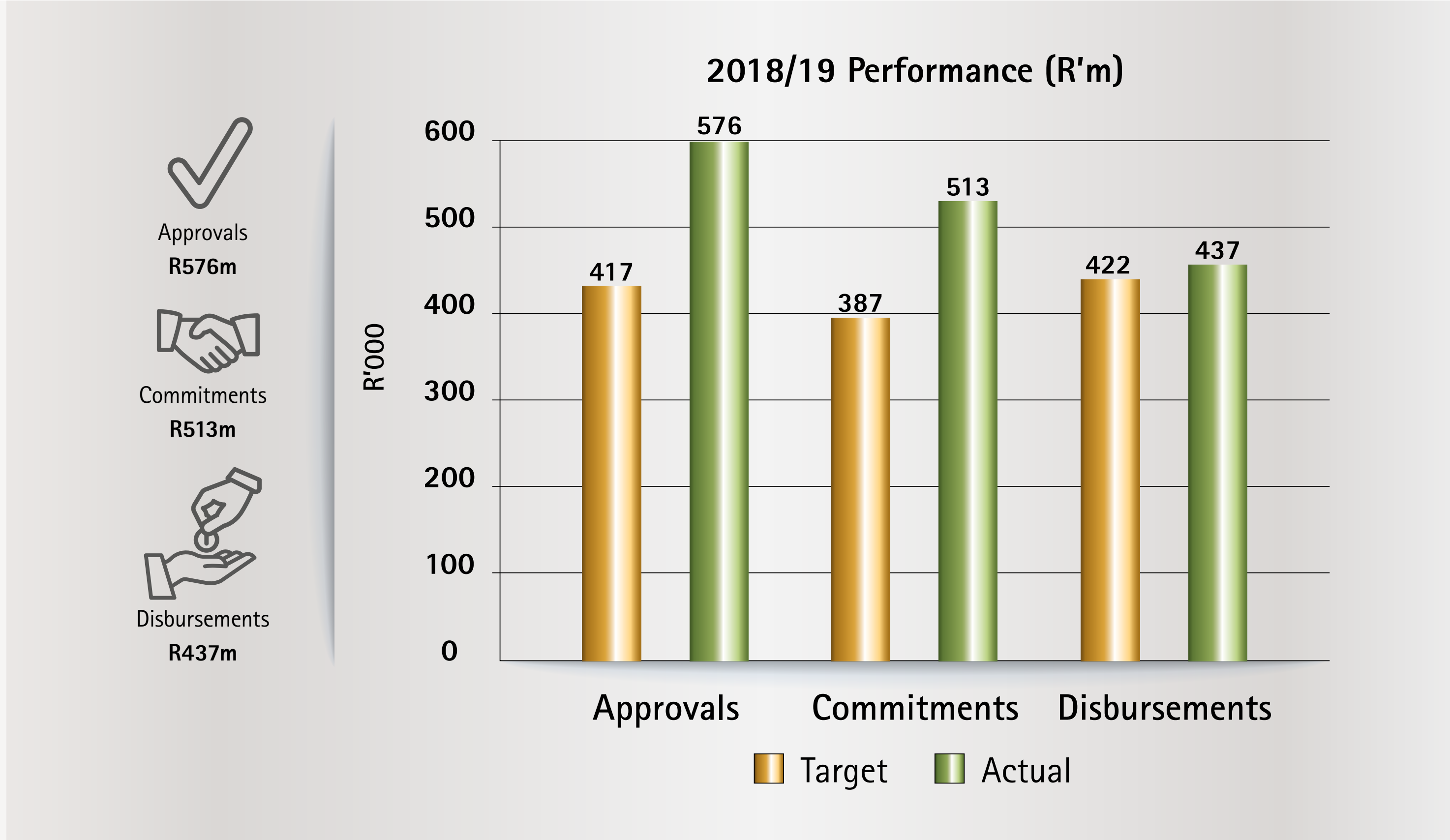


Performance Information

Reports

Achievements Against Strategic Objectives

Advancing B-BBEE to provide finance to business ventures

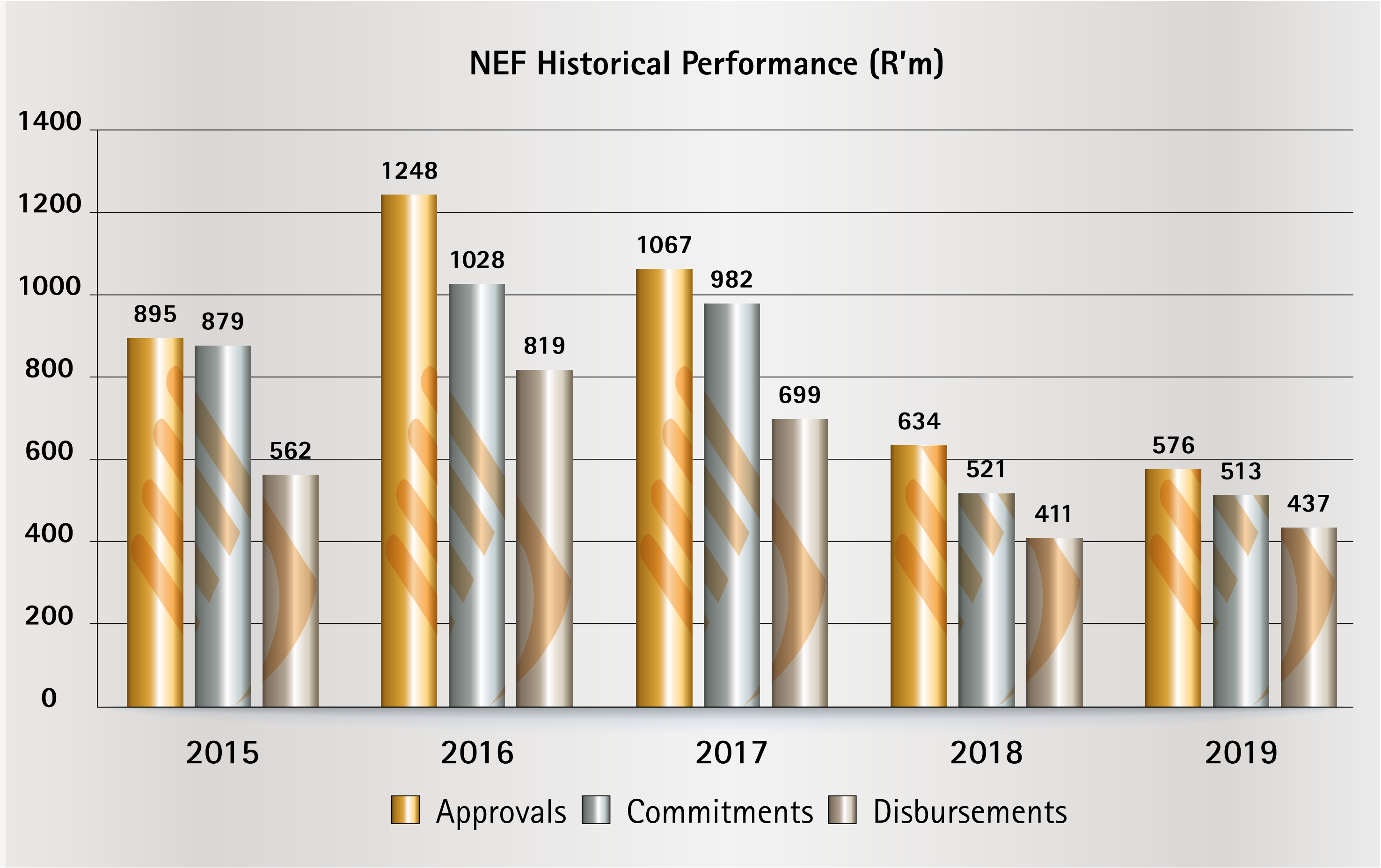


For the financial year-end 2018/19 the NEF exceeded the targets set for approvals, commitments and disbursements.

> " While there is a broad range of critical work being done across government, this evening I want to address the most urgent tasks at this moment in our history. This task will underpin everything that we do this year. Working together, we must accelerate inclusive economic growth and create jobs. "
>
> **State of the Nation Address by President Cyril Ramaphosa, 7 February 2019 – Parliament**

Achievements Against Strategic Objectives

Advancing B-BBEE to provide finance to business ventures



Over the past five years, the historical trend demonstrates that the NEF approvals reached its highest level at R1.2 billion in 2016. This performance was supported by the DRDLR partnership. In subsequent years, the NEF's uncommitted cash has reduced significantly and as a result the performance targets were also reduced by the Board.

2018/19 Performance

Jobs **3 713**

32% of disbursement to women

19% of disbursements to outline regions

	Target	Actual (2018/2019)	Actual (2017/2018)	Actual (2016/2017)
Jobs created	2 597	3 713	3 069	5 069
Percentage of disbursements to women	40%	32%	35%	33%
Percentage of disbursements to outline regions	25%	19%	36%	45%
Disbursements	R422m	R437m	R411m	R819m

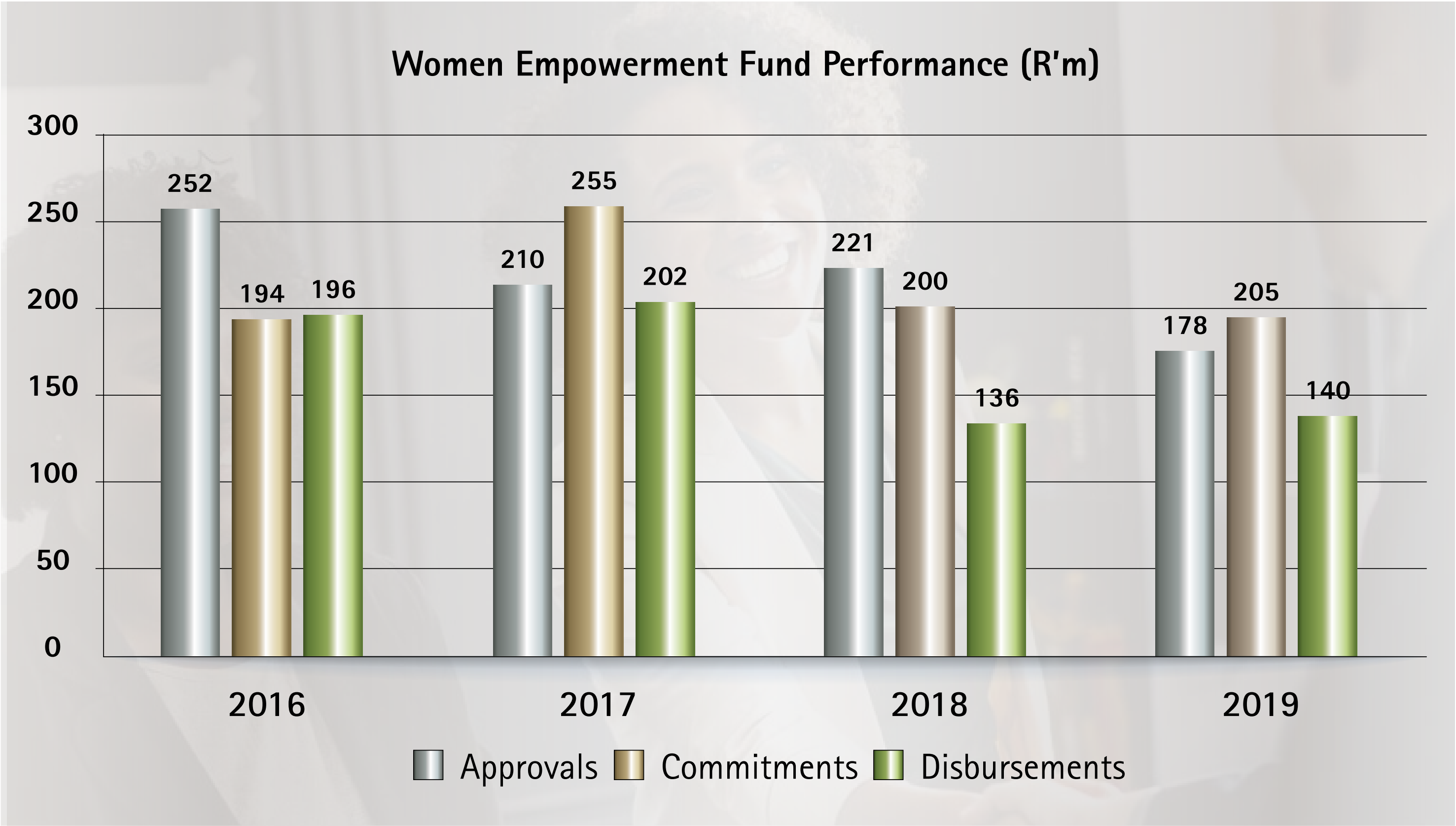
Jobs created

During this financial year, the NEF has supported 3 713 jobs of which 3 432 are new.

Women Empowerment Fund

The NEF Women Empowerment Fund comprises businesses that are at least 50.1% owned and managed by black women. The purpose of the fund is to accelerate the growth of businesses owned by black women.

> “The NEF has invested a total R2.3 billion in rural and township businesses, and with intensified entrepreneurial training and incubation support, buttressed by recent improvements on the NEF’s business planning tool which is available for free to the public, we intend to deepen support for rural and township-based businesses that are owned by black people.”
>
> **NEF CEO, Ms Philisiwe Mthethwa, Integrated Report 2019**



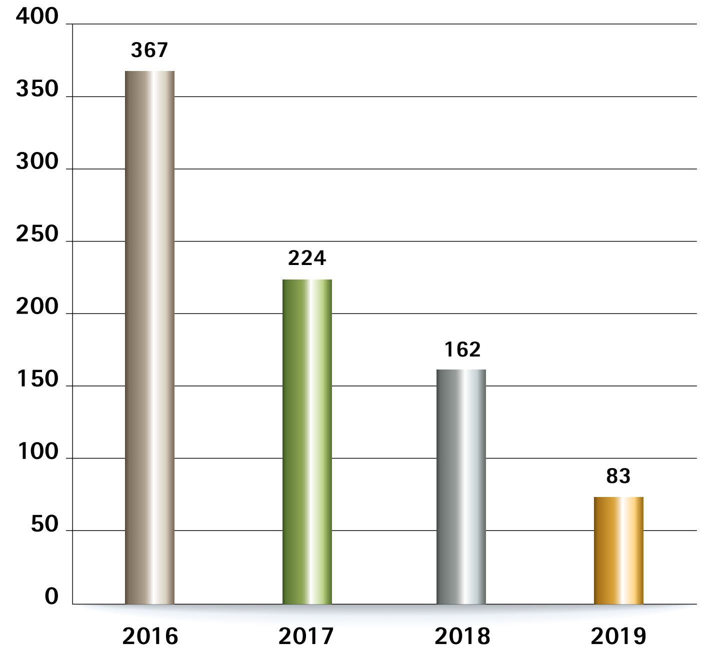
The NEF remains committed to growing black-women-owned business. This is evident in the performance for commitments and disbursements as they have increased in comparison to the previous year, while approvals have slightly decreased. The positive changes in commitments and disbursements are due to improved approvals for lower investments.

Regional Activity

The NEF continues to increase the value of the collective portfolios in the six targeted provinces of North West, Northern Cape, Free State, Limpopo, Mpumalanga and Eastern Cape. Despite greater focus being placed on increasing the geographical reach, the NEF disbursement activity has decreased amongst the targeted provinces to 19% in the current year.

Disbursements in targeted provinces (R'm) 2019

Disbursements in targeted provinces (R'm)



Establish the NEF as a sustainable DFI

To ensure continued sustainability of the organisation, active portfolio monitoring is crucial. The NEF performance is measured through impairments, return on investment and collection ratio.

Impairments	2019	2018
Target	18%	18%
Actual	18%	15.4%

ROI	2019	2018
Target	9 – 10%	9 – 10%
Actual	9%	8.3%

Collection ratio	2019	2018
Target	80%	80%
Actual	128.43%	142.5%

Optimising Non-Financial Support

Non-financial support forms an integral part of the NEF's mandate and is just as crucial to the success of an enterprise. As such, the NEF contributes to the delivery of its mandate through programmes that offer entrepreneurial development and support.

Investor Education

Investor education campaigns are offered in all provinces around the country with the aim of reaching the general public including efforts focused on the youth at tertiary institutions through industrial theatre performances. NEF investor education campaigns have reached over 28 000 people across communities during the 2018/2019 financial years. The table below highlights the number of investor education sessions over a three-year period.

	2019	2018	2017
Target	45	32	32
Actual	84	58	48

Business Training

The objective of the training is to provide emerging black-owned Enterprises with an understanding of basic business principles and business management competencies in the areas of finance, HR and Legal compliance. It also serves as a marketing tool, for NEF funding products. This is typically a four-day training programme. Upon completion the trained individual will have:

- The ability to produce a business plan;
- Understanding of financials;
- Marketing and sales knowledge of the business;
- Knowledge on how to pitch to clients and market their products; and
- The ability to create business networks.

The Table below highlights the number of training sessions held over a three-year period.

	2019	2018	2017
Target	30	18	18
Actual	103	19	26

Business Incubation

Business incubation nurtures entrepreneurial ideas into feasible business opportunities. The Table below highlights the number of entrepreneurs referred for incubation and referrals that are fully incubated over a three-year period.

Referred Businesses

	2019	2018	2017
Target	125	75	75
Actual	141	101	159

Social Facilitation

Social Facilitation encompasses the NEF's non-financial support services seeking to assist NEF investees, beneficiaries and surrounding communities with various intervention programmes that ensure accelerated implementations of transformation and development. The function of social facilitation is to ensure there is an understanding of how transactions are structured; address expectations, identify and prioritise broad-based opportunities, implement corporate governance structures, as well as make across-investee linkages and implement socio-economic development. The Table below highlights the number of social facilitation sessions held over a three-year period.

	2019	2018	2017
Target	36	49	42
Actual	42	18	18

Performance against the Annual Performance Plan

Target Output	Performance Measure or Indicator	Revised Annual Target 2018/19	Actual Achievement 2018/19	Reason for Variance
To invest in the empowerment of black business by providing finance in the form of loans, quasi-equity and equity through funds and funding products, targeting black rural enterprise, SMEs, corporate finance and venture capital.	Value of deals approved (R million)	R471m	R576m	The target was achieved and exceeded. This was due to concerted effort from all programmes.
	Value of new commitments (R million)	R387m	R513m	The target was achieved and exceeded. This was due to concerted effort from all programmes.
	Value of Disbursements (R million)	R422m	R437m	The target was achieved and exceeded. This was due to concerted effort from all programmes.
Invest in black-empowered businesses that have high employment-creating opportunities	Number of jobs expected to be supported or created	Support 2 597 new and existing job opportunities	3 713 (of which 3 432 are new)	The target was achieved and exceeded. This was due to concerted effort from all programmes.
Support the participation of black women in the economy	Percentage of portfolio disbursement (partially/wholly) owned by women	40% of disbursements	Year-to-date, 32% of the portfolio has been disbursed to investees who are partially/ wholly owned by women.	The proportion of women shareholding in the total deals disbursed was lower than projected. The NEF continues to strive towards facilitating women participation in the economy and towards meeting this target by encouraging deals structures that have women participation.
Facilitate investment across all provinces in South Africa	Percentage of disbursement target to be invested in EC, NC, NW, MP, FS and LP	25% of disbursement target to be invested in EC, NC, NW, MP, FS and LP	19% of disbursed funds comprising 16 deals worth approx. R83m	The target was not met. There has been a concerted effort to promote more deal sources through previously disadvantaged regions.
The provision of non-financial support and training for black-owned businesses and entrepreneurs	Number of Business Today Training sessions provided	30 training sessions, with an average score of 60% required in the post-training assessment	103 Entrepreneurial training sessions conducted	The target was met and exceeded. There has been an overwhelming demand for non-financial support and training.
The provision of non-financial support and training for black-owned businesses and entrepreneurs	Number of entrepreneurs who successfully complete business incubation	Refer 125 entrepreneurs for incubation; and 15 entrepreneurs in the final incubation stage	141 entrepreneurs were referred to business incubation partners; 23 entrepreneurs are fully incubated	The target was met and exceeded. There has been an overwhelming demand for non-financial support and training.

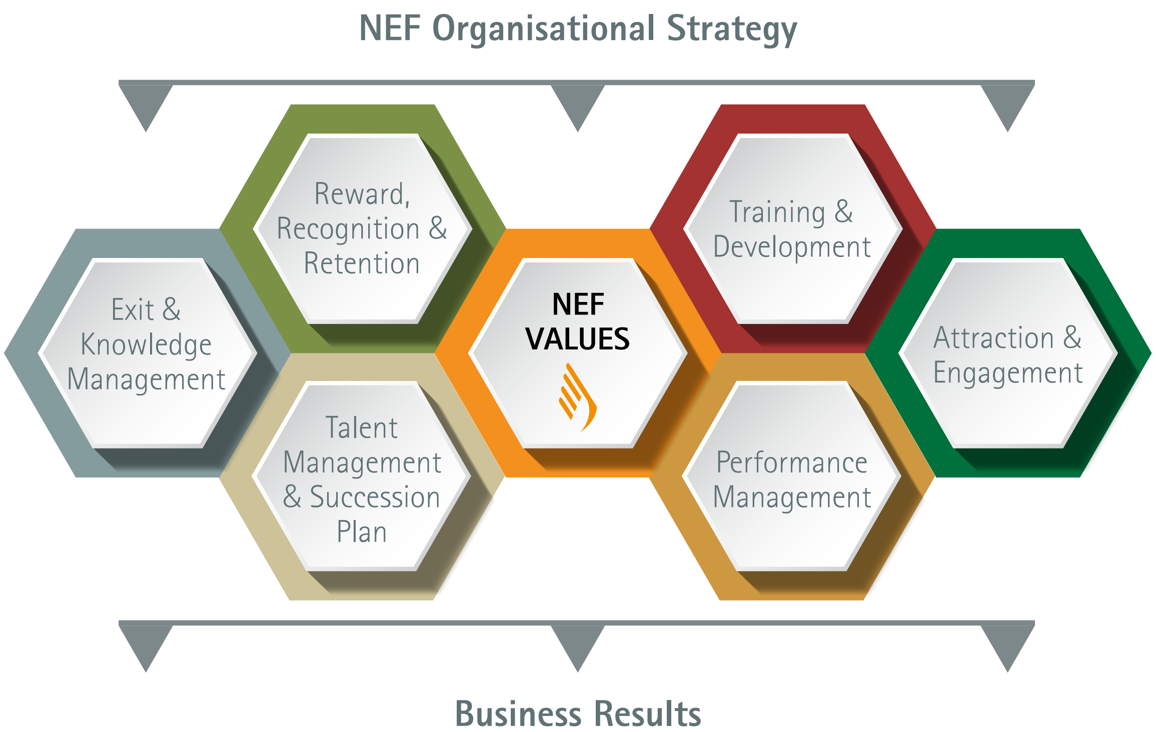
Target Output	Performance Measure or Indicator	Revised Annual Target 2018/19	Actual Achievement 2018/19	Reason for Variance
The provision of non-financial support and training for black-owned businesses and entrepreneurs	Number of Social Facilitation Sessions for NEF investees	36 Social Facilitation Sessions	42 Social Facilitation sessions were conducted	Target achieved and exceeded. There has been an overwhelming demand for non-financial support and training.
Conduct investor education seminars in provincial towns and increase understanding by participants	Number of seminars held across the country	45 Investor education seminars	84 Investor Education sessions were conducted	There has been an overwhelming demand for non-financial support and training.
Establish NEF in the South African economy as a credible and meaningful development finance institution	Brand Audit Survey findings	Increase brand awareness to 90%	93%	Target achieved and exceeded, due to implementation of recommendations in the 2017 survey and increased stakeholder participation in awareness campaigns.
Establish the NEF as a financially sustainable DFI	Percentage of portfolio impaired	18%	18%	The target was achieved.
	Target ROI before impairments (to be reviewed annually)	9-10%	9%	The target was achieved.
	Collections ratios	80%	128.43%	The target was exceeded because of significant settlements within the financial year.

Investing in Human Capital

ABOUT OUR PEOPLE:

1. Human Capital Strategy

The strategy aims to enable the NEF to attract, appoint, place, develop, retain and fully engage suitably qualified and top talent, committed to executing the organisation's mandate and core objectives.



The pillars identified in this strategy inform the organisation to: 1) attract high-calibre and suitably qualified candidates who are fit for purpose; 2) provide a compelling employee value proposition that captivates the employment experience from entry to exit; 3) facilitate the optimisation of performance through performance management systems, and of capacity through succession planning and talent management; 4) provide training and development opportunities to enable employees to thrive in their roles; 5) utilise a pay-for-performance remuneration structure, which will ensure that key and top talent is retained at the NEF; 6) apply exit and knowledge management tools to improve NEF's HC strategies. Furthermore, the NEF Values are the anchor and the core principles that guide employees' behaviour.

Looking Ahead 2019/2020

- Enhancing leadership capability by increasing leadership brand value – provide coaching and mentorship.
- Increase employee development initiatives – provide an enabling environment that equips employees with technical training and development opportunities.
- In keeping with the National Development Plan (NDP)'s objective, which proposes an increase of PhD-qualified staff in the higher education sector, from the current 34 percent to 75 percent by 2030. The NEF will consider offering two South African born students preferably women a bursary to study towards a PhD degree in Development Finance. This will increase the research capability and body of knowledge within the country.

Investee Profile

Mendi Rail

Mendi Rail and Engineering (Pty) Ltd; a 100% black-owned and majority black-women-owned (80%) company. The Company approached NEF for funding for a bankable feasibility study (BFS) to determine the viability of establishing a local manufacturing plant for concrete rail sleepers and sleeper fasteners. Mendi Rail will establish a manufacturing plant with an 800 000 concrete sleepers per annum production capacity. The factory, once operational, will create at least 160 permanent semi-skilled and skilled jobs.

In a bid to reduce supplier concentration, Mendi Rail was invited to tender for the supply of Sleepers to Transnet Freight Rail. This procurement process was broken up into two phases; a testing phase to allow bidders to produce a sleeper prototype that may be considered for operational roll-out through TFR's stringent testing procedures; the second stage would be the procurement of qualifying bidders from the first stage to be official suppliers of concrete sleepers.

The NEF approved a total of R16.5 million, R13.6 million of which will be in the form of a Venture Capital Loan and R2.9 million was invested to secure participation interests in the Mendi Rail Joint Venture that would be warehoused for women-led B-BBEE entities/groups. The funding was utilised for the establishment of a pilot plant based in Alrode, Ekurhuleni that would be used to determine the viability of producing reliable sleepers for use by public and private rail entities throughout Africa. The pilot plant has already employed up to 15 people with the focus being to integrate the existing employees into the larger facility at financial close. It is estimated that Mendi Rail will require a further R300 million at financial close to commission a fully-fledged manufacturing facility.

In December 2019, Mendi Rail submitted its sleeper prototypes for testing and subsequently received approval by TFR on all four sleepers. The sleeper, produced by the pilot plant funded through the BFS, far outperformed the requirements for Transnet Freight Rail, so that a determination was made that the product was ready for operational roll-out. Since that time TFR have communicated their intention to begin their procurement processes in May 2019 to select the suppliers of sleepers. This appointment would place Mendi Rail as the only black-owned entity that would qualify for such an award.

In preparation for the award of the tender, Mendi Rail is in the process of finalising all work streams in order to proceed to financial close during the first half of the 2020 financial year. The finalisation of the BFS would be directly aligned with the procurement processes of Transnet Freight Rail, who expects to have awarded the sleeper supply contract by June 2020. If awarded, Mendi Rail JV would become the first black-owned, women-owned (80%) entity that supplies sleepers in South Africa.

Casting Line at the Pilot Plant, used to set the sleepers

Mendi Sleepers have passed Lab Tests exceeding the Pressure Limits of Transnet Freight Rail

Investee Profile

BVN Market Store

Company Profile

BVN Market Store is 100% black-owned township food retailer business that is owned by Mr Vusi Ndhlovu. The business is located on 952 Mohohlo Street, in Mohlakeng, Johannesburg.

BVN Market is a township retail business that was approved for funding as part of the Pick n Pay Spaza Shop Conversion Programme. The Spaza Shop Conversion Programme is an initiative driven by Pick n Pay to revive township economies through the upgrading and refurbishing of township spaza shops connecting them to Pick n Pay systems, thus enabling them to be competitive and economically viable. Once a spaza shop is approved for the programme, Pick n Pay refurbishes, provides initial stock, business mentoring, back office support and connects the stores with the Pick n Pay Group suppliers, where they enjoy preferential rebates. These interventions ensure that these township businesses thrive in their respective environments through the support systems provided by Pick n Pay.

These businesses remain independently owned by the township entrepreneurs. This initiative was in response to the government's strategy to revive township economies, as well as concerns about the impact that formal retailers and foreign nationals have on township retailers.

Development Impact

The NEF approved a R15-million facility to finance the refurbishment and upgrade of township retailers, which have been approved for the Pick n Pay conversion programme. BVN Market benefitted from the NEF funding by securing a loan amount of R1 430 000 to fund the setup costs related to the refurbishment. The NEF has collaborated with other DFIs such as Masisizane and Brimstone, as well as the Western Cape Department of Economic Development & Tourism in the financing of the Spaza Shop conversions. To date, the NEF has approved a total amount of R10.8 million towards the financing of five stores in Gauteng and in the Western Cape.

About the Pick n Pay Market Store Partnership with Independent Traders programme – stores opened to date and its partners:

- Stores opened to date: 21
- The programme was piloted in 2016 in partnership with the Gauteng Department of Economic Development. In Gauteng, six stores opened in 2016 and seven stores opened in 2017. Four stores have opened in 2018, and one store in 2019. This brings the number of stores opened to date in Gauteng to 18.
- Three stores have opened in the Western Cape and are a collaborative effort between Pick n Pay, the Old Mutual Foundation, Masisizane Fund, National Empowerment Fund, Brimstone, the Western Cape Department of Economic Development and Tourism, and the City of Cape Town.
- Pick n Pay and its partners in the programme upgrade spaza stores to meet the needs of customers and communities; helping to grow a new generation of modern retail entrepreneurs (all store owners remain independent), and boost economic revitalisation in townships.
- The store owners remain fully independent and can source products other than those offered by Pick n Pay. Pick n Pay sets minimum standards of operation, range, and pricing to ensure the model is successful.
- Extensive mentorship is provided by Pick n Pay, as well as training, which comprises both in-store and classroom training. This includes store systems and point of sale (including banking and cash management), finance management, customer service and entrepreneurial development. The shop's staff also receive training, which advances their skills.
- The success of the programme lies in helping independent entrepreneurs stay independent, but even more successful with a range of trading and financial assistance.

Launch of BVN Market Store in Mohlakeng

BVN Market Store in Mohlakeng

Reports

2. Our People

Racial Analysis

The NEF owes its stellar performance over the years to its distinguished employees. These men and women who come from diverse backgrounds understand what it takes to be an NEF employee. The Table below shows the racial representation of the NEF workforce.

TOTAL NO. OF EMPLOYEES (Permanent)	Number	Percentage
African	160	94%
White	1	0.5%
Coloured	4	2.3%
Indian	5	2.9%
GRAND TOTAL	**170**	**100%**

Gender and Age Distribution

The Table below demonstrates the age distribution by gender. Furthermore, the Table shows that at the average age of 39 years, the NEF is indeed an organisation that is maturing. It is important to note that 80.5% (137) of the NEF's employees are between the ages of 30 and 49 years. It is also pleasing to note that 61% of these employees are female.

AGE									
Gender	20 - 29	%	30 - 39	%	40 - 49	%	50 - 59	%	TOTAL
Male	6	3.5%	28	16.4%	23	13.5%	9	5.3%	39%
Female	14	8.2%	47	27.6%	39	22.9%	4	2.3%	61%
TOTAL	**20**	**11.7%**	**75**	**44.1%**	**62**	**36.4%**	**13**	**7.6%**	**100%**

Tenure Breakdown (%)

The Table below shows the tenure breakdown of the NEF's employees. The Table demonstrates that 50% of NEF employees have been with the organisation for six years and longer, whilst the other 50% have been at the NEF for fewer than five years. Even though the NEF retained the majority of employees, it has in the process lost critical skills primarily due to recapitalisation issues.

Years of service	No.	%
0 - 3 years	58	34.1%
4 - 5 years	30	17.6%
6 - 10 years	44	25.8%
11 years >	38	22.3%
TOTAL	**170**	**100%**

Training and development

The NEF prides itself in providing training and development opportunities to its employees, to enable them to thrive in their roles. During the financial year, over **R713 531** was spent on training and development initiatives. The funds were split as shown below.

Gender	Training Expense	Number of training interventions	% of Training Cost
Male	194 399	153	27%
Female	519 131	229	73%
Total	**713 531**	**382**	**100%**

Internal Bursaries

The NEF provides study assistance to its employees who would like to further their studies through tertiary institutions by awarding them with bursaries. In this financial year, 14 employees were supported to the tune of R409 991.

Gender	Number	%	Amount	%
Male	6	43%	218 403	53%
Female	8	57%	191 588	47%
Total	**14**	**100%**	**409 991**	**100%**

Headcount

The NEF is growing as an organisation and as at 31 March 2019 the staff complement was 170. The bulk of employees are professional, with the remainder split between the other levels.

CURRENT EMPLOYEE SPLIT BY OCCUPATIONAL LEVEL		
Employee Level	Headcount as at 31 March 2019	Headcount % per band as at 31 March 2019
Executive Management	5	3%
Senior Management	26	15%
Professional Staff	88	52%
Skilled	42	25%
Semi-skilled/Unskilled	9	5%
TOTAL	**170**	**100%**

3. Ethics Survey

During the financial year and in keeping with the NEF's ongoing commitment to building an ethical business culture across their organisation, a research company was appointed to conduct an ethics survey, to monitor the awareness and effectiveness of the ethics management processes at NEF. The objective of the "Let's Talk Ethics Survey" was to assess the way in which NEF "walks the talk" in terms of ethical behaviour. The findings are mostly in line with the 2016 South African Business Ethics Survey (SABES); a national survey that generates a South African benchmark on ethical behaviour for listed and large companies (more than 200 employees). Refer **www.tei.org.za** The survey further found that the NEF demonstrates strong leadership commitment and the awareness of the company's code of conduct remains high. However, the survey also found that there is a need for ethics training on the practical aspect of ethics reporting (what can I report, how do I report, who is responsible, what happens when I report). The use of the Code of Conduct to guide behaviour has increased. Employees are comfortable to report unethical conduct at NEF. There is strong leadership commitment, with the survey showing that 78% of respondents (employees) indicate that both the executive management team and direct supervisors are role models for ethical behaviour at NEF (2013: 73% and 78%), and that NEF has a conducive working environment.

4. Qualification Stats

The NEF prides itself on the qualifications of its employees. This confirms that for the work they do, the NEF indeed has a crop of employees who are fit for purpose.

	Qualification	Number
1.	Chartered Accountants	15
2.	Master's Degree	16
3.	Engineers (an additional 4 hold Master's Degrees)	5
4.	Honours Degree	22
5.	Bachelor's Degree	45
6.	LLB Degrees (9 are admitted attorneys)	10
7.	Diplomas	21
8.	Certificates	33
9.	Abet	3
	TOTAL	**170**

5. External Bursary Features: 3 Students

The NEF is a Developmental Finance Institution (DFI); as such it has a Legislative obligation to play a pivotal role in the skills development of graduates in the country. Skills development is one of the key pillars of the B-BBEE Codes of Good Practice, of which the NEF is a custodian. During the financial year the NEF awarded 29 bursaries to South African students who come from disadvantaged backgrounds to the tune of R1,784,598.

Below are the three recipients of the NEF bursary who have successfully completed their studies.

Ms Lihle Matha meets CEO Ms Mthethwa

Education for development

Engine room onboard an industrial ship

The NEF prides itself on the qualifications of its employees. In 2016 NEF provided a bursary to Ms Lihle Matha, who is enrolled for Marine Engineering at Cape Peninsula University of Technology (CPUT) for 5 years. Lihle started her first year in 2016 after being accepted at CPUT with no funding until NEF offered her a bursary. She is a student from the rural areas – Sterkspruit in Eastern Cape. In her second year of studies in 2017, she was afforded an opportunity to do fieldwork, which she is currently busy with. She has travelled to more than 10 countries e.g. Germany, Italy, Sweden, Russia, United Kingdom, France, Latvia and many more at just the tender age of 21. At the beginning of the year in 2019, Lihle saw a need to come to the NEF offices to express her sincere gratitude to the NEF who had opened this opportunity for her. It is also important to note that Lihle was the only black female among 24 males from Philippines, Poland, Russia and Ukraine. ts employees. This confirms that for the work they do, the NEF indeed has a crop of employees who are fit for purpose.

> “Fronting is therefore what I would call a gross abuse of the very important process of economic transformation. It undermines the very purpose for which B-BBEE policies were established.”
>
> **State of the Nation Address by President Cyril Ramaphosa, 7 February 2019 – Parliament**

Mr Bongani Sibuyi, NEF sponsee

In 2016 NEF supported Bongani Sibuyi, a former student of the University of Mpumalanga who was enrolled for a Diploma in Nature conservation. NEF's funding included tuition fees, accommodation fees, books and meal allowances. Bongani completed his qualification in record time in 2018. In 2018 he was given a chance to do an internship at the University of Mpumalanga as a Lab Research Assistant. The internship helped him gain workplace experiences. Bongani will be graduating in 2019.

Mr Sibuyi was working under a Biology project where he was collecting macro-invertebrates for research purposes. He used to visit the Kruger National Park, Barberton Nature Reserve and Sterkspruit Nature Reserve in Lydenburg four times a month to do sampling and setting pitfall traps, then delivering them back to the laboratory for classification every Friday. Some of the species collected were dried; then preserved in ethanol jars and then stored in the University museum. Furthermore Bongani worked with the University of KwaZulu-Natal (UKZN) on an Aquatic Ecosystem Research project where he was capturing fish, tagging them with a tracking device, and then returning them to the rivers in order to monitor their health. He also assisted lecturers with demonstrations for the 2nd year students during their practical sessions. Bongani is very appreciative for the opportunity that he was given by the NEF. He shares the same vision as the NEF, and believes in empowering and giving back in terms of helping those in need and contributing to the common good.

> "I had an amazing experience at the NEF. The Human Resource Department whom I had an extensive interaction with as an NEF bursary recipient placed me within uMnotho Fund during my vacation work. The team was extremely friendly and I gained valuable insights about equity transactions as well as Women Empowerment Fund (WEF) established to support women entrepreneurs."
>
> **NEF bursary recipient, Ms Phakamisile Mchunu**

Ms Phakamisile Mchunu, NEF sponsee

NEF supported Ms Phakamisile Mchunu in 2016 to study a Bachelor's in Accounting Sciences at Witswatersrand University over the past three years. The funding included tuition fees and books allowance. Ms Mchunu is currently doing her Post-Graduate Diploma in Accounting with the intention of becoming a Chartered Accountant. During December 2018 and January 2019 Phakamisile had the privilege to attend vacation work at the NEF where she gained work experience.

She was in the uMnotho Fund that funds start-up businesses, acquisitions and expansions. During this period she gained skills such as teamwork, communication skills, valuing a business and knowing the factors/characteristics that make a business eligible for funding. Ms Mchunu also attended meetings with clients and EXCO meetings. Ms Mchunu stated that "I had an amazing experience with the NEF, from HR who I've worked with in terms of the bursary to my uMnotho team that I worked with during my vacation work. The employees are very friendly and you feel at home".

She is very grateful for the financial assistance and work opportunity that she got from the NEF.

6. Employee Wellness

Wellness Day Experience

The NEF has a Corporate Employee Wellness Programme that is designed to incorporate a holistic approach to assisting and managing health in the workplace. This ensures that there is increase in productivity; an increase in employee engagement, which would lead to contentment amongst employees thereby decreasing absenteeism, as well as to reduce staff turnover. The National Empowerment Fund (NEF) hosted two successful Wellness Days during this financial year for its employees in partnership with Wellness and Health Provider; the last one was held on 8 February 2019.

During the Wellness Day a number of health assessments are conducted that provides employees with important personal data about their wellbeing and possible nutritional regime changes and to enable them to make better informed choices about their lifestyle and eating habits. Furthermore, employees get to find out about their current health and lifestyle risks. Wellness professionals advise them on how best to manage those risks.


Wellness Day

Bulletin

Friday, 22 February 2019

National Empowerment Fund

Discovery Wellness Day Experience!

The National Empowerment Fund (NEF) hosted a Wellness Day for its employees in partnership with Discovery Health on Friday, 8 February 2019.

For an interactive experience where screening of key body metrics and blood tests were performed so employees could learn more about their health. The screening consists of a number of assessments, including glucose, cholesterol, blood pressure, postural, eye, weight, height, body mass index (BMI) and HIV tests. A professional Wellness Specialist performs the screening and provides voluntary HIV counselling before and after one takes the test. The HIV test results are kept completely confidential.

"It is critically important for employees to attend Wellness Days as this is for their own benefit. The health assessments that are conducted provide them with important personal data about their wellbeing and possible nutritional regime changes and to enable them to make better informed choices about their lifestyle and eating habits" says Mzi

"Wellness screenings are important because employees get to find out about their current health and lifestyle risks. Wellness professionals can advise them about what is best to manage those risks. A full screening takes about 35 to 40 minutes to complete and afterwards employee received a comprehensive report on their health and wellness." says Charles Jele Human Resources Manager.

Through the process Vitality members can earn up to 30 000 Vitality points after a Discovery Wellness Experience, depending on how many results are in a healthy range. At each status level, members over 18 can enjoy a variety of rewards and cash back on preventative care and everyday personal and family care items at Clicks or Dis-Chem. Rewards include half-price movies, flight savings, cash back on groceries, fuel savings, weekly rewards and more. Every time you do healthy activities, like going for preventive screening, buying healthy foods and getting physically active, you can earn Vitality points and increase your Vitality status.

All you need to know

- Employees needed to bring their medical aid membership card as well as their ID or drivers licence
- Dress comfortably - employees needed to be barefoot for certain checks (no socks or stockings)

At the end of the day there was a lucky draw for a prize to be won, which included a backpack with goodies. The winner of the prize was Princess Chauke.

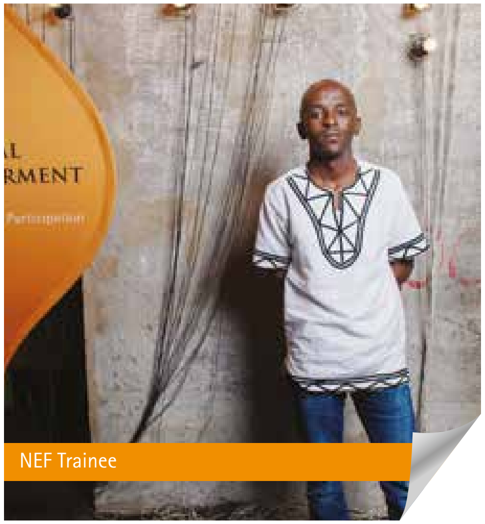
Princess Chauke poses with her Wellness Day prize.

Upon completion of various assessments a Wellness day report is sent to employees via email for their record keeping.

NEF Employess using the Wellness Day Equipment.

7. Trainees

In the quest to try and assist in combating the high unemployment rates of graduates in the country, the NEF took a resolution to employ graduates who are unemployed on a 24-month trainee programme. These graduates who mostly possess BCom degrees are placed in various departments within the NEF. They are provided with practical work experience to assist them for the working world and are also provided with work readiness tools. This programme has been in practice at the NEF since 2008. To date the NEF has employed (34) thirty-four trainees and has successfully placed (13) thirteen trainees permanently. Currently there are 14 trainees at the NEF. All of the ones who exited have since managed to obtain permanent jobs elsewhere in the market.



NEF Trainee

NEF Trainee


NEF Trainee

"The role of the state is important in creating an enabling environment for entrepreneurs and workers to create wealth; in investing in sources of growth such as infrastructure, skills and technologies; and in ensuring that the fruits of economic activity is fairly distributed across society. To implement this vision over the next five years, we have considerable resources that should be focused sharply on our people, our budget, the capital base of the IDC and NEF, the capacity of regulators and the resources that can be unlocked through private sector commitments. These should be used in a coordinated, transparent, expeditious and effective way."

the dti Budget Vote: Trade and Industry Minister, Mr Ebrahim Patel, 11 July 2019, National Assembly

Governance

The Board in 2018/19

The NEF Board is committed to maintaining high standards of governance, ethics and integrity. The NEF has established corporate governance structures assisting the Board to ensure compliance with legislation and regulatory requirements, and in terms of established corporate governance best practice.

Governance Structures

The NEF's shareholder is the Government of the Republic of South Africa, represented by the Minister of **the dti**, which serves as the NEF's executive authority in terms of the PFMA. A Shareholder's Performance Compact (Shareholder's Compact) was concluded with the then Minister of **the dti** for the year under review.

The purpose of the document is to define and regulate the mandate from **the dti** to the NEF; document the parameters of the relationship between the NEF and **the dti** and outline the roles as well as responsibilities of the two parties. The Board finalised and submitted its Annual Performance Plan and the Strategic Plan for the years 2019/20-21 to **the dti**. These plans were duly authorised by the Minister of Trade and Industry.

Board of Trustees

The Board of Trustees is appointed in terms of the National Empowerment Fund Act. Board members possess expertise in the fields of, amongst others, finance, risk management, strategy, economics and policy development. As at year end, the Board comprised six independent non-executive Trustees and one executive Trustee. There was one resignation in the year under review. The roles of the chairman and CEO are separate, and the composition of the Board ensures balance of authority precluding any one Trustee from exercising disproportionate power of decision making. Most of the trustees were duly appointed effective from 5 April 2018 and have been inducted onto the NEF's Board of Trustees in accordance with the NEF Act and corporate governance best practice.

The IDC and the NEF have been identified by Government as central in implementing broad-based black economic transformation and developing policies, particularly in light of renewed efforts to develop black industrialists.

The decision to combine the NEF and the IDC is in line with government policy to consolidate South Africa's development finance institutions to provide effective support to emerging and existing black entrepreneurs, and thereby enhancing efficient service delivery. The combination of the two entities has not yet taken place and is an ongoing process.

The Minister of Trade and Industry will continue to provide legislative and policy guidance to the NEF.

Board Meetings

The Board holds regular meetings to ensure that it meets its objectives as outlined in the Board charter. The elements of the Board charter are derived from the NEF Act 105 of 1998 and the Shareholder's Compact concluded between **the dti** and NEF.

Board of Trustees Focus Areas

The Board and its committees continually review their terms of reference to ensure alignment with the principles of good corporate governance.

In the 2018/2019 the Board focused on:

- Capacitating and providing guidance on Board Sub-Committees
- Continuing with efforts to recapitalise the NEF
- Enhancing the strategy in the organisation e.g. non-financial support and reviewing the impact of a changing business model
- Providing guidance on the implementation of King IV gap analysis

Board of Trustees Discussions

Topic	Areas covered	Comments
Safety and Health	Security incidents, Occupational Health (OHS) and Safety Compliance Status	Management reports periodically on security and OHS matters. The compliance status with OHS legislative provisions are examined in detail by the Social and Ethics Committee and the findings discussed by the Board as a whole. Management's performance in managing security incidents and to improve occupational health is reviewed through quarterly reports.
Investments	Assessment, Evaluation, and Approve (where applicable) investments (including follow-on investments) by the NEF	The Board assessed, evaluated and approved (where applicable) investments recommended to it from the Board Investment Sub-Committee in line with the approved Delegation of Authority. The Board also served as a Politically Exposed Persons (PEP) adjudicator providing oversight on investment recommendations involving PEP individuals in accordance with the corporate governance best practices.
Socio & Ethical	Social incidents and performance, government, media and investor relations	Public complaints about the NEF, any media relations updates and Compliance related updates are given. The Board is assisted in the furtherance of this oversight through SEC.
People	Organisational structure, key appointments and resignations, business integrity and Code of Conduct	Organisational structure status and changes in headcount are monitored. Targets for areas such as gender parity are agreed and reported on. The Code of Conduct is reviewed and approved. The Board is updated on ethics training being undertaken.
Operations	Operational performance by each business unit and progress of key projects	A report on each business unit is received and the CEO periodically presents in detail on its operations, strategy and risks. An in-depth analysis of the units is undertaken through a strategy exercise each year.
Financial	Key financial measures, liquidity, balance sheet strength and cost improvements	Progress against the annual budget is monitored and discussed. Liquidity, balance sheet strength and portfolio performance are reviewed and, if any corrective actions are necessary, these are agreed.
Economic Outlook	Economic environment and its effects on the ability to execute on the NEF Mandate	The Board receives briefings from internal teams and external advisers on trends in relevant areas and likely scenarios of economic activity, and the effect of these on the NEF, are noted and considered for strategy and planning purposes.
Strategy	Disposals, three-year plan, progress on critical tasks	There is a dedicated strategy meeting each year; the Board reviews and approves NEF's Annual Performance Plan, Balanced Scorecard and considers if any changes to that strategy are needed. Lodgements of strategic documents with the accounting authority are done periodically.
Board Governance	Reports from committees, legislative and regulatory compliance	Each of the committee chairs submit reports on recent meetings and any developments which need the attention of the Board as a whole. Reports are received on the NEF's compliance with relevant legislation and regulation, and any actions needed to respond to recent developments. The Board receives quarterly updates on material litigation across the NEF. Matters which generally assist the effective functioning of the Board and the NEF as a whole are considered and actions agreed are implemented.

Board of Trustees

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities relating to the safeguarding of assets, the development and monitoring of adequate and effective systems and control processes, the preparation of fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards and the oversight of the external, internal audit appointments and functions, and perform its duties on behalf of all the subsidiaries and controlled entities of the NEF.

The Audit Committee is an oversight Committee which maintains an objective and independent role.

Risk & Portfolio Monitoring Committee (RPMC)

RPMC assists the Board in discharging its responsibilities relating to establishing and maintaining a common understanding of the risk universe which needs to be addressed in order to meet the NEF's objectives, ensuring that a proper business risk assessment is carried out and that a risk profile of the organisation is compiled, coordinating the risk management and assurance efforts of the organisation, providing oversight regarding the performance of the portfolio of the NEF.

RPMC is an oversight Committee which maintains an objective and independent role.

Board Investment Committee (BIC)

BIC assists the Board in discharging its responsibilities relating to the consideration and if deemed appropriate, approval of such transactions delegated to it by the Board in terms of the DOA.

BIC is an oversight Committee which maintains an objective and independent role.

Social & Ethics Committee (SEC)

SEC assists the Board in discharging its responsibilities relating to the oversight of social and ethical matters relating to the NEF. Social and economic development, the promotion of equality, prevention of unfair discrimination and corruption, the oversight of environment, health and public safety, including the impact of the NEF's activities and of its products or services as well as the NEF's employment relationships, its contribution towards the educational development of its employees, gender parity and employee wellness.

SEC is an oversight Committee which maintains an objective and independent role.

Human Capital & Remuneration Committee (HCRC)

HCRC assists the Board in discharging its responsibilities relating to the review and setting human capital policies, procedures, structures and all matters relating to the relationships between the NEF and its staff, overseeing compliance with the human capital policies, procedures and structures regulating the relationship between the NEF and its staff, overseeing and monitoring the remuneration structure to ensure that the NEF's employees are fairly rewarded for their individual contributions to the NEF's overall performance.

HCRC is an oversight Committee which maintains an objective and independent role.

The Board

Mr Rakesh Garach *(55)*

Chairman

Appointed in December 2009

QUALIFICATIONS AND DIRECTORSHIPS

- CA(SA)
- Destiny Seating (Pty) Ltd
- Telkom Foundation Trust
- KZN Tourism Authority

Ms Philisiwe Mthethwa *(55)*

Executive Trustee & CEO

Appointed in July 2005

QUALIFICATIONS AND DIRECTORSHIPS

- MBA Corporate Finance
- MSc Economics (thesis not defended)
- Industrial Development Corporation (IDC)

Mr Garach qualified as a Chartered Accountant after completing his studies at the University of Natal and has gained diverse and in-depth experience in the Financial Services Industry. He has also had significant experience in the Mining, Retail and Manufacturing sectors of the economy. He has fulfilled multiple roles in both the private and public sectors.

Mr Garach has been Member of Board of Trustees of the NEF since 2010 and served as the Chairman of the Audit Committee as well as a Member of the Risk and Portfolio Management Committee prior to his appointment as Board Chair.

He has made significant contributions to the NEF's leadership stability and capitalisation drive which remains ongoing.

Ms Mthethwa, through her past role as the Chief Director – BEE in the Enterprise and Industry Development Division of **the dti,** played a pivotal role in the conceptualisation, formulation and the finalisation of the Government's Broad-Based Black Economic Empowerment strategy, the BEE Act and the various sector Charters, including the Mining, ICT, Construction, Paper, Automotive and the Financial Services Charters. She was instrumental in the development of the Codes of Good Practice on B-BBEE.

Ms Mthethwa has brought a diverse knowledge of banking, capital markets and international investment, which has grown the NEF into a high-performing organisation under her stewardship. She continues the quest to champion South Africa's industrialisation through strategic leadership of the organisation.

She has made significant contributions to the NEF's sustainability and capitalisation drive which remains ongoing.

Ms Nonkqubela Maliza
(52)

NEF RPMC Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

- MBA
- BA Hons Economics
- BA Economics

Mr Ernest Kwinda
(44)

NEF Audit Committee Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

- CA(SA)
- M.Com (Tax)
- B.Com (Hons)
- TGM (INSEAD)

Dr Nthabiseng Moleko
(37)

NEF BIC Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

- PhD in Development Finance
- Masters in Development Finance

Ms Lerato Molefe
(42)

NEF HCRC Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

- BSc Chemical Engineering
- BCom Hons Investment Banking

Mr Sipho Zikode
(56) DDG **the dti**

NEF SEC Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

- MBA
- Post-Graduate Diploma in Marketing
- Diploma in Chemical Engineering

Board Meeting Attendance

Trustee	Number of Meetings Held	Meetings Attended
Mr R Garach	10	10
Ms P Mthethwa	10	10
Ms L Molefe	10	9
Ms N Maliza	10	8
Dr N Moleko	10	9
Mr E Kwinda	10	10
Mr S Zikode	10	5
*Ms I Pule	4	4

*Resigned 30 July 2018

Audit Committee Composition and Attendance

Member	Number of Meetings Held	Meeting Attended
*Mr A Coombe (Acting Chairperson)	5	3
**Mr E Kwinda (Chairperson)	4	4
Mr R Harichunder	5	5
***Ms L Molefe	4	1
Mr L Serithi	5	4
Ms R Van Wyk	5	5

*Resigned on 30 July 2018 **Resumed chairmanship on 19 October 2018 ***Joined on 21 May 2018

Risk and Portfolio Management Committee Composition and Attendance

Member	Number of Meetings Held	Meeting Attended
*Ms N Maliza (Chairperson)	4	3
Mr Z Fihlani (Acting Chairperson)	4	4
Mr R Garach	4	3
Mr R Harichunder	4	3
Mr S Harford	4	4

*Resumed Chairmanship on 18 October 2018

Board Investment Committee Composition and Attendance

Trustee	Number of Meetings Held	Meetings Attended
Dr N Moleko (Chairperson)	4	4
Mr Z Fihlani	4	3
Ms N Maliza	4	4
Ms C Busetti	4	3
Ms P Mthethwa (Executive Director)	4	4
Ms P Tyalimpi	4	3

Human Capital and Remuneration Committee Composition and Attendance

Member	Number of Meetings Held	Meeting Attended
*Ms L Molefe (Chairperson)	4	4
Mr B Zwane (Acting Chairperson)	5	5
Ms S Stojanovic	5	4
*Dr N Moleko	4	4
**Ms H Makhathini Executive Director	3	3

*Joined on 3 July 2018 **Joined on 14 August 2018

Social and Ethics Committee Composition and Attendance

Member	Number of Meetings Held	Meeting Attended
*Mr S Zikode (Chairperson)	3	0
Mr R Garach	3	3
Ms M Mbaco	3	3
**Ms P Mbokazi	2	2
**Mr S Molepo Executive Director	2	1

*Joined on 19 June 2019 **Joined on 18 September 2018

The Executive Team

Ms Philisiwe Mthethwa
(55)

Executive Trustee & CEO

Appointed in July 2005

QUALIFICATIONS AND DIRECTORSHIPS

- MBA Corporate Finance
- MSc Economics (thesis not defended)
- Industrial Development Corporation (IDC)

Mr Lebogang Serithi
(39)

Executive Trustee (CFO)

Appointed in April 2019

QUALIFICATIONS AND DIRECTORSHIPS

- CA(SA)
- M.Com Financial Management
- Hons. BCompt

Ms Hlengiwe Makhathini
(40)

Divisional Executive: Venture Capital & Corporate Finance

Appointed in April 2011

QUALIFICATIONS AND MEMBERSHIPS

- CA(SA)
- Motula Trading 21 (Pty) Ltd
- Road Traffic Infringement Agency
- Dube Trade Port Corporation
- Karsten Group Holding
- Orange Farm Community Trust
- Gibela Rail Transport Consortium

Mr Mziwabantu Dayimani
(41)

General Counsel

Appointed in November 2015

QUALIFICATIONS AND MEMBERSHIPS

- Masters in Tax Law
- LLB degree
- An admitted attorney and Notary Public (South Africa)
- Yandisa Properties
- 4G Property (Pty) Ltd
- Infihlakalo Asset Management (Pty) Ltd Finance

Mr Setlakalane Molepo
(57)

Divisional Executive:
SME and Rural Development

Appointed in November 2010

QUALIFICATIONS AND DIRECTORSHIPS

- BSc Civil Engineering
- MBL
- Busamed Holdings
- Zastrovect Investments (Pty) Ltd

Mr Selvan Naicker
(54)

Acting CFO

Appointed in November 2018

QUALIFICATIONS AND MEMBERSHIPS

- BCom Accounting
- Post Graduate Diploma in Business Administration

Mr Nhlanhla Nyembe
(44)

Acting Divisional Executive:
SME and Rural Development

Appointed in October 2018

QUALIFICATIONS AND MEMBERSHIPS

- BCom Finance

Assurance

The Board, with the support of the Audit Committee, is ultimately responsible for NEF's system of internal control. The Audit Committee ensures that internal controls are effective and adequately reported for auditing and regulatory purposes.

The NEF applies an integrated assurance model, which seeks to optimise the assurance obtained from Management as well as internal and external assurance providers, to ensure coordinated assurance activities. This integrated assurance model gives the Audit Committee and the Risk and Portfolio Management Committee an overview of significant risks, as well as the effectiveness of critical controls to mitigate these risks. Appendix A depicts our integrated assurance model.

Appendix A: Integrated Assurance Model

- The integrated assurance model procedural framework document;
- The latest key risk register;
- Results of internal audit engagements;
- Results of external audit engagements;
- Results of other specialised engagements; and
- Consultations with management, internal and external assurance providers as well as the audit committee and board of trustees.

The integrated assurance model, which was arrived at after considering the following factors, provides four lines of defence.

INTEGRATED ASSURANCE MODEL	
ASSURANCE PROVIDERS	FOCUS AREAS
Line 1: Line management and managerial controls	Provide the Board with assurance that it has implemented effective measures to manage risk and performance.
Line 2: Functional areas like risk management, compliance and oversight	Support management in executing its duties and provide a layer of control over risk management.
Line 3: Internal and External audit	Provide independent and objective assurance on the overall adequacy and effectiveness of controls, risk management and governance processes.
Line 4: Board and oversight committees	Oversee the adequacy and effectiveness of the material issues, risk identification and managerial process. Evaluate the validity of the assurance result flowing from the first three lines of defence and recommend to the Audit Committee a conclusion on the adequacy and effectiveness of the NEF's internal assurance coverage across the entire organisation.

For an activity performed by the Independent Assurance providers, please refer to Appendix B.

Appendix B: Activities performed by the Independent Assurance Providers

Area assured	Scope of review	Framework	Independent assurance providers	Outcome	Frequency
Annual financial statements	Annual financial statements audit	GRAP International Standards on Auditing (ISAs)	External Audit	External auditor's opinion on the organisation's financial statements	Annual
Internal controls, governance and risk management	Review of risk management, governance, operational and non-financial reporting processes	The IIA's International Standards for the Professional Practice of Internal Auditing NEF Internal Audit methodology	Internal Audit	Assurance on the adequacy and effectiveness of internal controls, risk management and governance processes	Ongoing
		International Standards on Auditing (ISAs)	External Audit	External audit opinion	Annual
Internal financial controls	Review of financial controls	The IIA's International Standards for the Professional Practice of Internal Auditing NEF Internal Audit methodology	Internal Audit	Assurance on the adequacy and effectiveness of financial controls	Ongoing
		International Standards on Auditing (ISAs)	External Audit	External audit report on the effectiveness of financial controls	Annual
Performance information	Review of the organisation's performance against Key Performance Indicators as outlined in the Annual Performance Plan	The IIA's International Standards for the Professional Practice of Internal Auditing NEF Internal Audit methodology	Internal Audit	Assurance on the accuracy, validity and completeness of the performance results issued to the stakeholders	Quarterly
		International Standards on Auditing (ISAs)	External Audit	External audit opinion	Annual
Compliance with legislation	Assessment of organisation's level of compliance with relevant legislation	The IIA's International Standards for the Professional Practice of Internal Auditing NEF Internal Audit methodology	Internal Audit	Assurance on compliance with relevant laws	Ongoing
		International Standards on Auditing (ISAs)	External Audit	External audit opinion	Annual

Investee Profile | Kings of Mulberry Street (Pty) Ltd

Company Profile

Kings of Mulberry (Pty) Ltd, is a special purpose vehicle (SPV), which was incorporated for the production of a film called "Kings of Mulberry". Ladybug Films (Pty) Ltd, is the production company that owns 100% of Kings and is committed to striving for a quality South African film industry; one that is representative of the nation, commercially viable and encourages development.

The company was established by Ms Judy Naidoo (black South African female) in September 2002. Since its inception, the company has produced several international and local award-winning documentaries, short-films, commercials and feature-length films in KZN. The company is 100% female owned, and created 351 jobs.

Development Impact

The NEF together with the Department of Arts and Culture (DAC) are utilising the Enterprise Development Fund (ED) by providing Kings with R3.5 million to produce a film named "Sew the Winter to My Skin". The total project size is R16 million and R3.5 million of the project was sought from NEF in conjunction with DAC. The funding provided by the NEF unlocked the following:

- Operational involvement – the BEE sponsors will be credited as the executive producer and director of the film, as she is operationally involved as follows: oversight of all creative and business decisions regarding the film – this includes amongst others; approvals of cast, crew, post production, sales.
- Skills transfer through the training of unskilled or inexperienced crew, focusing on people from previously disadvantaged backgrounds.

Kings of Mulberry Street

> "According to the South African Film Industry Economic Baseline Study Report, 2017 South African film production industry is valued at an estimated R5.5 billion a year. Although the South African Film Industry is not the biggest GDP contributor or job creator when compared to some of the other South African industries, e.g. manufacturing or retail, its multiplier of 2.89 puts it at mid-range when compared to 99 other industries. The NEF has invested R409million and supported 377 jobs in this industry."
>
> Ms Hlengiwe Makhathini - Divisional Executive, Venture Capital and Corporate Finance


Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Product 1
Product 2
Product 3
Product 4

Annual Financial Statements 31 March 2019

Trustees' Statement of Responsibility 31 March 2019

The Trustees are responsible for the preparation, integrity and fair presentations of the report on performance information and the financial statements of the National Empowerment Fund Trust. The consolidated annual financial statements presented have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice, and requirements of the PFMA (Public Finance Management Act) and NEF Act and include amounts based on judgements and estimates made by management. The Trustees prepared the other information presented in the Integrated Report and are responsible for both its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the consolidated annual financial statements. The Trustees have no reason to believe that the Trust and the Group will not be a going concern in the foreseeable future based on forecasts, available cash resources and approval of new investment facilities. These consolidated annual financial statements support the viability of the Trust and the Group.

The Trust has prepared the line-by-line consolidated annual financial statements for the first time in 2018/19 financial year. The full consolidation was triggered by revised GRAP 100 which requires the Trust to consolidate all its subsidiaries line-by-line in terms of GRAP 6. Previously, the Trust had consolidated its subsidiaries (except NEFCORP) on net asset basis in terms of IFRS 5 (Non-current assets held for sale). The Trust has restated group annual financial statements for 2017/18 as required by GRAP 3.

The report on performance information and the consolidated financial statements has been audited by the independent auditors, SizweNtsalubaGobodo Grant Thornton Inc. whom were given unrestricted access to all financial records and related data, including minutes of all meetings of the Trustees and Committees of the Board.

The audited consolidated financial statements, as set out on pages 96 to 153, has been approved by the Board of Trustees and are hereby signed on its behalf.

Ms Philisiwe Mthethwa
Chief Executive Officer

Mr Rakesh Garach
Chairman of the Board of Trustees

20 July 2019

Independent auditor's report to the Board of Trustees of the National Empowerment Fund Trust

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of National Empowerment Fund Trust and its subsidiaries (the Group) set out on pages 96 to 153, which comprise the consolidated and separate statement of financial position as at 31 March 2019, and the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practices and the requirements of the Public Finance Management Act of South Africa (PFMA) and the National Empowerment Fund Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the company in accordance with Sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the board of trustees

The board of trustees, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Generally Recognised Accounting Practices and the requirements of the PFMA and the National Empowerment Fund Act and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to a going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

A further description of our responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to the auditor's report.

Report on the audit of reported performance information

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information, which must be based on the approved performance planning documents of the National Empowerment Fund Trust. We have not evaluated the completeness and appropriateness of the performance indicators established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

Independent auditor's report to the Board of Trustees of the National Empowerment Fund Trust

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the Performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the National Empowerment Fund Trust for the year ended 31 March 2019:

Objectives	Pages in the annual performance report
Strategic Objective 1: Advancing B-BBEE to provide finance to business ventures	58
Strategic Objective 3: Establish the NEF as a sustainable DFI	62
Strategic Objective 4: Optimising Non-Financial Support	63

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for the above-mentioned objectives.

Other matter

We draw attention to the matter below. Our opinions are not modified in respect of this matter.

Achievement of planned targets

Refer to the annual performance report on pages 64 to 65 of the annual report for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of the targets. This information should be considered in the context of the conclusions expressed on the usefulness and reliability of the reported performance information in the preceding paragraph of this report.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the Group with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

Unmodified opinion

The financial statements submitted for auditing were prepared in accordance with the prescribed financial reporting framework as required by Section 55(1) (a) of the PFMA. The financial statements have received an unqualified audit opinion.

Other information

The Group's accounting authority is responsible for the other information. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

Our opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Internal control deficiencies

We considered internal control relevant to our audit of the consolidated and separate financial statements, performance review and compliance with legislation, however, the objective is not to express any form of assurance thereon. We did not identify any significant deficiencies in internal control.

Auditor tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton Inc. has been the auditor of the National Empowerment Fund Trust for 7 years.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Alethia Chetty
Registered Auditor
Chartered Accountant (SA)
31 July 2019

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2019.

The audit committee is established as a statutory committee in terms of Section 51(1)(a)(ii) of the PFMA and Treasury Regulations 3.1.13 and 27(1). The committee has adopted formal terms of reference as its audit committee charter and has fulfilled its responsibilities for the year, in compliance with the said terms of reference.

Audit committee responsibilities

The committee is satisfied that it has discharged its responsibilities as set out in its terms of reference, including:

- The safeguarding of assets, the operations of adequate systems of internal control and risk management, reporting processes and the preparation and accurate reporting of financial statements in compliance with the applicable legal requirements and accounting standards;
- Overseeing the activities of, and ensuring coordination between, the internal and external auditors;
- Overseeing financial risks and monitoring controls designed to minimise these risks.
- Reviewing the entity's annual report, including the annual financial statements and the annual performance information;
- Annual review of the committees work in line with the charter and its effectiveness and making recommendations to the Accounting officer to ensure the committee's continuing effectiveness.

Risk management

- A separate Risk and Portfolio Management Committee monitors and oversees the assessment and mitigation of enterprise wide risks.
- The committee is satisfied that the process and procedures followed by the risk committee are adequate to ensure that financial risks are identified and monitored.
- The Internal Auditors use the risk register overseen by the Risk and Portfolio Management Committee to prepare their audit coverage plans and to undertake their work in the higher risk areas identified.
- The key risk register is reviewed and updated quarterly to ensure that all major risks facing the entity, including emerging risks, are effectively managed.
- The Chairperson of the Risk and Portfolio Management Committee has a standing invitation to the audit committee.

The effectiveness of Internal Controls

The Audit Committee has reviewed:

- The effectiveness of the entity's internal financial control systems, including receiving assurance from management, internal audit and external audit;
- Significant issues raised by the internal and external audit process, including the manner in which they were resolved; and
- Noted management's actions in addressing identified control weakness:

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

Regulatory compliance

The committee has:

- Reviewed the quarterly reports submitted to National Treasury in terms of the PFMA and Treasury Regulations. No deviations were noted;
- Reviewed the policies and procedures to ensure compliance with applicable laws and regulations; and
- Noted the external audit report which indicated that no instance of non-compliance was identified.

Internal audit

The committee has:

- Reviewed and recommended the internal audit charter for approval by the board;
- Evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Satisfied itself that the internal audit function has the necessary resources, budget, standing and authority within the entity to enable it to discharge its functions;
- Approved the internal audit plan;
- Reviewed and approved all internal audit reports per the approved internal audit plan;
- Encouraged co-operation between the internal and external audit functions

Report of the Audit Committee

External audit

- The committee is satisfied with the independence and objectivity of the external auditors and has met with the external auditors to ensure there were no unresolved issues.
- The committee has reviewed and accepted the external audit report.

Recapitalisation

The NEF is in discussion with **the dti** in order to address the risk of running out of financial resources to fund portfolio growth and investment activity in black-owned businesses. We have confidence that the NEF will be successful in its recapitalisation initiatives and coupled with a review of the cash flow projections, the committee is satisfied that the going concern principle can be adopted in the preparation of its financial statements.

Evaluation of Financial Statements and Annual Report

The committee evaluated the Annual Financial Statements and performance information for the year ended 31 March 2019.

It also reviewed:

- The external auditor's report;
- The compliance with applicable laws and regulation; and
- Significant adjustments resulting from the audit.

The committee has discussed and agreed the conclusions of the external auditors on the annual financial statements, read together with the report of the external auditors. At its meeting on 22 July 2019, the committee recommended the financial statements to the Board for approval.

Ernest Kwinda

Chairman of the Audit Committee

20 July 2019

Consolidated Statement of Financial Position

for the year ended 31 March 2019

	Notes	Group 2019 R	Group Restated 2018 R	Group Restated-1 April 2017 R	Trust 2019 R	Trust 2018 R
Assets						
Non-current assets		**2 840 581 131**	**3 165 114 690**	**3 367 168 671**	**2 891 161 786**	**3 222 496 388**
Property, plant and equipment	4	36 568 831	31 473 193	36 716 553	2 732 174	1 923 383
Investment property	5	-	15 700 000	-	-	-
Intangible assets	6	7 110 989	8 412 063	151 799	735 637	1 141 470
Goodwill	7	26 308 543	32 185 679	38 062 815	-	-
Deferred Tax	8	3 097 756	3 243 056	973 421	-	-
Investments in associates	9	66 411 035	84 762 324	67 924 461	66 411 035	84 762 324
Investment in subsidiaries	10	-	-	-	19 876 554	6 719 911
Investments at fair value	11	1 251 283 367	1 615 318 455	1 564 964 871	1 251 283 367	1 615 318 455
Originated loans	12	1 337 390 493	1 220 685 797	1 390 854 196	1 437 712 902	1 359 296 724
Investment in preference shares	13	-	5 000 000	50 740 725	-	5 000 000
Finance lease receivables	14	112 410 117	148 334 122	216 779 830	112 410 117	148 334 122
Current assets		**1 626 991 496**	**1 800 842 918**	**1 765 362 731**	**1 575 494 147**	**1 780 225 610**
Current portion of originated loans	12	423 922 553	500 147 632	315 865 877	423 922 553	512 683 870
Current portion of finance lease receivables	14	53 689 028	41 209 403	38 480 613	53 689 028	41 209 403
Investments held-for-trade	15	28 288 283	44 507 500	53 207 276	28 288 283	44 507 500
Current asset held for sale	16	1 073 400	-	829 600	1 073 400	-
Inventories	17	9 421 873	8 928 730	4 043 944	-	-
Other current assets		8 031 628	1 058 399	-	-	-
Trade and other receivables	18	45 730 362	20 356 957	7 432 349	18 149 360	2 506 157
Dividends receivables		32 873 314	45 516 897	-	32 873 314	45 516 897
Cash and cash equivalents	20	1 023 961 055	1 139 117 400	1 345 503 072	1 017 498 209	1 133 801 782
TOTAL ASSETS		**4 467 572 627**	**4 965 957 608**	**5 132 531 402**	**4 466 655 933**	**5 002 721 998**
Net Assets and Liabilities						
Net Assets		**4 222 533 394**	**4 680 443 900**	**4 738 534 929**	**4 231 141 361**	**4 722 096 653**
Trust capital	21	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472
Accumulated surplus		1 750 680 249	2 212 012 428	2 270 103 457	1 762 709 889	2 253 665 181
Fair value reserve		3 421 673	-	-	-	-
Non-current liabilities		**564 817**	**-**	**898 650**	**9 249 151**	**9 249 151**
Instalment sale agreements	22	564 817	-	-	-	-
Deferred tax		-	-	898 650	-	-
Investment in subsidiaries	10	-	-	-	9 249 151	9 249 151
Current liabilities		**244 474 417**	**285 513 708**	**393 097 823**	**226 265 422**	**271 376 194**
Trade and other payables	23	242 623 419	285 471 707	391 991 401	226 265 422	271 376 194
Instalment sale agreements	22	144 226	-	-	-	-
Shareholder loan		-	-	477 791	-	-
Current tax payable		-	-	628 631	-	-
Other financial liabilities		1 663 271	-	-	-	-
VAT Payable		43 500	42 000	-	-	-
Total Liabilities		**245 039 234**	**285 513 708**	**393 996 473**	**235 514 573**	**280 625 345**
TOTAL NET ASSETS AND LIABILITIES		**4 467 572 627**	**4 965 957 608**	**5 132 531 402**	**4 466 655 933**	**5 002 721 998**

Consolidated Statement of Financial Performance

for the year ended 31 March 2019

	Notes	Group 2019 R	Group Restated 2018 R	Trust 2019 R	Trust 2018 R
Interest and dividend income	25	**375 152 538**	**380 562 340**	**388 706 107**	**392 479 676**
Sales		304 986 784	271 883 656	-	-
Cost of sales		(238 347 727)	(214 389 551)	-	-
Gross profit		**66 639 057**	**57 494 105**	**-**	**-**
Sundry income	26	**47 580 424**	**18 993 856**	**46 283 194**	**17 797 759**
Net revenue		**489 372 019**	**457 050 301**	**434 989 301**	**410 277 435**
				-	-
Finance charges		(83 481)	-	-	-
Administration expenses	27	(334 234 611)	(290 389 044)	(257 477 011)	(251 484 831)
Net operating income		**155 053 927**	**166 661 257**	**177 512 290**	**158 792 604**
Impairment charge	29	(211 361 335)	(153 676 329)	(264 507 743)	(153 676 329)
Investment write-offs		(11 216 943)	(66 303 514)	(10 297 311)	(62 874 550)
Net loss before fair value adjustments		**(67 524 351)**	**(53 318 587)**	**(97 292 764)**	**(57 758 275)**
Fair value gains/(losses)		**(393 662 528)**	**(7 357 880)**	**(393 662 528)**	**(6 816 174)**
- Investments in associates	9	(21 151 580)	(29 133 068)	(21 151 580)	(29 133 068)
- Investments at fair value - non-associate equity investments	11.1	(368 985 087)	49 696 634	(368 985 087)	49 696 634
- Investments at fair value - unincorporated equity investments	11.2	(2 306 644)	(19 221 670)	(2 306 644)	(19 221 670)
- Fair value adjustments - investments in subsidiaries	10	-	-	-	541 706
- Investments held-for-trade	15	(1 219 217)	(8 699 776)	(1 219 217)	(8 699 776)
Deficit before taxation		**(461 186 878)**	**(60 676 467)**	**(490 955 292)**	**(64 574 449)**
Taxation	28	(145 300)	2 585 438	-	-
Deficit for the year		**(461 332 178)**	**(58 091 029)**	**(490 955 292)**	**(64 574 449)**

Consolidated Statement of Changes in Net Assets

for the year ended 31 March 2019

	Note	Trust capital R	Accumulated surplus R	Total R
Group				
Balance at 31 March 2017		**2 468 431 472**	**2 324 798 036**	**4 793 229 508**
Restatement of assets and liabilities	42	-	(54 694 579)	(54 694 579)
Restated balance 31 March 2017		**2 468 431 472**	**2 270 103 457**	**4 738 534 929**
Restated deficit for the year		-	(58 091 029)	(58 091 029)
Restated balance at 31 March 2018		**2 468 431 472**	**2 212 012 428**	**4 680 443 900**
Deficit for the year		-	(461 332 178)	(461 332 178)
Balance at 31 March 2019		**2 468 431 472**	**1 750 680 249**	**4 219 111 721**
		Note 21		
Trust				
Balance at 31 March 2017		**2 468 431 472**	**2 318 239 630**	**4 786 671 102**
Deficit for the year		-	(64 574 449)	(64 574 449)
Balance at 31 March 2018		**2 468 431 472**	**2 253 665 181**	**4 722 096 653**
Deficit for the year		-	(490 955 292)	(490 955 292)
Balance at 31 March 2019		**2 468 431 472**	**1 762 709 889**	**4 231 141 361**
		Note 21		

Consolidated Cash Flow Statement

for the year ended 31 March 2019

		Group		Trust	
		2019	Restated 2018	2019	2018
	Notes	R	R	R	R
Cash inflows/(outflows) from operating activities	32	**(271 289 431)**	**(343 185 184)**	**(271 833 839)**	**(348 194 704)**
Cash received from customers		311 412 502	272 996 527	25 611 710	17 797 759
Cash paid to suppliers and employees		(582 701 933)	(616 181 711)	(297 445 549)	(365 992 463)
Cash inflows/(outflows) from investing activities		**156 478 342**	**136 799 512**	**155 530 266**	**137 473 898**
Additions to property, plant and equipment	4	(4 805 947)	(1 880 742)	(2 237 578)	(1 094 797)
Additions to intangible assets	6	-	(1 099 043)	-	(1 099 043)
Proceeds from disposal of property, plant and equipment		420 000	111 559	-	-
Investment disbursements	33	(383 495 543)	(445 271 876)	(383 495 543)	(445 271 876)
Dividends received		71 691 321	42 944 962	71 691 321	42 944 962
Interest received		78 225 548	73 311 704	75 129 103	73 311 704
Repayments on originated loans, leases and preference shares	34	379 442 963	468 682 948	379 442 963	468 682 948
Proceeds from sale of investments		15 000 000	-	15 000 000	-
Net cash flows from financing activities		**(345,256)**	**-**	**-**	**-**
Repayment of instalment sale		(345,256)	-	-	-
Decrease in cash and cash equivalents		**(115,156,345)**	**(206,385,672)**	**(116,303,573)**	**(210,720,806)**
Cash and cash equivalents at beginning of the year		**1,139,117,400**	**1,345,503,072**	**1,133,801,782**	**1,344,522,588**
Cash and cash equivalents at end of the year	20	**1,023,961,055**	**1,139,117,400**	**1,017,498,209**	**1,133,801,782**

Statement of Comparison of Budget and Actual

for the year ended 31 March 2019

		Trust		
	Notes	Approved Final Budget R	Actual R	Variance R
Revenue	**35.1**	**367 218 060**	**388 706 107**	**21 488 047**
Sundry income	35.2	68 774 000	46 283 194	(22 490 806)
Total Income		**435 992 060**	**434 989 301**	**(1 002 759)**
Expenses				
Compensation of Employees		(188 140 636)	(171 942 216)	16 198 420
Use of Goods and Services		(89 112 227)	(85 534 795)	3 577 432
Total Expenses	**35.3**	**(277 252 863)**	**(257 477 011)**	**19 775 852**
Net Operating Income		**158 464 198**	**177 512 290**	**19 048 092**
Impairment charge	35.4	(154 598 804)	(264 507 743)	(109 908 939)
Write-offs		-	(10 297 311)	(10 297 311)
Net Income before fair value adjustments		**4 140 393**	**(97 292 764)**	**(101 433 157)**
Net fair value losses	35.5	-	(393 662 528)	(393 662 528)
Surplus/(deficit) for the year		**4 140 393**	**(490 955 292)**	**(495 095 684)**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION

The accounting policies below are employed by National Empowerment Fund Trust (NEF), National Empowerment Fund Corporation SOC Limited and its subsidiaries.

1.1 Main business and operation

The National Empowerment Fund Trust is a South African public entity (Schedule 3A) under the direction of **the dti**. The Trust was established through the National Empowerment Fund Act (Act 105 of 1998), to provide access to funding for black-owned and -managed businesses through the Fund Management Division and Strategic Projects Fund, which provides funding for venture capital activities in the priority sectors. In addition, the promotion of investments and savings activities is undertaken by designing and offering retail investment products through the Asset Management Division, which are offered for subscription by black investors.

1.2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

1.3 Basis of preparation

"The financial statements have been prepared on the historical cost basis, apart from certain financial instruments that are carried at fair value, in accordance with South African Statements of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

- International Public Sector Accounting Standards Board (IPSASB).
- International Accounting Standards Board (IASB), including the Framework for the Preparation and Presentation of Financial Statements.
- Accounting Practices Board (APB).
- Accounting Practices Committee (APC) of the South African Institute of Chartered Accountants (SAICA)."

1.4 Consolidation

Investments in associates

Associates are all entities over which the Trust has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

GRAP 7 exempts venture capital organisations from equity accounting investments in associates if they, upon initial recognition, decide to designate the investment at fair value through profit and loss. As a venture capital organisation, the Trust has elected to apply this exemption and accordingly all such investments are not equity accounted but designated as investments at fair value through profit and loss.

Once an investment in associate is initially designated at fair value through profit and loss it is recognised at fair value. Subsequent measurement will thereafter be in terms of GRAP 104 which allows for an associate to either be held at fair value or at cost. Specifically where the fair value of unquoted associate investments cannot be reliably measured the investment will be measured at cost. The Trust has opted to hold all associate investments at fair value, except for project related investments initiated by the Strategic Projects Fund Division (SPF), where the measurement thereof is dependent on the stage of the project.

Investments in associates that are in pre-finalisation or bankable feasibility stage are written down to nominal value. On finalisation of bankable feasibility stage and incorporation, the investment is held at cost with annual impairment testing. Once the company has reached the intended operating capacity or if the value can be reliably calculated the investment will thereafter be measured at fair value.

Interests in joint ventures

GRAP 8 exempts venture capital organisations from equity accounting investments in joint ventures if they, upon initial recognition, decide to designate the investment at fair value through profit and loss. As a venture capital organisation, the Trust has elected to apply this exemption and accordingly all such investments are not equity accounted but designated as investments at fair value through profit and loss in terms of GRAP 104.

Investments in subsidiaries

Subsidiaries are entities controlled by the NEF. Control exists when the NEF has the power, directly or indirectly, to govern the financial and operating affairs and policies of an entity so as to obtain benefits from its activities. In assessing control voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at its acquisition date fair value. Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Investments in subsidiaries in the Trust's separate financial statements are carried at cost.

National Empowerment Fund Corporation SOC Ltd is a subsidiary that was created by the NEF to fulfil specific functions of the NEF. The subsidiary is treated as a normal investee in the separate financial statements and consolidated under GRAP 6 in the Group financial statements. National Empowerment Fund Trust acquired Delswa (Pty) Ltd, Surgetek (Pty) Ltd and Zastrovect (Pty) Ltd through exercising its rights when they defaulted on the terms on their loans. These subsidiaries are temporary in nature while National Empowerment Fund Trust seeks suitable buyers. These subsidiaries are accounted for in terms of GRAP 6.

1.5 Revenue recognition

Revenue is recognised when it is probable that future economic benefits will flow to the enterprise and these benefits can be measured reliably and when specific criteria have been met for each of the Trust activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies related to the transaction have been resolved.

Revenue from sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at fair value of the consideration received or receivable.

The entity recognises revenue when it has transferred the significant risks and rewards of ownership to the buyer and does not retain continuing managerial involvement nor control over the goods.

Interest is recognised on a time apportioned basis using the effective interest rate method. When a receivable is impaired, the Trust reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established.

Sundry income consists of bad debts recovered on investments that have been written off and unconditional grant income earned through the Enterprise Development Fund Initiative and is recognised when the income is received. With regard to grant income earned through the Enterprise Development Fund Initiative where there are no specific conditions relating to the use of funds, then revenue is recognised. However, where there are conditions imposed, then these funds are recognised in current liabilities.

1.6 Property, plant and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and if the cost of the item can be reliably measured. All repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to reduce the cost of assets to their residual values over their estimated useful lives as follows.

Item	Rate p.a.
Furniture and fittings	16,67%
Motor vehicles	25%
Office equipment	20%-40%
Leasehold improvements	20%
Audio Visual equipment	33,33%
Paintings	2%
Property	N/A
Plant and mechinery	4 - 6 years
Trolleys and bins	2 years
IT equipment	3 - 6 years
Signage	5 years

Investment property is held by National Empowerment Fund Corporation SOC Ltd at fair value and is accounted for at cost in the group. Where there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

"The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Should residual values or useful lives be adjusted, the adjustment is accounted for and disclosed as a change in accounting estimate.

An asset's carrying amount is written down to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of financial performance, under the 'administrative expenses' line."

1.7 Goodwill

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequent goodwill is tested for impairment annually and it is carried at cost less any accumulated impairment.

1.8 Intangible assets

"Acquired computer software is capitalised on the basis of cost incurred to acquire and bring to use the specific software purchased in order to distinguish from any internally generated assets which are not capitalised and is amortised on a straight-line basis over the expected useful lives of the assets. Intangible assets with an indefinite useful life are not amortised. The useful lives of intangible assets that are not being amortised are reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets as well as whether there is evidence that may indicate impairment of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses."

Item	Rate p.a.
Computer software	33,30%
Surge Tech IP	10,00%

1.9 Investment property

Investment property is property (land or building – or part of a building – or both) held by the owner to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost and subsequently at fair value with changes in fair value recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents are carried at amortised cost at reporting date. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

1.11 Inventory

Inventories are measured at the lower of cost and selling prices less cost to complete and sell, on the first-in-first-out (FIFO) basis. Where inventories are acquired at through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition. When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets at fair value are recognised on trade date, which is the date on which the Trust commits to purchase or sell the asset. Loans and Receivables financial assets are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value including transaction costs, except financial assets at fair value through profit and loss that are initially recognised at fair value with transaction costs being expensed on date of recognition. Differences, on recognition, between the fair value of a financial asset and the purchase price is recognised as a Day 1 profit and loss only where the fair value determined is based on observable market data. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Trust has transferred substantially all risks and rewards of ownership.

Classification

The Trust classifies financial assets in the following categories: investments at fair value, originated loans and preference shares (GRAP 7 category: loans and receivables) and investments held at cost. Management determines the classification of investments at initial recognition.

Originated loans

Originated loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after reporting date. These are classified as non-current. They arise when the Trust provides money, goods or services directly to a borrower with no intention of trading the originated loan.

Investments carried at fair value

"This category has two subcategories: financial assets held for trading and those designated at fair value on inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated. Assets in this category are classified as non current assets when designated at fair value, whilst investments held for trading are classified as current.

Financial assets are designated as fair value in instances where: (i) they meet the definition of held for trading in that they are principally held with the intention to dispose of in the near term or (ii) they represent assets that are intended to be held for an indefinite period of time, which may be sold in response to the needs of liquidity or changes in interest rates, exchange rates or equity prices or non-derivatives that are not classified in any other category."

Embedded derivative financial instruments

The Trust has invested in instruments which in some instances contain embedded derivatives. These derivatives are part of the equity exit and conversion mechanisms used by the NEF. In such instances where an embedded derivative is identified, these are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a stand-alone derivative; and the combined contract is recognised at fair value with any gains or losses from the change in fair value being recognised in the statement of financial performance. Upon identification and separate disclosure, the host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument with the embedded derivate portion being recognised at fair value.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Preference shares

Preference shares are initially measured at fair value using the present value of the preference shares at initial recognition and are subsequently measured at amortised cost, using the effective interest rate method.

Subsequent measurement

Investments at fair value are subsequently carried at fair value. Loans, receivables and preference share investments are carried at amortised cost, less accumulated impairments, using the effective interest rate method. Gains and losses arising from changes in the fair value of the financial assets at fair value category are included in the Statement of Financial Performance in the period in which they arise.

Fair value

The fair values of listed investments in active markets are based on current prices. For unlisted securities and financial assets which are not traded, the Trust establishes fair value by using enterprise valuation techniques. These include the use of: equity-based valuations derived out of enterprise valuations on discounted price earnings multiples less non-current liabilities; or the net asset value of the enterprise. The latest company earnings and asset values as reported in their financial statements, comparable to other similar sector companies or independent asset valuation are used to perform the valuations. These valuation techniques are commonly used by market participants and based on South African Private Equity and Venture Capital Association guidelines.

Fair value estimation – Day 1 profit

The Trust relies on enterprise value calculations when it evaluates associates fair valued through profit and loss as well as investments available for sale on behalf of funding applications. To some extent there is a claimed discount on enterprise value built into valuation methodologies that the Trust accepts in these equity purchase transactions, however, the Trust does not factor these into the fair value of equity investments in associates in the form of a Day 1 profit. These implied discounts would only relate to investments in associates which are classified as fair valued through profit and loss and would only relate to acquisitions in their first year whose fair values closely match costs of equity investment.

Impairment of financial assets

(a) Assets carried at amortised cost

The Trust assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Trust about, amongst others, the following loss events:

"(i) significant financial difficulty of the issuer or obligated party;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becomes probable that the borrower will encounter financial difficulties or become bankrupt;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults by borrowers."

The Trust first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Trust determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment loss.

"If there is objective evidence that an impairment loss on loans and receivables or preference share investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Financial Performance. If a loan or preference share investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Trust may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a financial asset reflects the cash flows that may result from foreclosure less the cost of obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics (i.e. on the basis of the Trust's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows of such assets and are indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the assets being evaluated."

"Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for a group of assets reflect and are consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Trust to reduce any differences between loss estimates and actual loss experience."

When a loan becomes uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised as bad debts recovered in the Statement of Financial Performance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the Statement of Financial Performance.

(b) Investments held at cost

Equity investments that are measured at cost as a result of fair value not being reliably measurable, are assessed for impairment on an annual basis. Where there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(c) Renegotiated originated loans

"Originated loans that have been subject to impairment losses and whose settlement terms have been formally and legally renegotiated are reset in terms of the assessment of the objective evidence for impairment losses. Renegotiated loans are subject to ongoing review to determine whether they should thereafter be considered as impaired or past due following their reset.

Reversals of impairment losses are recognised in Statement of Financial Performance."

Impairment of non-financial assets

"The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Property and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives are reviewed for impairment at each reporting date regardless of indication of impairment or not. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash generating unit and
- then, to the other assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit."

1.13 Trade and other payables

"Trade and other payables relate to goods and services for operating expenses incurred before year end but not settled as at reporting date.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate."

1.14 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 Statement of Financial Performance on the straight-line basis over the period of the lease.

Suspensive sale agreements are primarily stand alone financing transactions, with rentals and instalments receivable, less unearned finance charges, being included in the gross lease receivable in the Statement of Financial Position.

Finance charges earned are computed using the effective interest rate method, which reflects a constant periodic rate of return on the investment in the finance lease. Initial direct costs and fees are capitalised to the value of the lease receivable and accounted for over the lease term as an adjustment to the effective rate of return."

1.15 Employee benefits

a) Pension obligations

The Trust contributes to a provident fund, which is a defined contribution plan, on a monthly basis. A defined contribution plan is one under which the Trust pays fixed contributions into a separate entity and has 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. The regular contributions constitute the net periodic costs for the year in which they are due, and are included in staff costs. Short-term employee benefits are recognised as an expense in the accounting period when the services are rendered.

b) Performance awards

The Trust recognises a liability and an expense in circumstances when bonuses are approved. The Trust recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

1.16 Provisions and contingencies

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and is measured at management's best estimate of the amount that would be required to settle or transfer the liability at balance sheet date. Long-term provisions are discounted to net present value, with the relevant increase in the provision due to the passage of time being recognised as an interest expense.

1.17 Critical accounting estimates and judgements in applying accounting policies

Management has to apply judgement on the basis of valuation methodologies in the estimation of the carrying value of loans (for impairments), and investments held at fair value through profit and loss. It is reasonably possible, on the basis of existing knowledge that outcomes within the next year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. The valuation methodologies are disclosed below.

(a) Impairment losses on originated loans

"The Trust reviews its loan portfolios to assess impairment at quarterly intervals. In determining whether an impairment loss should be recognised in the Statement of Financial Performance, the Trust makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease is identified for an individual loan in that portfolio. The portfolio is made up of new black empowerment investments most of which are start-ups in the market. As a result there is no financial performance history which guides the impairment process. The Trust's management has thus developed an impairment matrix and is continually refining it. The impairment matrix was benchmarked against those utilised by peers in the market. Amongst others, the impairment matrix encompasses the review of the following observable data:

- Falling markets;
- History of payment default;
- Legal action taken against the investee;
- Breach of contract;
- Non-submission of financial information;
- General attitude of the investee as demonstrated by their repayment history;
- Value of security; and
- Arrear payments.

Originated Loans are individually assessed and impaired utilising management's impairment matrix. For the carrying amount of these investments refer to Note 12."

(b) Impairment of equity investments

The Trust determines that equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Trust evaluates amongst other factors, the normal volatility in earnings. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. For the carrying amount of these investments refer to Note 9 and 11.

(c) Fair value on unlisted securities

The Trust establishes the fair value of unlisted securities by enterprise valuation techniques as outlined in Note 1.12 financial assets. For the carrying amount of the investments refer to Note 9 and 11.

1.18 Taxation

a) Income tax

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

1.19 Events after reporting date

An entity should adjust its financial statements for events after the reporting date; and the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting date.

This Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate.

1.20 Segment Reporting

If a financial report contains both the consolidated financial statements and the separate financial statements of a controlling entity, segment information is required only in the consolidated financial statements. An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates.

2 New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

There were no new standards adopted in the current financial year.

2.2 Standards and interpretations not yet effective or relevant

GRAP 34 – Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

The effective date of the standard is still to be determined by the Minister of Finance. This standard may have a material impact on the Trust's Annual Financial Statements, given the material investments in associate entities and the few controlled entities.

GRAP 35 – Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The effective date of the standard is still to be determined by the Minister of Finance. The Standard may have a material impact on the Trust's Annual Financial Statements, given that the Trust has four subsidiaries.

GRAP 36 – Investments In Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The effective date of the standard is still to be determined by the Minister of Finance. The standard is expected to have a material impact on the Trust's Annual Financial Statements, given that the Trust has material investments in respect of associate investments. However, no material impact is expected in respect of joint ventures as the Trust has adopted GRAP 8 exemption for venture capital organisations.

GRAP 37 – Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

The effective date of the standard is still to be determined by the Minister of Finance. The standard is not expected to have a material impact on the Trust's Annual Financial Statements, as the Trust is not invested in Joint Arrangements.

GRAP 38 – Disclosure of Interest In Other Entities

"The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

(a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and

(b) the effects of those interests on its financial position, financial performance and cash flows. The effective date of the standard is still to be determined by the Minister of Finance. The standard is expected to have a material impact on the Trust's Annual Financial Statements, given that the Trust is materially invested in equity investments in associates, non-associates and controlled entities."

GRAP 104 – Financial Instruments

"The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

The effective date of the standard is still to be determined by the Minister of Finance. It is likely that the standard will have a material impact on the Trust's annual financial statements."

GRAP 110 – Living and Non-living Resources

The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources. The effective date of the standard is still to be determined by the Minister of Finance. It is unlikely that the standard will have a material impact on the Trust's annual financial statements.

3 RISK MANAGEMENT

3.1 Credit risk

"Trade and other receivables are due from reputable counterparties with no history of default.

Credit risk arises from cash and cash equivalents, deposits with banks and also comprises the potential loss on financing due to counterparty default on the advancing of Originated Loans as well as any trade and other receivables arising out of investment activities of the Trust.

The risk of default on Originated Loans is actively managed especially through the fully established Post Investment Department, responsible for the ongoing performance monitoring of the Originated Loans portfolio.

Only the National Treasury approved banks are used by the Trust for cash and call deposits, and these are split between the banks as follows:"

	Credit Ratings*	2019	2018
		R	R
Standard Bank	Baa3	152 533 969	328 723 487
First National Bank	Baa3	8 793 417	8 291 665
South African Reserve Bank	Baa3	854 331 726	795 059 395
Rand Merchant Bank	Baa3	1 838 200	1 725 592
Total Cash held with banks (Trust)		**1 017 497 312**	**1 133 800 139**
Zastrovest Investment (First National Bank)	Baa3	3 956 623	1 764 599
Surgetek (Pty) Ltd (Standard Bank)	Baa3	1 494 203	2 468 854
Delswa (Pty) Ltd (Standard Bank)	Baa3	359 027	1 011 061
National Empowerment Fund SOC Ltd (Standard Bank)	Baa3	652 993	71 104
Total balance for Group		**1 023 960 158**	**1 139 115 757**

The Trust's maximum exposure to credit risk is represented by the carrying amount of all the financial assets determined to be exposed to credit risk (net of impairment losses where relevant). *Ratings quoted are Moody's March 2018 updates.

The impairment methodology utilised by the Trust results in originated loans that are in excess of 60 days in arrears i.e., two repayment instalments in arrears, being subjected to a level of impairment, in line with the overall period in arrears. These loans are regularly monitored due to a high likelihood that some repayment instalments in the future will be missed by the borrowers. This risk of default is further managed with ongoing feedback on repayment activity to the Post Investment Department of the Trust.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

3 RISK MANAGEMENT (continued)

3.1 Credit risk

Originated Loans, Finance leases and Preference Shares are individually impaired, and may be analysed as follows:

	Group		Trust	
	2019	2018	2019	2018
	R	R	R	R
Originated Loans				
Normal monitoring and performing loans	1 550 797 689	1 434 981 717	1 704 266 506	1 602 618 474
Close monitoring	17 363 772	165 468 083	17 363 772	165 468 083
Partly/fully impaired	573 076 968	527 001 348	573 076 968	527 001 348
	2 141 238 428	**2 127 451 148**	**2 294 707 245**	**2 295 087 905**
Finance Leases				
Normal monitoring and performing leases	134 206 473	186 017 812	134 206 473	186 017 812
Close monitoring	-	10 723 970	-	10 723 970
Partly/fully impaired	75 307 153	36 405 169	75 307 153	36 405 169
	209 513 626	**233 146 951**	**209 513 626**	**233 146 951**
Preference Shares				
Normal monitoring and performing preference shares	-	13 000 000	-	13 000 000
Close monitoring	-	-	-	-
Partly/fully impaired	-	-	-	-
	-	**13 000 000**	**-**	**13 000 000**

3 RISK MANAGEMENT (continued)

3.2 Market risk

Market risk represents the risk that the value of investments will fluctuate because of general changes in market factors which are not unique to individual instruments or its issuers. Market risk embodies not only the potential for loss but also the potential for gain.

3.2.1 Interest rate risk

The Trust is exposed to interest rate risk through the financing of investment proposals, at fixed as well as variable interest rates, as well as cash management activities. Changes in market interest rates affect the fair value of cash and investment assets. Investment interest rate risk is managed through the investment policy while cash returns are managed through the cash management policy. "This risk materialises in the Trust's significant cash portfolio invested in various interest earning bank treasury and call accounts. The Trust is partially dependent on interest income from cash on call to fund its annual operations, and will become more dependent on interest income from cash balances as well as from the originated loans portfolio to fund its annual operational requirements going forward.

A significant part (2018 - 85%: 2017 – 89%) of the Trust's investment portfolio is advanced in the form of originated loans. These loans are advanced at interest rates which are fixed as well as others that are linked to the prime lending rates over terms generally ranging from 5 to 8 years."

The Trust individually assesses the effect of interest rate risk in a series of scenario and sensitivity analysis of each individual transaction that the Trust funds. In these scenarios the impact of an interest rate change is assessed against the businesses' ability to meet the increased charge in lending rates out of own cash flows. The decision to grant funding to applying businesses is fundamentally based on these sensitivity analysis. The underlying risk therefore within the range of interest rate changes run in sensitivity analysis is the business risk associated with the approval of loans to applying businesses. This business risk is assessed regularly by the Post Investment Department of the Trust and is assessed on a risk rating scale as follows performing (low-risk deals), impairments (medium risk deals) and workouts (high-risk deals). As at 31 March 2019, the portfolio was assessed from this risk rating approach as follows:

	Trust			
	2019		2018	
Category	% by number	% by value	% by number	% by value
Performing	66%	73%	68%	71%
Impaired	33%	26%	29%	22%
Close Monitoring	1%	1%	3%	7%
	Group			
Category	% by number	% by value	% by number	% by value
Performing	66%	73%	68%	70%
Impaired	33%	26%	29%	24%
Close Monitoring	**1%**	**1%**	**3%**	**7%**

The impact of this risk assessment has been catered for in the impairment provisions against the individual loans.

3 RISK MANAGEMENT (continued)

In response to the effects that the global economic crisis was having on the originated loans portfolio, the Trust approved a restructuring programme for potentially eligible investments. This programme allows for transactions that would be performing if it were not for the impact of the economic downturn conditions to undergo restructuring resulting in the deferment of up to half of outstanding loan for up to three years with the coupled conversion of interest charges from variable to fixed rates. The potential effects of eligible loan restructurings in terms of this programme would not have a significant bearing on interest rate risk since these loans are associated with the smaller end of the portfolio and would only be applied in isolated and deserving cases. This programme is, however, to be closely monitored as well as any potential effects on interest rate risks.

Interest rate risk sensitivity analysis

In assessing the impact of changes in interest rates on the most impacting areas of the investment activities of the Trust, the effect of a 1% change in the interest environment around originated loans and cash and cash equivalents was considered as follows:

	2019 Carrying Amount	2019 Interest earned	2019 Sensitivity of 1% effective adjustment	2018 Carrying Amount	2018 Interest earned	2018 Sensitivity of 1% effective adjustment
	R	R	R	R	R	R
Trust						
Originated loans	1 861 635 455	230 469 831	18 616 355	1 871 980 594	199 899 348	18 719 806
Cash and cash equivalents	1 017 498 209	78 220 252	10 174 982	1 133 801 782	73 311 704	11 338 018
Total effect on Profit/Loss	**2 879 133 664**	**308 690 083**	**28 791 337**	**3 005 782 376**	**273 211 052**	**30 057 824**
Group						
Originated loans	1 761 313 046	216 910 966	17 613 130	1 741 416 134	197 387 214	17 414 161
Cash and cash equivalents	1 023 961 055	75 134 399	10 239 611	1 133 872 886	73 313 320	11 338 729
Total effect on Profit/Loss	**2 785 274 101**	**292 045 365**	**27 852 741**	**2 875 289 020**	**270 700 534**	**28 752 890**

3.2.2 Foreign exchange risk

"The Trust does not have exposure to foreign exchange risk beyond that associated with occasional foreign currency based goods and supply purchases primarily denominated in US dollar and EU euro currencies. These occur in the operational management of the Trust and in some instances in the funding of plant and equipment purchased by the Trust's investee companies from overseas suppliers in foreign currency denominated transactions. These transactions are undertaken at spot rates and no forward cover contracts are entered into by the Trust. No financial assets or liabilities at year end are denominated in foreign currencies.

Due to the fact that the impact of foreign exchange exposure is immaterial for the Trust, no additional disclosure has been provided."

3 RISK MANAGEMENT (continued)

3.2.3 Price risk

The Trust is exposed to listed equity market price risk due to its portfolio of equities classified as either held for trading, at fair value through profit and loss or available for sale. These investments are as a result of the state allocated investment in MTN as well as an investment in the Hospitality Property Fund undertaken as a result of the Trust's funding products for listed investments.

"The investment in MTN was transferred to the Trust at subscription date value and hence significant fair value has accrued to the Trust through the fair value reserve. This fair value is applied in the development of appropriate retail products in terms of the mandate of the Trust and part of this fair value has been transferred to the Trust's beneficiaries in the form of discounts on subscription values.

The Trust manages other price risk in terms of its listed investment portfolio by means of structured exits as well as minimum return fair values being catered for in the investment funding agreements. In this way the Trust's maximum exposure to other price risk is limited with the bulk of the risk being associated with underlying business and credit risk.

Please Note: The NEF disposed of their investment in Interwaste Holdings Limited in the 2019 Financial Year."

	Number of shares at year end	Share price at year end	Market Value of Listed Portfolio at year end	10% increase in share price	10% decrease in share price
Listed Investments		R	R	R	R
Hospitality Property Fund B	2 883 617	9,50	28 288 283	30 133 798	24 654 925
Interwaste Holdings Limited	-	-	-	-	-
MTN Ltd	10 114 866	87,03	896 379 425	968 326 467	792 267 109
Total			**924 667 708**	**998 460 264**	**816 922 034**

3.3 Liquidity risk

The Trust was historically capitalised out of voted transfers made to it for the purposes of funding operations and also for the advancing of capital to eligible black empowered businesses through its fund management products.

The cash balances of the Trust are invested in treasury and call accounts of its four banks. The treasury management function in the finance department under the CFO manages the investment of cash in various market quoted treasury accounts on terms commensurate with the liquidity requirements of the Trust. These liquidity requirements of the Trust are measured against forecasted liquidity requirements.

Liquidity risk would arise to the extent the Trust has committed investment disbursements that cannot be met out of fixed treasury commitments or available cash balances, or to the extent that cash held by the Trust is reclaimed by the National Treasury through the provisions of the PFMA.

All current operating liabilities are expected to be contractually due in 7 days and current fund management commitments are expected to be due within 30 days of these being approved for investment.

3 RISK MANAGEMENT (continued)

3.4 Capital Risk Management

Trust Capital primarily comprises funds transferred from **the dti** for the purposes of granting funding to eligible black empowered businesses through its fund management products. To date cash funds received from **the dti** for these purposes totals R2 297 431 472 (2018: R2 297 431 472 - Note 17). Historically funding for operations was also advanced by **the dti** in the form of transfer funds. These were matched against operational expenditure for the year and to the extent there was some level of operational surplus or deficit, then this was transferred or offset to Accumulated Surplus once approval is granted in this respect from National Treasury.

Capital advanced for fund management is applied only against budgeted and actual investment disbursements in terms of the fund management products and mandate of the Trust. Operational capital is strictly applied against operational expenditure only, in terms of PFMA requirements.

Proceeds raised on asset management retail product subscriptions are transferred to capital through profit and loss. This capital is managed separately and utilised for the purposes of reapplication into asset management activities and other related investments in consultation with **the dti** and National Treasury.

The Trust has complied with the requirements of the application of transfers for capital purposes and transfers for expenditure purposes as imposed through the PFMA.

The Trust has since 2010 funded its activities through internally generated cash flows, and has not received any capital transfers from **the dti** and/or National Treasury.

	Motor Vehicles	Computer Equipment	Audio Visual Equipment	Office Equipment	Furniture and Fittings	Leasehold Improvements	Paintings	Total
	R	R	R	R	R	R	R	R

4 Property and equipment (Trust)

	Motor Vehicles	Computer Equipment	Audio Visual Equipment	Office Equipment	Furniture and Fittings	Leasehold Improvements	Paintings	Total
2019								
Opening Balance								
Cost	996 957	5 414 130	40 299	338 338	502 411	821 002	149 790	8 262 927
Accumulated depreciation	(996 957)	(3 956 550)	(40 297)	(287 097)	(436 551)	(574 743)	(47 349)	(6 339 544)
Net Book Value	**–**	**1 457 580**	**2**	**51 241**	**65 860**	**246 259**	**102 441**	**1 923 383**
Movement for the year								
Additions	763 861	1 110 179	275 512	21 275	66 751	-	-	2 237 578
Net Disposal	-	(167 881)	-	-	-	-	-	(167 881)
Disposals/ Derecognition at cost	(498 900)	(1 868 954)	-	-	-	-	-	(2 367 854)
Depreciation on disposed/derecognised assets	498 900	1 701 073	-	-	-	-	-	2 199 973
Reclassification		-						-
Depreciation	(171 490)	(906 085)	(66 867)	(16 678)	(16 846)	(80 025)	(2 916)	(1 260 907)
	592 371	36 213	208 645	4 597	49 905	(80 025)	(2 916)	808 790
Closing Balance								
Cost	1 261 918	4 655 355	315 811	359 613	569 162	821 002	149 790	8 132 651
Accumulated depreciation	(669 547)	(3 161 562)	(107 164)	(303 775)	(453 397)	(654 768)	(50 265)	(5 400 478)
Net Book Value	**592 371**	**1 493 793**	**208 647**	**55 838**	**115 765**	**166 234**	**99 525**	**2 732 174**
Gross carrying amount of fully depreciated assets still in use	**498 057**	**1 823 621**	**40 298**	**259 331**	**423 408**	**439 973**	**5 000**	**3 489 689**

	Motor Vehicles	Computer Equipment	Audio Visual Equipment	Office Equipment	Furniture and Fittings	Leasehold Improvements	Paintings	Total
	R	R	R	R	R	R	R	R
4 Property and equipment (Trust)								
2018								
Opening Balance								
Cost	996 957	4 510 965	40 299	338 338	453 134	784 756	149 790	7 274 239
Accumulated depreciation	(996 957)	(3 058 702)	(40 297)	(271 669)	(428 360)	(487 258)	(44 433)	(5 327 676)
Net Book Value	**–**	**1 452 263**	**2**	**66 669**	**24 774**	**297 498**	**105 357**	**1 946 563**
Movement for the year								
Additions	-	1 009 274	-	-	49 277	36 246	-	1 094 797
Net Disposal	-	(148 317)	-	-	-	-	-	(148 317)
Disposals/ Derecognition at cost	-	(106 109)	-	-	-	-	-	(106 109)
Depreciation on disposed/derecognised assets	-	(42 208)	-	-	-	-	-	(42 208)
Depreciation	-	(855 640)	-	(15 428)	(8 191)	(87 485)	(2 916)	(969 660)
	-	5 317	-	(15 428)	41 086	(51 239)	(2 916)	(23 180)
Closing Balance								
Cost	996 957	5 414 130	40 299	338 338	502 411	821 002	149 790	8 369 036
Accumulated depreciation	(996 957)	(3 956 550)	(40 297)	(287 097)	(436 551)	(574 743)	(47 349)	(6 445 653)
Net Book Value	**–**	**1 457 579**	**2**	**51 241**	**65 860**	**246 260**	**102 441**	**1 923 383**
Gross carrying amount of fully depreciated assets still in use	**996 957**	**2 726 056**	**40 298**	**259 331**	**423 408**	**399 819**	**5 000**	**4 850 869**

4 Property and equipment (Group)

	Land and Buildings	Motor Vehicles	Computer Equipment	Audio Visual Equipment	Plant and Machinery	Office Equipment	Furniture & Fittings	Leasehold Improve-ments	Paintings	Other assets	Total
2019											
Opening Balance											
Cost	27 095 556	4 958 122	6 469 615	40 299	2 458 389	861 148	1 097 016	2 350 152	149 790	883 631	46 363 718
Accumulated depreciation	(595 556)	(4 682 044)	(4 812 109)	(40 297)	(1 638 073)	(690 259)	(726 323)	(1 280 269)	(47 349)	(378 246)	(14 890 525)
Net Book Value	**26 500 000**	**276 078**	**1 657 505**	**2**	**820 316**	**170 889**	**370 693**	**1 069 884**	**102 441**	**505 385**	**31 473 193**
Movement for the year											
Additions	-	2 283 396	1 170 295	275 512	198 235	582 386	131 420	164 703	-	-	4 805 947
Change in accounting estimate	-	3 421 673	-	-	-	-	-	-	-	-	3 421 673
Net Disposal	-	(16 765)	(167 881)	-	-	-	-	-	-	-	(184 646)
Disposals/ Derecognition at cost	-	(729 562)	(1 868 954)	-	-	-	-	-	-	-	(2 598 516)
Depreciation on disposed/ derecognised assets	-	712 797	1 701 073	-	-	-	-	-	-	-	2 413 870
Depreciation	(592 256)	(606 100)	(990 798)	(66 867)	(109 341)	(159 586)	(80 584)	(243 593)	(2 916)	(95 295)	(2 947 336)
	(592 256)	5 082 204	11 617	208 645	88 894	422 800	50 836	(78 890)	(2 916)	(95 295)	1 673 965
Closing Balance											
Cost	27 095 556	9 933 629	5 770 956	315 811	2 656 624	1 443 534	1 228 436	2 514 855	149 790	883 631	51 992 822
Accumulated depreciation	(1 187 812)	(4 575 347)	(4 101 834)	(107 164)	(1 747 414)	(849 845)	(806 907)	(1 523 862)	(50 265)	(473 541)	(15 423 990)
Net Book Value	**25 907 744**	**5 358 282**	**1 669 122**	**208 647**	**909 210**	**593 689**	**421 529**	**990 994**	**99 525**	**410 090**	**36 568 831**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

	Land and Buildings	Motor Vehicles	Computer Equipment	Audio Visual Equipment	Plant and Machinery	Office Equipment	Furniture & Fittings	Leasehold Improve-ments	Paintings	Other assets	Total
4 Property and equipment (Group)											
2018											
Opening Balance											
Cost	27 095 556	5 409 732	5 405 409	40 299	2 302 387	829 771	1 047 739	2 178 886	149 790	581 126	45 040 695
Accumulated depreciation	(595 556)	(4 824 607)	(3 833 656)	(40 297)	(1 360 120)	(607 536)	(658 733)	(1 051 868)	(44 433)	(249 944)	(13 266 750)
Net Book Value	**26 500 000**	**585 125**	**1 571 753**	**2**	**942 267**	**222 235**	**389 006**	**1 127 018**	**105 357**	**331 182**	**31 773 945**
Movement for the year											
Additions	-	-	1 170 315	-	156 002	31 377	49 277	171 266	-	302 505	1 880 742
Net Disposal	-	(102 867)	(148 317)	-	-	-	-	-	-	-	(251 184)
Disposals/ Derecognition at cost	-	(451 610)	(106 109)	-	-	-	-	-	-	-	(557 719)
Depreciation on disposed/ derecognised assets	-	348 743	(42 208)	-	-	-	-	-	-	-	306 535
Depreciation	-	(206 180)	(936 245)	-	(277 953)	(82 723)	(67 590)	(228 401)	(2 916)	(128 302)	(1 930 310)
	-	(309 047)	85 753	-	(121 951)	(51 346)	(18 313)	(57 135)	(2 916)	174 203	(300 752)
Closing Balance											
Cost	27 095 556	4 958 122	6 469 615	40 299	2 458 389	861 148	1 097 016	2 350 152	149 790	883 631	46 363 718
Accumulated depreciation	(595 556)	(4 682 044)	(4 812 109)	(40 297)	(1 638 073)	(690 259)	(726 323)	(1 280 269)	(47 349)	(378 246)	(14 890 525)
Net Book Value	**26 500 000**	**276 078**	**1 657 505**	**2**	**820 316**	**170 889**	**370 693**	**1 069 884**	**102 441**	**505 385**	**31 473 193**

		Group		Trust	
		2019 R	Restated 2018 R	2019 R	2018 R
5	**Investment property**				
	Opening Balance	**15 700 000**	**9 800 000**	**-**	**-**
	Additions	-	-	-	-
	Disposal*	(15 700 000)	-	-	-
	Fair Value Adjustment	-	5 900 000	-	-
	Closing Balance	**-**	**15 700 000**	**-**	**-**

*Disposal of Delswa Property.

		Group 2019 R	Group Restated 2018 R	Trust 2019 R	Trust 2018 R
6	**Intangible assets**				
	Computer software				
	Opening Balance				
	Cost	9 077 274	7 978 231	1 379 242	280 199
	Accumulated amortisation	(665 211)	(586 100)	(237 772)	(185 341)
	Net Book Value	**8 412 063**	**7 392 131**	**1 141 470**	**94 858**
	Movement for the year:				
	Additions	-	1 099 043	-	1 099 043
	Amortisation	(1 301 074)	(79 111)	(405 833)	(52 431)
		(1 301 074)	1 019 932	(405 833)	1 046 612
	Closing Balance				
	Cost	9 077 274	9 077 274	1 379 242	1 379 242
	Accumulated amortisation	(1 966 285)	(665 211)	(643 605)	(237 772)
	Net Book Value	**7 110 989**	**8 412 063**	**735 637**	**1 141 470**

The intangible assets for the Trust comprise computer software and software development customised for use in the operations. The intangible assets for the Group comprise of computer software, software development and Intellectual Property.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

		Group		Trust	
		2019 R	Restated 2018 R	2019 R	2018 R
7	**Goodwill**				
	Opening Balance				
	Cost	58 771 359	58 771 359	-	-
	Accumulated impairment	(26 585 680)	(20 708 554)	-	-
	Carrying value	**32 185 679**	**38 062 805**	**-**	**-**
	Movement for the year:				
	Impairment for the year	(5 877 136)	(5 877 135)	-	-
	NCA - acquisition of subsidiary	-	-		
	Closing Balance				
	Cost	58 771 359	58 771 359	-	-
	Accumulated impairment	(32 462 816)	(26 585 680)	-	-
	Net Book Value	**26 308 543**	**32 185 679**	**-**	**-**
8	**Deferred Tax**				
	Deferred tax asset				
	Accelerated capital allowances for tax purposes	(415 852)	(410 867)	-	-
	Allowance for credit losses	540 724	672 897	-	-
	Employee benefits	267 304	275 446	-	-
	Tax losses available for set off against future taxable income	2 705 580	2 705 580	-	-
	Closing balance	**3 097 756**	**3 243 056**	**-**	**-**
	Reconciliation of deferred tax asset				
	At beginning of the year	3 243 056	1 221 321	-	-
	Originating temporary difference on tangible fixed assets	(4 985)	(30 777)	-	-
	Increase in tax loss available for set off against future taxable income	-	1 947 471	-	-
	Originating temporary difference on employee benefits	(8 142)	27 544	-	-
	Originating temporary difference on allowance for credit losses	(132 173)	77 497	-	-
		3 097 756	**3 243 056**	**-**	**-**

	Group		Trust	
	2019 R	Restated 2018 R	2019 R	2018 R

9 Investments in Associates

Investments at cost	**253 453 611**	**272 585 048**	**253 453 611**	**272 585 048**
- Opening balance	272 585 048	237 957 904	272 585 048	237 957 904
- Additions	3 472 192	44 628 037	3 472 192	44 628 037
- Transfers to non-associate equity investments	-	(467)	-	(467)
- Transfers from unincorporated joint ventures and investments	-	2 000 000	-	2 000 000
- Transfer from originated loans	2 327 605	-	2 327 605	-
- Write off	(24 931 234)	(12 000 426)	(24 931 234)	(12 000 426)
- Disposal	-	-	-	-
Fair value adjustments	(187 042 576)	(187 822 724)	(187 042 576)	(187 822 724)
- Opening balance	(187 822 724)	(170 033 443)	(187 822 724)	(170 033 443)
- Transfers to non-associate equity investments	-	(656 212)	-	(656 212)
- Write-off fair value adjustments	21 931 728	11 999 999	21 931 728	11 999 999
- Fair value (loss)/gains	(21 151 580)	(29 133 068)	(21 151 580)	(29 133 068)
Net investment in associates	**66 411 035**	**84 762 324**	**66 411 035**	**84 762 324**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

Name	Principal activity	Voting power 2019 Interest held (%)	Voting power 2018 Interest held (%)	2019 R	2018 R
9 Investment in associates (continued)					
Unlisted:					
125 Village Hub (Pty) Ltd/ Muma Investments	Property	20,0%	0,0%	200	-
Allimor Footwear (Pty) Ltd	Manufacturing	30,0%	30,0%	1 097 032	683 297
Amazin Hotels (Pty) Ltd	Tourism & Entertainment	20,0%	20,0%	1	6 479 443
Business Venture Investments (Pty) Ltd	Healthcare	30,0%	30,0%	1	1
Colliery Dust Control (Pty) Ltd	Agro Processing	40,1%	40,1%	16 169 537	15 818 464
Crowie Holdings (Pty) Ltd	Mining	25,1%	25,8%	15 679 769	2 378 978
False Bay Bricks (Pty) Ltd	Manufacturing	30,0%	30,0%	2 922 316	1 779 216
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	Construction	30,0%	30,0%	300	300
Global Wheel (Pty) Ltd	Manufacturing	32,0%	32,0%	1 280 859	189 695
Golden Dice Foods (Pty) Ltd	Agro Processing	49,0%	49,0%	49	49
Gradoscope (Pty) Ltd	Tourism & Entertainment	26,0%	49,0%	1	1
Graskop Gorge Lift Company (Pty) Ltd	Tourism & Entertainment	26,1%	26,1%	3 147 682	32 858 000
Imbaza Mussel (Pty) Ltd	Agro Processing	25,0%	30,0%	458 208	704 449
Jalo Enterprise	Manufacturing	50,0%	0,0%	1 310 426	-
Joy House Academy (Pty) Ltd	Education	45,0%	45,0%	1 395 490	14 870 000
Kenako (Pty) Ltd	Pharmaceuticals	49,0%	49,0%	-	-
Mabele Fuels (Pty) Ltd	Energy	20,1%	20,1%	-	-
Magoveni Pharmaceuticals (Pty) Ltd	Pharmaceuticals	25,0%	25,0%	-	1
M-Care Management Company (Pty) Ltd	Healthcare	30,0%	30,0%	300	300
M-Care Operating Company (Pty) Ltd	Healthcare	22,5%	22,5%	214 306	2 250
M-Care Property Company (Pty) Ltd	Healthcare	25,1%	22,5%	2 250	1
Middelsdrift Dairy (Pty) Ltd	Agro Processing	40,0%	40,0%	2 192 359	1
Mohale (Pty) Ltd	Agro Processing	45,0%	45,0%	450	450
Mopadi Molamu (Pty) Ltd	Agro Processing	20,0%	20,0%	200	200
Nyamane Agro - Foods Holdings (Pty) Ltd	Agro Processing	50,0%	0,0%	2 161 336	-
Okubabayo	Manufacturing	30,0%	0,0%	2 327 605	-
Petrocom (Pty) Ltd	Energy	30,0%	30,0%	490	30
Pretamix (Pty) Ltd	Services	0,0%	24,0%	-	240
Pyratrade (Pty) Ltd	Agro Processing	30,0%	30,0%	1	1
Rapid Purple Waters Trading (Pty) Ltd	Agro Processing	25,0%	25,0%	250	1 318 498
Rhino Ridge Lodge (Pty) Ltd	Tourism & Entertainment	33,3%	33,3%	333	333
Royal Thonga Safari Lodge (Pty) Ltd	Tourism & Entertainment	36,0%	36,0%	36	36
SA Metals (Pty) Ltd	Mining	0,0%	29,0%	-	-
Safepak (Pty) Ltd	Manufacturing	0,0%	34,0%	-	1 921 016
Salamax (Pty) Ltd	Manufacturing	30,0%	40,0%	-	-
Sehwai Exploration Drilling (Pty) Ltd	Mining	45,0%	0,0%	112	112
Stutt Brick Company (Pty) Ltd	Construction	49,0%	45,0%	1	1
Super Grand Agric (Pty) Ltd	Agro Processing	30,0%	30,0%	45	45
Tshellaine Holdings	Property	30,0%	0,0%	30	-
Unique Engineering (Pty) Ltd	Engineering	49,0%	49,0%	12 640 002	3 650 567
Value Cement (Pty) Ltd	Construction	25,8%	25,8%	1	1
Willowvale (Pty) Ltd	Property	45,0%	45,0%	3 408 856	2 106 297
YG Property Investments (Pty) Ltd	Property	20,0%	0,0%	200	-
				66 411 035	**84 762 273**

	Group		Trust	
	2019	Restated 2018	2019	2018
	R	R	R	R
10 Investment in Subsidiaries				
Cost at acquisition	-	-	-	-
Day 1 Loss - Delswa (Pty) Ltd	-	-	9 249 151	9 249 151
Liabilities directly associated with non-current assets classified as held for sale	-	-	9 249 151	9 249 151
Cost at acquisition	-	-	251	251
Day 1 Profit - Zastrovect Investments (Pty) Ltd	-	-	6 177 853	6 177 853
Delswa (Pty) Ltd	-	-	1	1
Nefcorp SOC Limited	-	-	100	100
Surgetek (Pty) Ltd	-	-	13 698 349	541 706
Investment in subsidiaries	-	-	19 876 554	6 719 911

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

		2018 R	2017 R	2018 R	2017 R
11	**Investments at fair value**				
11.1	**Non-associate equity investments (Excluding SPF transactions)**				
	Opening Balance	**1 615 300 455**	**1 564 946 871**	**1 615 300 455**	**1 564 946 871**
	Movements	**(364 035 087)**	**50 353 584**	**(364 035 087)**	**50 353 584**
	MTN shares - fair value adjustments	(307 491 925)	(30 142 301)	(307 491 925)	(30 142 301)
	Transfers from Associates	-	656 679	-	656 679
	Additions	4 950 000	271	4 950 000	271
	Unlisted securities - fair value adjustments and write-offs	(61 322 653)	79 838 935	(61 322 653)	79 838 935
	Write-off at cost	(2 579 643)	-	(2 579 643)	-
	Write-off of FV	2 409 134	-	2 409 134	-
	Fair value balance as at end of the year	**1 251 265 368**	**1 615 300 455**	**1 251 265 368**	**1 615 300 455**
	Net fair value loss on the face of the Statement of Financial Performance	**(61 493 162)**	**79 838 935**	**(61 493 162)**	**79 838 935**
	Non-associate investments include:				
	Listed securities:				
	Equity securities: RSA (MTN Shares)	896 379 425	1 203 871 351	896 379 425	1 203 871 350
	Unlisted securities:				
	Securities not traded on an active market	354 885 942	411 429 104	354 885 942	411 429 104
	Beat FM	196	196	196	196
	Busamed (Pty) Ltd	334 523 500	398 758 999	334 523 500	398 758 999
	Connex (Pty) Ltd	6 185 556	6 185 556	6 185 556	6 185 556
	Dabchick Wildlife Reserve (Pty) Ltd	-	1	-	1
	Ekhamanzi Farming (Pty) Ltd	-	170 000	-	170 000
	Elgin Engineering (Pty)	2 895 622	1	2 895 622	1
	Gaanahoek (Pty) Ltd	-	1	-	1
	Ithuba Holdings (Pty) Ltd	-	-	-	-
	Liciatron (Pty) Ltd	1	1	1	1
	Marolien (Pty) Ltd	-	1	-	1
	Mayborn Investments (Pty) Ltd	800 943	1 856 892	800 943	1 856 892
	Motseng Investment Holdings (Pty) Ltd	5	5	5	5
	MSG Africa Broadcasting (Pty) Ltd	174	178	174	178
	Nyonende Investments (Pty) Ltd	1	1	1	1
	On Digital Media (Pty) Ltd	1	1	1	1
	Rhythm FM	196	196	196	196
	Rikatec (Pty) Ltd	4 950 000	-	4 950 000	-
	Saambegin (Pty) Ltd	-	500	-	500
	Sky Rink Studios (Pty) Ltd	130	130	130	130
	Solms Delta Wine Estate (Pty) Ltd	-	5	-	5
	Thin Film (Pty) Ltd	-	1	-	1
	Ubumbano Rail (Pty) Ltd	1	1	1	1
	Western Breeze Trading 297 (Pty) Ltd	51	51	51	51
	Zulimar Trading (Pty) Ltd	5 529 565	4 456 387	5 529 565	4 456 387
		1 251 265 367	**1 615 300 455**	**1 251 265 367**	**1 615 300 454**

	2019 R	2018 R	2019 R	2018 R
11 Investments at fair value (continued)				
11.1 Unincorporated joint ventures and investments (SPF Transactions)				
Unincorporated equity investment fair value through profit and loss	**103 758 683**	**101 452 039**	**103 758 683**	**101 452 039**
Opening Balance	101 452 039	84 229 369	101 452 039	84 229 369
Additions	2 306 644	19 222 670	2 306 644	19 222 670
Transfer to Associate – Joy House Academy	-	(2 000 000)	-	(2 000 000)
Fair value movements	**(103 740 683)**	**(101 434 039)**	**(103 740 683)**	**(101 434 039)**
– Balance brought forward from prior year	(101 434 039)	(84 211 369)	(101 434 039)	(84 211 369)
– Fair value (losses)	(2 306 644)	(19 221 670)	(2 306 644)	(19 221 670)
– Fair value of transfers to Associates	-	1 999 000	-	1 999 000
Net investment in fair value through profit & loss financial assets	**18 000**	**18 000**	**18 000**	**18 000**
Net fair value loss on the face of the Statement of Financial Performance	(2 306 644)	(19 221 670)	(2 306 644)	(19 221 670)
11.2 Total investments at fair value	**1 251 283 367**	**1 615 318 455**	**1 251 283 367**	**1 615 318 455**

These investments comprise the following unlisted investments representing the right to subscribe for equivalent equity in the Company at a pre-determined time in the future upon completion of feasibility studies, the cost of which is detailed on the next page:

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

	Investment at cost R	Fair value R	Interest in project/ joint venture %	Effective voting on Joint Steering Committee %
11.2 Investments at fair value (continued)				
2019				
Rare Metals Industries (Pty) Ltd*	13 500 000	1 000	30%	27%
Manhize - Coking Coal (Pty) Ltd	10 000 000	1 000	75%	50%
African Silica Investments (Pty) Ltd	7 000 000	1 000	50%	50%
Tyre Energy Extraction (Pty) Ltd	12 918 578	2 000	47%	50%
Milk for Life (Pty) Ltd	2 000 000	1 000	50%	50%
Municipal Waste t/a Lanele Resources (Pty) Ltd	10 000 000	1 000	49%	50%
Modular Industries Building Technologies (Pty) Ltd	15 000 000	1 000	50%	50%
Cape Point Film Studios	2 878 195	1 000	22%	22%
Jalo Enterprise	7 478 360	1 000	50%	50%
Travallo (Pty) Ltd	539 825	1 000	49%	49%
Gemilatex (Pty) Ltd	1 648 630	1 000	20%	20%
iVac Bio (Pty) Ltd	3 066 000	1 000	74%	50%
Mendi Rail and Engineering (Pty) Ltd	9 762 500	1 000	49%	49%
Techteledata (Pty) Ltd	300 000	1 000	50%	50%
Nyamane Agro-foods Holdings (Pty) Ltd	3 251 504	1 000	50%	50%
Van Der Tlale (Pty) Ltd	428 571	1 000	30%	30%
Lebombo Agricultural Secondary Co-Operative Ltd	5 635 150	1 000	49%	49%
	105 407 313	**18 000**		

	Investment at cost R	Fair value R	Interest in project/ joint venture %	Effective voting on Joint Steering Committee %
11.2 Investments at fair value (continued)				
2018				
Rare Metals Industries (Pty) Ltd*	13 500 000	1 000	30%	27%
Manhize – Coking Coal (Pty) Ltd	10 000 000	1 000	75%	50%
African Silica Investments (Pty) Ltd	7 000 000	1 000	50%	50%
Tyre Energy Extraction (Pty) Ltd	12 918 577	2 000	47%	50%
Milk for Life (Pty) Ltd	2 000 000	1 000	50%	50%
Municipal Waste t/a Lanele Resources (Pty) Ltd	10 000 000	1 000	49%	50%
Modular Industries Building Technologies (Pty) Ltd	15 000 000	1 000	50%	50%
Cape Point Film Studios	2 878 195	1 000	22%	22%
Joy House Academy	-	1 000	50%	50%
Jalo Enterprise	6 658 206	1 000	50%	50%
Travallo (Pty) Ltd	539 826	1 000	49%	49%
Gemilatex (Pty) Ltd	1 648 630	1 000	20%	20%
iVac Bio (Pty) Ltd	3 066 000	1 000	74%	50%
Mendi Rail and Engineering (Pty) Ltd	9 762 500	1 000	49%	49%
Techteledata (Pty) Ltd	300 000	1 000	50%	50%
Nyamane Agro-foods Holdings (Pty) Ltd	1 396 219	1 000	50%	50%
Van Der Tlale (Pty) Ltd	1 455 381	1 000	30%	30%
Lebombo Agricultural Secondary Co-Operative Ltd	3 328 505	1 000	49%	49%
	101 452 039	**18 000**		

*The Trust does not have any shareholding in the project as the company has not yet been incorporated, but due to the composition of the project steering committee and the voting powers that the Trust holds in the project the investment is an associate. The investment has, however, been accounted for at fair value due to the strategic nature of the investment.

	Group		Trust	
	2019 R	Restated 2018 R	2019 R	2018 R
12 Originated loans				
Opening balance	**2 143 940 740**	**2 161 355 557**	**2 295 087 905**	**2 306 826 626**
Net movement for the year	**(2 702 312)**	**(17 414 817)**	**(380 660)**	**(11 738 721)**
Loans disbursed	360 530 343	364 327 901	360 530 343	364 327 901
Interest capitalised	216 910 966	187 982 011	230 469 831	199 899 347
Loan repayments	(334 569 969)	(414 934 077)	(334 569 969)	(414 934 077)
Write-offs	(233 713 285)	(175 138 775)	(244 950 498)	(181 380 015)
Transfer to subsidiary	(13 156 643)	-	(13 156 643)	-
Transfer to investment in associates	(2 327 605)	-	(2 327 605)	-
Transfer from preference shares	-	15 500 000	-	15 500 000
Capital Raising Fees	3 623 881	4 848 123	3 623 881	4 848 123
Closing balance	**2 141 238 428**	**2 143 940 740**	**2 294 707 245**	**2 295 087 905**
Provision for Impairment	**(379 925 382)**	**(423 107 311)**	**(433 071 790)**	**(423 107 311)**
– Opening balance	(423 107 311)	(480 917 307)	(423 107 311)	(480 917 307)
– Impairments for the year	(194 585 299)	(102 459 874)	(247 731 707)	(102 459 874)
– Write-offs	237 767 228	160 269 870	237 767 228	160 269 870
	1 761 313 046	**1 720 833 429**	**1 861 635 455**	**1 871 980 594**
Net Originated Loan balance	**1 761 313 046**	**1 720 833 429**	**1 861 635 455**	**1 871 980 594**
Current Portion	423 922 553	500 147 632	423 922 553	512 683 870
Long Term Portion	1 337 390 493	1 220 685 797	1 437 712 902	1 359 296 724

	Group		Trust	
	2019 R	Restated 2018 R	2019 R	2018 R
13 Investment in Preference Shares				
Opening Balance	13 000 000	74 515 092	13 000 000	74 515 092
Net movement for the year	**(13 000 000)**	**(61 515 092)**	**(13 000 000)**	**(61 515 092)**
Interest capitalised	-	6 725 546	-	6 725 546
Repayments	(5 000 000)	(3 042 400)	(5 000 000)	(3 042 400)
Preference shares re-classified to originated loans	-	(15 500 000)	-	(15 500 000)
Write-off	(8 000 000)	(49 698 238)	(8 000 000)	(49 698 238)
Closing balance	**-**	**13 000 000**	**-**	**13 000 000**
Provision for Impairment	**-**	**(8 000 000)**	**-**	**(8 000 000)**
– Opening balance	(8 000 000)	(23 774 367)	(8 000 000)	(23 774 367)
– Impairments for the year	-	7 840 107	-	7 840 107
– Write-offs	8 000 000	7 934 260	8 000 000	7 934 260
Net Preference shares balance	**-**	**5 000 000**	**-**	**5 000 000**

Financials

	Group		Trust	
	2019 R	Restated 2018 R	2019 R	2018 R
14 Finance lease receivables				
Opening Balance	233 146 951	300 615 667	233 146 951	300 615 667
Net movement for the year	**(23 633 325)**	**(67 468 716)**	**(23 633 325)**	**(67 468 716)**
Additions	12 236 364	19 964 897	12 236 364	19 964 897
Interest capitalised	20 968 286	24 081 219	20 968 286	24 081 219
Repayments	(39 872 994)	(50 706 471)	(39 872 994)	(50 706 471)
Write-offs	(16 964 981)	(60 808 361)	(16 964 981)	(60 808 361)
Closing balance	**209 513 626**	**233 146 951**	**209 513 626**	**233 146 951**
Provision for Impairment	**(43 414 481)**	**(43 603 426)**	**(43 414 481)**	**(43 603 426)**
– Opening balance	(43 603 426)	(45 355 224)	(43 603 426)	(45 355 224)
– Impairments for the year	(16 776 036)	(59 056 563)	(16 776 036)	(59 056 563)
– Write-offs	16 964 981	60 808 361	16 964 981	60 808 361
Net Finance Lease Receivable balance	**166 099 145**	**189 543 525**	**166 099 145**	**189 543 525**
Gross investment in leases due	**185 327 779**	**266 954 903**	**185 327 779**	**266 954 903**
– within one year	64 036 484	57 772 151	64 036 484	57 772 151
– in second to fifth year inclusive	121 291 295	194 240 520	121 291 295	194 240 520
– after 5 years	-	14 942 232	-	14 942 232
Less: Unearned finance income	(23 608 759)	(33 807 952)	(23 608 759)	(33 807 952)
Gross value of minimum lease payments receivable	161 719 020	233 146 951	161 719 020	233 146 951
Less: Allowance for uncollectable minimum lease payments	(43 414 481)	(43 603 426)	(43 414 481)	(43 603 426)
Gross value	**118 304 539**	**189 543 525**	**118 304 539**	**189 543 525**
Present value of minimum lease payments due				
– within one year	53 689 028	41 209 403	53 689 028	41 209 403
– in second to fifth year inclusive	108 029 992	157 692 191	108 029 992	157 692 191
– after 5 years	-	14 240 107	-	14 240 107
	161 719 020	213 141 701	161 719 020	213 141 701
Less: Allowance for uncollectable minimum lease payments	(23 598 176)	(23 598 176)	(23 598 176)	(23 598 176)
Carrying amount of minimum lease payments	**138 120 844**	**189 543 525**	**138 120 844**	**189 543 525**
Net Finance Lease Receivable balance	**166 099 145**	**189 543 525**	**166 099 145**	**189 543 525**
Current Portion	53 689 028	41 209 403	53 689 028	41 209 403
Long Term Portion	112 410 117	148 334 122	112 410 117	148 334 122

The average lease term is 5 years (2018: 5 years) and the average effective lending rate is 7.88% (2018: 7.5%).

	Group		Trust	
	2019 R	Restated 2018 R	2019 R	2018 R

15 Investments held for trade

Fair value balance at beginning of year	44 507 500	53 207 276	44 507 500	53 207 276
Additions	-	-	-	-
Disposals	(15 000 000)	-	(15 000 000)	-
	29 507 500	**53 207 276**	**29 507 500**	**53 207 276**
Fair value (losses)/gains	(1 219 217)	(8 699 776)	(1 219 217)	(8 699 776)
Disposals	-	-	-	-
Fair value balance at end of year	**28 288 283**	**44 507 500**	**28 288 283**	**44 507 500**
Investments held for trade				
Listed securities				
Interwaste Holding Ltd	**-**	**10 625 000**	**-**	**10 625 000**
Hospitality Fund B	**28 288 283**	**33 882 500**	**28 288 283**	**33 882 500**
	28 288 283	**44 507 500**	**28 288 283**	**44 507 500**

16 Current asset held for sale

Opening balance	-	829 600	-	829 600
Additions	1 404 400	2 042 300	1 404 400	2 042 300
Disposal	(331 000)	(2 871 900)	(331 000)	(2 871 900)
Closing balance	**1 073 400**	**-**	**1 073 400**	**-**

The current asset held for sale balance is made up of the vehicles received from the donor, which are yet to be distributed to clients at the NEF's discretion.

17 Inventories

Finished goods	5 700 068	5 282 353	-	-
Pallets, trolleys and bins	773 718	-	-	-
Lightning and surge protection goods	2 798 169	3 424 433	-	-
Lightning and surge protection goods in transit	149 918	221 944	-	-
	9 421 873	**8 928 730**	**-**	**-**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

		Group		Trust	
		2019	Restated 2018	2019	2018
		R	R	R	R
18	**Trade and other receivables**				
	Trade receivables	16 975 662	14 758 397	-	-
	Deposits	1 850 161	1 827 863	1 845 161	1 822 863
	VAT	56 186	1 115 748	-	-
	Other receivables	26 848 353	2 654 949	16 304 199	683 294
	Total	**45 730 362**	**20 356 957**	**18 149 360**	**2 506 157**

Other receivables includes R12 million receivable for sale of Delswa property and R11 million admin fees charged on DRDLR.

	Group			
	2019		Restated 2018	
	Carrying amount	Fair value	Carrying amount	Fair Value
	R	R	R	R

19 Financial assets

	Group			
Loans and receivables	**1 973 142 553**	**1 973 142 553**	**1 935 733 911**	**1 935 733 911**
- Originated loans	1 761 313 046	1 761 313 046	1 720 833 429	1 720 833 429
- Preference shares	-	-	5 000 000	5 000 000
- Finance leases	166 099 145	166 099 145	189 543 525	189 543 525
- Trade and other receivables	45 730 362	45 730 362	20 356 957	20 356 957
Investments held at fair value	**1 251 283 367**	**1 251 283 367**	**1 615 318 455**	**1 615 318 455**
- Unlisted non-associate equity investments	354 885 942	354 885 942	411 429 104	411 429 104
- Listed non-associate equity investments	896 379 425	896 379 425	1 203 871 351	1 203 871 351
- Unincorporated equity investments	18 000	18 000	18 000	18 000
Investment in associates	**66 411 035**	**66 411 035**	**84 762 324**	**84 762 324**
Investments held for trade	**28 288 283**	**28 288 283**	**44 507 500**	**44 507 500**
- Listed equity	28 288 283	28 288 283	44 507 500	44 507 500
Total	**3 319 125 238**	**3 319 125 238**	**3 680 322 190**	**3 680 322 190**

	Trust			
Loans and receivables	**2 045 883 960**	**2 045 883 960**	**2 069 030 276**	**2 069 030 276**
- Originated loans (Refer to Note 12)	1 861 635 455	1 861 635 455	1 871 980 594	1 871 980 594
- Preference shares (Refer to Note 13)	-	-	5 000 000	5 000 000
- Finance leases (Refer to Note 14)	166 099 145	166 099 145	189 543 525	189 543 525
- Trade and other receivables (Refer to Note 18)	18 149 360	18 149 360	2 506 157	2 506 157
Investments held at fair value	**1 251 283 367**	**1 251 283 367**	**1 615 318 455**	**1 615 318 455**
- Unlisted non-associate equity investments (Refer to Note 11.1)	354 885 942	354 885 942	411 429 104	411 429 104
- Listed non-associate equity investments (Refer to Note 11.1)	896 379 425	896 379 425	1 203 871 351	1 203 871 351
- Unincorporated equity investments (Refer to Note 11.2)	18 000	18 000	18 000	18 000
Investment in associates (Refer to Note 9)	**66 411 035**	**66 411 035**	**84 762 324**	**84 762 324**
Investments held for trade	**924 667 708**	**924 667 708**	**1 248 378 851**	**1 248 378 851**
- Listed equity (Refer to Note 15)	28 288 283	28 288 283	44 507 500	44 507 500
Total	**3 391 866 645**	**3 391 866 645**	**3 813 618 555**	**3 813 618 555**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

19 Financial assets (continued)

Fair value hierarchy

The following table details the fair value hierarchy as defined in IFRS 7 for the investments carried at fair value in the financial statements:

	Level 1 R	Level 2 R	Level 3 R	Total R
2019				
Financial assets at fair value through profit and loss	**28 288 283**	**–**	**66 429 035**	**94 717 318**
Associates	-	-	66 411 035	66 411 035
Unincorporated equity investments	-	-	18 000	18 000
Investments held for trade	28 288 283	-	-	28 288 283
Non-associate equity investments	**896 379 425**	**–**	**354 885 942**	**1 251 265 367**
Listed equities	896 379 425	-	-	896 379 425
Unlisted equities	-	-	354 885 942	354 885 942
Total	**924 667 708**	**–**	**421 314 977**	**1 345 982 685**
2018				
Financial assets at fair value through profit and loss	**44 507 500**	**–**	**84 780 324**	**129 287 824**
Associates	-	-	84 762 324	84 762 324
Unincorporated equity investments	-	-	18 000	18 000
Investments held for trade	44 507 500	-	-	44 507 500
Non-associate equity investments	**1 203 871 351**	**–**	**411 429 104**	**1 615 300 455**
Listed equities	1 203 871 351	-	-	1 203 871 351
Unlisted equities	-	-	411 429 104	411 429 104
Total	**1 248 378 851**	**–**	**496 209 428**	**1 744 588 279**

19 Financial assets (continued)

Reconciliation of financial assets held at fair value

	Level 1 R	Level 2 R	Level 3 R	Total R
2019				
Opening balance for the year	1 248 378 851	-	496 209 428	1 744 588 279
Additions - Cost	-	-	10 728 836	10 728 836
Sales/Transfers	(15 000 000)	-	(671 935)	(15 671 935)
Fair value adjustments recognised in profit and loss	(308 711 143)	-	(84 951 386)	(393 662 529)
Closing balance	**924 667 708**	**–**	**421 314 943**	**1 345 982 651**

Reconciliation of financial assets held at fair value

	Level 1 R	Level 2 R	Level 3 R	Total R
2018				
Opening balance for the year	1 287 220 928	-	398 875 680	1 686 096 608
Additions - Cost	-	-	63 851 278	63 851 278
Sales/Transfers	-	-	1 998 273	1 998 273
Fair value adjustments recognised in profit and loss	(38 842 077)	-	31 484 197	(7 357 880)
Closing balance	**1 248 378 851**	**–**	**496 209 428**	**1 744 588 279**

Valuations based on observable inputs

Valuations based on observable inputs include:

Level 1

Financial instruments valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

This category comprises active listed equities.

Level 2

Financial instruments valued using inputs other than quoted prices as described above for Level 1 but which are observable for the asset or liability, either directly or indirectly, such as:

– quoted price for similar assets or liabilities in an active market;

- quoted price for identical or similar assets or liabilities in inactive markets;

- valuation model using observable inputs; and

- valuation model using inputs derived from/corroborated by observable market data.

The portfolio of the fund does not comprise any financial assets that are valued on the basis mentioned above.

19 Financial assets (continued)

Level 3

Financial instruments valued using inputs that are not based on observable market data (unobservable data) such as an entity's own assumptions about assumptions of market participants in pricing the asset or liability.

This category includes certain private equity investments, equity derivatives and loans and advances in the form of shareholder loans that have been classified as equity.

In determining the value of Level 3 financial instruments, the following are the principal inputs that can require judgement:

(i) Future earnings and marketability discounts

Future earnings and marketability discounts are key inputs in the valuation of certain private equity investments. Forecast earnings and marketability discounts are unobservable for some investments.

(ii) Comparator multiples

Comparator multiples and point of difference applied to chosen multiples are key inputs in the valuation of certain private equity investments. Price earnings multiples and point of difference applied to chosen multiples are unobservable for some investments.

(iii) Discount rates

Discount rates are key inputs in the valuation of certain private equity investments. Discount rates are unobservable for some investments.

Unobservable inputs are determined on the basis of the best information available and may include reference to similar instruments, similar maturities, appropriate proxies or other analytical techniques.

Sensitivity Analysis

Level 3 Contributors	Carrying Amount	Effect of 1% Sensitivity adjustment	Effect of 10% Sensitivity adjustment
2019			
Associates	66 411 035	664 110	6 641 104
Unincorporated equity investments	18 000	180	1 800
Unlisted equities	354 885 942	3 548 859	35 488 594
	421 314 977	**4 213 150**	**42 131 498**
2018			
Associates	84 762 324	847 623	8 476 232
Unincorporated equity investments	18 000	180	1 800
Unlisted equities	411 429 104	4 114 291	41 142 910
	496 209 428	**4 962 095**	**49 620 943**

		Notes	Group 2019 R	Group Restated 2018 R	Trust 2019 R	Trust 2018 R
20	**Cash and cash equivalents**					
	In relation to the cash flow statement, cash and cash equivalents					
	Bank balances					
	– Current accounts		22 072 560	331 812 868	17 008 930	327 642 758
	– Short-term bank deposits		1 001 685 443	807 145 136	1 000 488 382	806 157 381
	– Cash on hand		203 052	159 396	897	1 643
	Total		**1 023 961 055**	**1 139 117 400**	**1 017 498 209**	**1 133 801 782**

The effective interest rate on short-term deposits was 6.16% (2018 - 6.16%). Cash reserves include commitments and third party contributions as per below table.

		Notes	Group 2019 R	Group Restated 2018 R	Trust 2019 R	Trust 2018 R
	Unencumbered Cash – Trust					
	– Current accounts				1 017 498 209	1 133 801 782
	– Short-term bank deposits				(554 384 817)	(682 512 189)
	– Cash on hand	30.4			(183 617 382)	(356 895 179)
	Total				**279 496 010**	**94 394 414**
21	**Trust capital**					
	Investment in listed shares					
	– At cost				171 000 000	171 000 000
	Cash funds received from **the dti:**				**2 297 431 472**	**2 297 431 472**
	– Opening Balance				2 297 431 472	2 297 431 472
	Closing balance				**2 468 431 472**	**2 468 431 472**
22	**Instalment Sale Agreement**					
	Wesbank		709 045	-	-	-
	Zastrovect Investments (Pty) Ltd purchased certain vehicles under instalment sale agreement. The average terms of these agreements are 5 years.					
	Non-current liabilities					
	At amortised cost		564 819	-	-	-
	Current liabilities					
	At amortised cost		**144 226**	**-**	**-**	**-**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

	Notes	Group 2019 R	Group Restated 2018 R	Trust 2019 R	Trust 2018 R
23 Trade and other payables					
Trade payables		23 824 217	12 562 116	9 168 855	4 482 023
Lease accrual		520 424	430 640	520 424	430 641
Income received in advance		-	379 000	-	-
External contributions	30.4	160 056 097	214 679 394	160 056 097	214 679 394
Accruals		**58 222 681**	**57 420 557**	**56 520 046**	**51 784 136**
- Performance awards		41 459 474	40 719 849	41 459 474	40 719 849
- Supplier accruals		7 006 094	8 185 302	6 258 115	3 532 615
- Leave pay		9 757 113	8 515 406	8 802 457	7 531 672
Total		**242 623 419**	**285 471 707**	**226 265 422**	**271 376 194**

The carrying amount of trade payables approximates fair value and is payable within 30 days.

24 Related party transactions

Executive Authority	Department of Trade and Industry
Other related parties	Board of Trustees (refer Note 31)
	Department of Arts and Culture
	Department of Rural Development and Land Reform
	Department of Economic Development – Western Cape
	Department of Tourism
	Investments in associates
	Investments in subsidiaries

Related party balances in respect of Investments in Associates and Subsidiaries

		Loans receivable before impairment		Investments at cost	
	% 2019 Holding	2019 R	2018 R	2019 R	2018 R
Allimor Footwear (Pty) Ltd	**30,00%**	8 454 395	7 163 960	30	30
Amazin Hotels (Pty) Ltd	**20,0%**	45 243 910	41 068 784	12 350 000	12 350 000
Business Venture Investments (Pty) Ltd	**30,0%**	19 631 760	19 337 777	30	30
Colliery Dust Control (Pty) Ltd	**40,1%**	-	-	401	401
Crowie Holdings (Pty) Ltd	**25,1%**	-	3 087	25 000 000	25 000 000
Delswa Trading (Pty) Ltd (Subsidiary)	**100,0%**	-	47 838 285	1	1
False Bay Bricks (Pty) Ltd	**30,0%**	-	-	300	300
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	**30,0%**	6 177 055	17 682 936	300	300
Global Wheel (Pty) Ltd	**32,0%**	44 325 481	49 659 970	32	32
Golden Dice Foods (Pty) Ltd	**49,0%**	18 478 750	12 434 487	49	49
Gradoscope (Pty) Ltd	**49,0%**	14 735 304	13 367 351	26	11 300 000
Graskop Gorge Lift Company (Pty) Ltd	**26,1%**	33 788 105	32 431 989	2 200 000	2 200 000
Hoogland Farm (Pty) Ltd	**50,0%**	-	-	50	50
Imbaza Mussel (Pty) Ltd	**25,0%**	3 782 858	4 491 451	300	300
Jaff and Company (Pty) Ltd	**30,0%**	-	-	18 000	18 000
Joy House Academy (Pty) Ltd	**45,0%**	-	-	8 543 080	8 543 080
Karbochem Co-generation (Pty) Ltd	**30,0%**	-	-	12 000 000	12 000 000
Kenako (Pty) Ltd	**49,0%**	-	-	6 071 189	6 071 189
Mabele Fuels (Pty) Ltd	**20,1%**	-	-	62 356 475	62 356 475
Magoveni Pharmaceuticals (Pty) Ltd	**25,0%**	16 889 050	10 952 657	333	333
M-Care Operating Company (Pty) Ltd	**22,5%**	30 681 212	28 211 886	2 250	2 250
M-Care Property Company (Pty) Ltd	**22,5%**	-	-	2 250	2 250
M-Care Management Company (Pty) Ltd	**30,0%**	-	-	300	300
Middelsdrift Dairy (Pty) Ltd	**40,0%**	4 300 000	6 710 626	4 500 000	4 500 040
Mohale Agricultural Co-operative	**45,0%**	14 333 741	14 780 637	450	450
Mopadi Molamu (Pty) Ltd	**20,0%**	10 193 703	9 451 764	200	200
National Empowerment Fund Corporation SOC Ltd (Subsidiary)	**100,0%**	24 477 664	25 261 490	100	100

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

	% 2019 Holding	Loans receivable before impairment 2019 R	Loans receivable before impairment 2018 R	Investments at cost 2019 R	Investments at cost 2018 R
24 Related party transactions (continued)					
Petrocom (Pty) Ltd	30,0%	18 300 566	25 642 386	30	30
Pyratrade (Pty) Ltd	30,0%	18 010 026	18 010 026	30	30
Rapid Purple Waters Trading (Pty) Ltd	25,0%	25 061 131	22 667 293	450	450
Rhino Ridge Lodge (Pty) Ltd	33,3%	23 220 166	24 111 698	333	770
Royal Thonga Safari Lodge (Pty) Ltd	36,0%	10 862 689	10 650 420	36	36
Salamax (Pty) Ltd	40,0%	1 345 129	630 938	3 153 417	3 153 417
Sehwai Exploration Drilling (Pty) Ltd	45,0%	2 763 684	-	112	112
Stutt Brick Company (Pty) Ltd	49,0%	13 433 547	-	30 499 181	30 499 181
Super Grand Agric (Pty) Ltd	30,00%	8 857 951	12 280 701	45	45
Surgetek (Pty) Ltd (Subsidiary)	100,00%	20 423 576	541 706	13 271 178	100
Unique Engineering (Pty) Ltd	49,0%	2 444 227	-	490	490
Value Cement (Pty) Ltd	25,8%	12 543 300	45 939 895	31	31
Willowvale (Pty) Ltd	45,0%	15 984 644	17 730 649	450	450
Zastrovect Investments (Pty) Ltd (Subsidiary)	100,0%	67 470 033	67 281 893	6 178 104	6 178 104
Total		**536 213 658**	**586 336 740**	**186 150 032**	**184 179 405**

	Note	Group 2019 R	Group Restated 2018 R	Trust 2019 R	Trust 2018 R

25 Interest and Dividend Income

	Note	Group 2019 R	Group Restated 2018 R	Trust 2019 R	Trust 2018 R
Interest – cash		75 134 399	73 311 704	75 129 103	73 311 704
Interest – preference shares		-	6 725 546	-	6 725 546
Interest – originated loans		216 910 966	187 982 012	230 469 831	199 899 348
Interest - finance leases		20 968 286	24 081 219	20 968 286	24 081 219
Interest – other		3 091 149	-	3 091 149	-
Dividends		59 047 738	88 461 859	59 047 738	88 461 859
		375 152 538	**380 562 340**	**388 706 107**	**392 479 676**

26 Sundry Income

	Note	Group 2019 R	Group Restated 2018 R	Trust 2019 R	Trust 2018 R
Bad debts recovered		5 781 291	8 353 061	5 781 291	8 353 061
Capital raising fee		3 623 881	4 848 123	3 623 881	4 848 123
DRDLR Admin fee		24 659 981	-	24 659 981	-
Enterprise Development admin fees		5 750 000	2 000 000	5 750 000	2 000 000
Other income		6 360 871	1 680 610	5 063 641	484 513
External contributions		1 404 400	2 112 062	1 404 400	2 112 062
		47 580 424	**18 993 856**	**46 283 194**	**17 797 759**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

			Note	Trust 2019 R	2018 R
27	**Administration expenses**				
	Net operating income is arrived at after taking into account:				
	Auditors' remuneration			**3 269 038**	**2 882 552**
	– For external audit fees			1 956 644	1 786 643
	– Internal audit–outsourced fees			1 312 394	1 095 909
	Professional fees			**21 491 947**	**22 162 297**
	– Human resources			415 989	372 449
	– Information technology			1 908 209	1 116 242
	– Legal fees			15 276 571	16 423 328
	– Finance			135 364	98 977
	– Risk management			323 200	400 534
	– Strategy			320 686	397 316
	– Investments			3 111 928	3 353 451
	Depreciation		4	**1 260 907**	**969 660**
	– Motor vehicles			171 490	-
	– Computer equipment			906 085	855 640
	– Audio visual equipment			66 867	-
	– Office equipment			16 678	15 428
	– Furniture and fittings			16 846	8 191
	– Other assets			2 916	2 916
	– Leasehold improvements			80 025	87 485
	Amortisation of intangible assets		6	**405 833**	**52 431**
	Repairs and maintenance			**1 264 926**	**773 672**
	Operating lease rentals			**10 550 776**	**12 880 199**
	– Property rental			10 187 459	11 420 029
	– Equipment rental			363 317	1 460 170
	Total staff costs			**171 942 216**	**162 599 693**
	- Salaries and other benefits			159 641 273	150 630 166
	- Provident fund contributions			12 300 943	11 969 527
	Other operating expenses			**47 291 368**	**49 164 327**
				257 477 011	**251 484 831**
	Trustees and senior management emoluments		31	**19 275 465**	**19 357 183**
	Headcount at year end			168	161

	Group 2019 R	Group Restated 2018 R	Trust 2019 R	Trust 2018 R
28 Taxation				
Deferred tax				
- Opening balance	2 585 438	-	-	-
- Current year	(145 300)	2 585 438	-	-
	2 440 138	**2 585 438**	**-**	**-**

Deferred tax arose as a result of the unrealised fair value adjustment on the investment property held by National Empowerment Fund Corporation SOC Limited and the lease smoothing asset from rental income receivable by National Empowerment Fund Corporation SOC Limited from Zastrovect Investments (Pty) Ltd. It should be further noted that the NEF is now a registered VAT vendor.

The South African Revenue Service (SARS) confirmed that the application for exemption from income tax for National Empowerment Fund Corporation SOC Limited has been approved. Income Tax Exemption has been granted in terms of Section 10(1)(cA)(ii) of the Act. The exemption approval is subject to review on an annual basis by the Tax Exemption Unit upon receipt of the annual income tax return.

29 Impairment charge

	Group 2019 R	Group Restated 2018 R	Trust 2019 R	Trust 2018 R
Originated loans	194 585 299	102 459 874	247 731 707	102 459 874
Preference shares	-	(7 840 107)	-	(7 840 107)
Finance leases	16 776 036	59 056 563	16 776 036	59 056 563
Impairment for the year	**211 361 335**	**153 676 329**	**264 507 743**	**153 676 329**

Refer to Notes 12 to 14 as a reference per investment instrument.

30 Commitments

30.1 Operating lease commitments – property rentals

The future minimum lease payments on office premises rentals under operating leases are as follows:

	Trust 2019 R	Trust 2018 R
Not later than 1 year	6 425 955	8 684 804
Later than 1 year but not later than 5 years	3 737 039	6 921 894
	10 162 994	**15 606 698**

Operating lease payments represent rentals payable by the Trust for office properties. Leases are negotiated for an average term of between 2 to 5 years, with an average escalation of 9% per annum.

30.2 Undrawn loans and investments

	Trust 2019 R	Trust 2018 R
Not later than 1 year	**578 103 436**	**578 103 436**

Payment will be made out of cash reserves.

30.3 Loans and investments approved and committed, but not yet contracted

	Trust 2019 R	Trust 2018 R
Not later than 1 year	**461 303 932**	**461 303 932**

Payment will be made out of cash reserves.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

	Trust 2019 R	Trust 2018 R
30 Commitments (continued)		
30.4 External Contributions		
Unconditional contributions recognised in Sundry Income		
Opening balance	142 215 785	164 998 716
Total income	-	69 762
- Contributions received	-	-
- Interest earned on contributions received	-	69 762
- Funds disbursed	(118 654 499)	(22 852 693)
- Contributions available for investment	23 561 286	142 215 785
Conditional Funding		
Other Conditional Contributions recognised in current liabilities		
Opening Balance	48 066 217	28 671 905
- Contributions received	102 446 914	38 000 000
- Funds disbursed	(118 329 933)	(18 605 688)
	32 183 198	**48 066 217**
DRDLR – Conditional Contributions recognised in current liabilities		
Opening Balance	166 613 177	282 778 365
- Contributions received	-	9 000 000
- Capitalised Interest	6 865 772	18 457 243
- Funds disbursed	(33 873 797)	(143 622 431)
- Admin fee receivable	(11 732 254)	-
	127 872 898	**166 613 177**
Total Liability*	**160 056 096**	**214 679 394**
Total contributions available for future disbursements*	**183 617 382**	**356 895 179**

*Note that these balances are included in values in Note 23.

31 Trustees and senior management emoluments

	Basic R	Bonuses & performance payments R	Acting allowance* R	Long-term bonus payments R	Provident fund contributions R	Other contributions R	Fees to Non-Executive Trustees R	Total R
Year ended 31 March 2019								
Executive trustees:								
P Mthethwa (CEO)	3 268 198	1 993 828	-	-	641 640	162 853	-	6 066 520
I Pule (CFO)	647 187	-	-	-	76 417	53 951	-	777 556
	3 915 386	**1 993 828**	**–**	**–**	**718 057**	**216 805**	**–**	**6 844 075**
Senior Management:								
S Molepo (Divisional Executive)	2 252 594	579 078	176 480	-	324 122	161 964	-	3 494 238
H Makhathini (Divisional Executive)	1 934 356	1 152 706	-	-	280 253	214 397	-	3 581 712
M Dayimani (General Counsel)	1 905 949	1 127 869	-	-	282 212	148 910	-	3 464 940
	6 092 899	**2 859 652**	**176 480**	**–**	**886 587**	**525 271**	**–**	**10 540 890**
Non-executive trustees:								
R Garach (Chairman)	-	-	-	-	-	-	495 563	495 563
Mr Ernest Kwinda	-	-	-	-	-	-	431 066	431 066
Ms Lerato Cynthia Molefe	-	-	-	-	-	-	324 025	324 025
Ms Nthabiseng Moleko	-	-	-	-	-	-	298 246	298 246
Ms Nonkqubela Maliza	-	-	-	-	-	-	341 600	341 600
	–	**–**	**–**	**–**	**–**	**–**	**1 890 500**	**1 890 500**
TOTAL	**10 008 285**	**4 853 480**	**176 480**	**–**	**1 604 644**	**742 076**	**1 890 500**	**19 275 465**

*S Molepo (Divisional Executive) has been seconded to a fellow DFI entity within **the dti** as from 1 December 2018.

**Resigned effective from 1 August 2018.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

	Basic R	Bonuses & performance payments R	Acting allowance* R	Long-term bonus payments R	Provident fund contributions R	Other contributions R	Fees to Non-Executive Trustees R	Total R
31 Trustees and senior management emoluments (continued)								
Year ended 31 March 2018								
Executive trustees:								
P Mthethwa (CEO)	3 063 373	1 788 721	-	-	612 675	57 888	-	5 522 657
I Pule (CFO)	1 811 335	738 344	-	-	217 360	80 859	-	2 847 898
	4 874 708	**2 527 065**	**–**	**–**	**830 035**	**138 747**	**–**	**8 370 555**
Senior Management:								
S Molepo (Divisional Executive)	2 051 860	1 038 812	-	-	307 779	83 568	-	3 482 019
H Makhathini (Divisional Executive)	1 739 544	1 072 284	-	-	260 932	144 093	-	3 216 853
M Dayimani (General Counsel)	1 649 484	1 007 026	-	-	247 423	117 146	-	3 021 079
	5 440 888	**3 118 122**	**–**	**–**	**816 134**	**344 807**	**–**	**9 719 951**
Non-executive trustees:								
*Z Ntlangula	-	-	-	-	-	-	137 943	137 943
*N Pascal	-	-	-	-	-	-	196 727	196 727
*A Makwetla	-	-	-	-	-	-	262 758	262 758
R Garach (Chairman)	-	-	-	-	-	-	351 616	351 616
*J Williams	-	-	-	-	-	-	317 633	317 633
	–	**–**	**–**	**–**	**–**	**–**	**1 266 677**	**1 266 677**
TOTAL	**10 315 596**	**5 645 187**	**–**	**–**	**1 646 169**	**483 554**	**1 266 677**	**19 357 183**

*The non-executive trustee remuneration reflected above represents service between 1 April and 17 December 2017 due to term of these trustees coming to an end.

	Group		Trust	
	2019	Restated 2018	2019	2018
	R	R	R	R

32 Notes to the cash flow statement

Reconciliation of net deficit to cash flows from operating activities:				
Deficit for the year	**(461 332 178)**	**(58 091 029)**	**(490 955 292)**	**(64 574 449)**
Adjustment for:	**258 757 584**	**(160 765 068)**	**279 875 428**	**(131 314 739)**
Depreciation & amortisation	10 125 545	7 886 556	1 666 740	1 022 091
Interest received on cash and cash equivalents	(75 134 399)	(73 311 704)	(75 129 103)	(73 311 704)
Interest accrued on investments	(237 879 252)	(218 788 777)	(251 438 117)	(230 706 113)
Loss/(Profit) on disposal of fixed assets	(436 853)	148 317	(33 618)	148 317
Other non-cash items	9 772 456	(2 670 499)	417 963	(300 000)
Capital raising Fee	(3 623 881)	(4 848 123)	(3 623 881)	(4 848 123)
Write-offs	11 216 943	62 874 550	10 297 311	62 874 550
Dividends received	(59 047 738)	(88 461 859)	(59 047 738)	(44 643 960)
Impairment of investments	211 361 335	153 676 329	264 507 743	153 676 329
Fair value adjustments	393 662 528	7 357 880	393 662 528	6 816 174
Enterprise Development Allocation	(1 404 400)	(2 042 300)	(1 404 400)	(2 042 300)
Taxation	145 300	(2 585 438)	-	-
Operating deficit before working capital changes	**(202 574 594)**	**(218 856 097)**	**(211 079 864)**	**(195 889 188)**
Working capital changes	**(68 714 837)**	**(124 329 087)**	**(60 753 975)**	**(152 305 516)**
Decrease/(Increase) in Inventories	(493 143)	(4 884 786)	-	-
Decrease/(Increase) in trade and other receivables	(25 373 405)	(12 924 608)	(15 643 203)	(46 510 683)
(Decrease)/Increase in trade and other payables	(42 848 289)	(106 519 693)	(45 110 772)	(105 794 833)
Net cash inflows/(outflows) from operating activities	**(271 289 431)**	**(343 185 184)**	**(271 833 839)**	**(348 194 704)**

33 Investment Disbursements

Originated loans	360 530 343	364 327 901	360 530 343	364 327 901
Investments in Associates	3 472 192	44 628 037	3 472 192	44 628 037
Non-associate equity investments	4 950 000	271	4 950 000	271
Unincorporated equity investments	2 306 644	19 222 670	2 306 644	19 222 670
Finance leases	12 236 364	19 964 897	12 236 364	19 964 897
Non-cash additions*	-	(2 871 900)	-	(2 871 900)
Total disbursements	**383 495 543**	**445 271 876**	**383 495 543**	**445 271 876**

*Non-cash additions relate to enterprise development allocations (vehicles) disbursed to investee companies.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

	Group		Trust	
	2019 R	Restated 2018 R	2019 R	2018 R
34 Repayments on Originated Loans, Leases and Preference Shares				
Originated loans	334 569 969	414 934 077	334 569 969	414 934 077
Preference shares	5 000 000	3 042 400	5 000 000	3 042 400
Finance leases	39 872 994	50 706 471	39 872 994	50 706 471
Total disbursements	**379 442 963**	**468 682 948**	**379 442 963**	**468 682 948**

35 Reconciliation of statement of financial performance to budget

35.1 Revenue

Revenue is above budget mainly due to interest income earned on the bank accounts as a result of lower disbursements made than budgeted.

35.2 Sundry income

The unfavourable variance is as a result of external unconditional contributions that were anticipated to be received in the current financial year, as well as low capital raising fees received due to low disbursement activity.

35.3 Total expenses

R19.5 million of the saving on total expenses is mainly as a result of a reduced head count of 170, against a budget of 176 and implementation of cost-cutting measures.

35.4 Impairments and Write-offs

"The impairment charge for the year is R109.9 million above budget due to increased number of non-performing investments handed over to the Legal Department for recovery compared to planned impairment. NEF uses a standard impairment model in the form of a matrix. The matrix contains formulas that use inputs to determine the impairment amount per debt instrument. Inputs of the impairment provision include number of days in arrears, risk rating, value of collateral etc. Furthermore it impaires legal transactions at 100%.

However this is also impacted by unbudgeted write offs of R32 million during the year, with a net unfavourable variance of R124 million. "

35.5 Fair value losses

The unbudgeted net fair value loss of R350 million comprises fair value loss in non-associate equity investments of R368.8 million, significantly affected by listed equities (mainly MTN which declined by R307 million). Investments in associates had a fair value gain of R22.2 million.

36 Fruitless and wasteful expenditure

There was no fruitless and wasteful expenditure during the current financial year.

37 Unauthorised, irregular expenditure

There was no unauthorised and irregular expenditure during the current financial year.

38 Income tax exemption

The Trust is exempt from income tax in terms of Sections 10 (1)(cA) of the Income Tax Act.

39 National Empowerment Fund Corporation (SOC) Ltd

The Trust established the entity, in which it has a 100% interest, in 2002, as provided for in the NEF Act. The company holds a strategic investment property from which it earns rental income. The Trust obtained permission from the National Treasury under Section 54 of the PFMA that the Trust may utilise this entity in any of its future Investment activities. The company has a tax exemption effective as 25 April 2017.

40 Contingent liability

40.1 Matter with an Investee Company

An Investee company went into liquidation and the NEF and its attorneys were not aware of any contributions that were required towards to the costs of liquidation nor that the liquidation of the business had become final. Funds were attached from NEF's bank account, however the NEF's legal process stopped the funds being transferred to the Sheriff's account. The claim is for R3.2 million which the NEF is currently defending.

40.2 Matter with an Investee Company

An Investee company of the NEF was advanced a loan facility. The Company defaulted on the repayment of the loan, and the NEF exercised its rights by instituting legal proceedings against the company and the guarantor. The Investee company is now seeking a counter-claim against the NEF for damages it allegedly suffered as a result of the NEF's action against it and the losses incurred in the business. The claim is for R587 million, which the NEF is defending.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019 (continued)

40.3 Matter with an Investee Company

An Investee company of the NEF was advanced a loan facility. The Investee company defaulted on the repayment of the loan, and the NEF exercised its rights by instituting legal proceedings against the company. The Investee company subsequently sued the NEF for damages which were allegedly suffered as a result of the NEF not disbursing the second tranche of the funding. The claim is for R54.1 million, which the NEF is defending.

40.4 Matter with an Investee Company

An Investee company of the NEF was advanced a loan facility. The Investee Company then defaulted on the repayment of the loan, and thus the NEF exercised its rights by applying for the bond to be perfected and placing a security services company on the Investee company's premises. The Investee company then sued the NEF for damages suffered as the Investee Company allegedly lost income as a result of the NEF placing the security services company on the premises. The claim is for R450 million, which the NEF is defending.

40.5 The Commission for Conciliation Mediation and Arbitration (CCMA) matter

A recently dismissed employee instituted a case for unfair dismissal against the NEF. The NEF believes that the case can be favourably defended. The case is ongoing and the outcome of the matter cannot be reliably predicted and measured at reporting date and consequently no provision has been recognised.

41 Segment reporting

The NEF has offices throughout the nine provinces in the country, so as to increase its accessibility and coverage. Each of the satellite offices operates independently in carrying out the mandate of the NEF. In accordance with GRAP 18 - Segment Reporting, the Trust is required to report on performance aspects of its segments. Below is a segmental report indicating the operating costs and fixed asset outlay per segment. There is no transfer pricing between the various regional operations presented below, meaning that there are significant costs borne by head office, but attributable to the regions.

Operating expenditure per segment

Category	Gauteng	Free State	Limpopo	Eastern Cape	Mpumalanga	KZN	North West	Western Cape	Northern Cape	Total
Employee Costs	152 889 145	1 720 234	2 014 928	2 054 047	2 673 126	3 164 857	1 877 405	2 238 453	1 159 124	169 791 318
Other Operating Expenses	83 918 607	642 631	330 377	454 949	486 546	409 485	475 134	735 683	773 315	88 226 729
Total Base Costs	**236 807 752**	**2 362 865**	**2 345 305**	**2 508 996**	**3 159 672**	**3 574 342**	**2 352 540**	**2 974 136**	**1 932 439**	**258 018 047**
Non-current assets per region										
Property and equipment at cost	8 753 586	60 683	60 930	39 022	34 429	35 811	31 159	18 010	478 887	9 512 517
Accumulated depreciation	(5 543 080)	(60 683)	(60 930)	(21 010)	(34 429)	(17 246)	(13 147)	(17 167)	(276 800)	(6 044 491)
Net carrying amount	**3 210 507**	**-**	**-**	**18 012**	**-**	**18 565**	**18 012**	**843**	**202 087**	**3 468 026**

The Trust has prepared the line-by-line consolidated annual financial statements for the first time in 2018/19 financial year. The full consolidation was triggered by revised GRAP 100 which requires the Trust to consolidate all its subsidiaries line-by-line in terms of GRAP 6. Previously, the Trust had consolidated its subsidiaries (except NEFCORP) on net basis in terms of IFRS 5 (Non-current assets held for sale). Since the revised GRAP 100 become effective before 2018/19, the Trust has restated group annual financial statements for 2017/18 as required by GRAP 3.

42 Prior Period Restatement

Statement of Financial Position

	As previously Reported 2017 R	Correction of error/ restatement 2017 R	Restated 2017 R
Assets			
Non-current assets			
Property, plant and equipment	23 606 564	13 109 989	36 716 553
Intangible assets	94 858	56 942	151 800
Investments in associates	67 924 461	-	67 924 461
Investments at fair value	1 564 964 871	-	1 564 964 871
Originated loans	1 390 892 866	(38 670)	1 390 854 196
Investment in preference shares	50 740 725	-	50 740 725
Finance lease receivables	216 779 830	-	216 779 830
Non-current assets classified as held for sale excl PPE, Intangible assets, inventories and cash.	106 833 194	(67 796 958)	39 036 236
Goodwill	38 062 815	-	38 062 815
Loan to Group companies	34 410 455	(34 410 455)	-
Investment in subsidiaries	9 560 088	(9 560 088)	-
Deferred Tax	973 421	-	973 421
Other non-current assets held for sale	23 826 415	(23 826 415)	-
Current assets			
Current portion of originated loans	315 865 877	-	315 865 877
Current portion of finance lease receivables	38 480 613	-	38 480 613
Investments held-for-trade	53 207 276	-	53 207 276
Current asset held for sale	829 600	-	829 600
Inventories	-	4 043 944	4 043 944
Trade and other receivables	1 512 371	5 919 978	7 432 349
Cash and cash equivalents	1 344 807 329	695 742	1 345 503 072
Total Assets	5 176 540 435	(44 009 032)	5 132 531 403
Net Assets and Liabilities			
Non-current liabilities			
Deferred tax	(563 705)	(334 945)	(898 650)
Liabilities directly associated with non-current assets classified as held for sale	(5 576 194)	5 576 194	-
Current liabilities			
Trade and other payables	(377 171 028)	(14 820 373)	(391 991 401)
Current tax payable	-	(628 631)	(628 631)
Shareholder loan	-	(477 791)	(477 791)
Total liabilities	**(383 310 927)**	**(10 685 546)**	**(393 996 473)**
Net impact on equity	**4 793 229 508**	**(54 694 579)**	**4 738 534 930**

Administration

31 March 2019

Trustees

Mr R Garach (Chairman)
Ms P Mthethwa (CEO)
*Ms I Pule (CFO)
**Mr Lebogang Serithi
Mr Ernest Kwinda
Mr Sipho Reginald Zikode
Ms Lerato Cynthia Molefe
Ms Nonkqubela Maliza
Dr Nthabiseng Moleko

* Resigned effective from 1 August 2018.
** Appointment effective from 15 April 2019.

Bankers

Standard Bank Limited
First National Bank Limited
Rand Merchant Bank
South African Reserve Bank

Auditors

SizweNtsalubaGobodo Grant Thornton Inc.

Business address

West Block
187 Rivonia Road
Morningside
2057

Postal address

PO Box 31
Melrose Arch
Melrose North
2076

Registered address

West Block
187 Rivonia Road
Morningside
2057

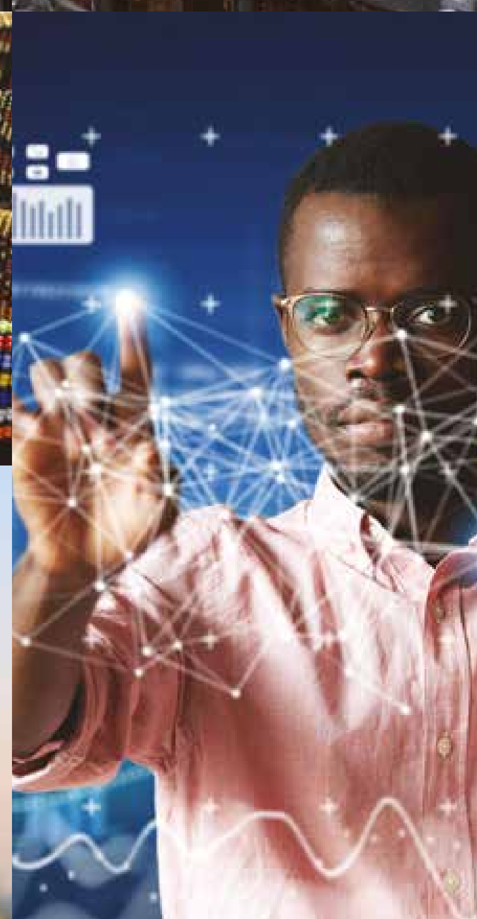
Notes

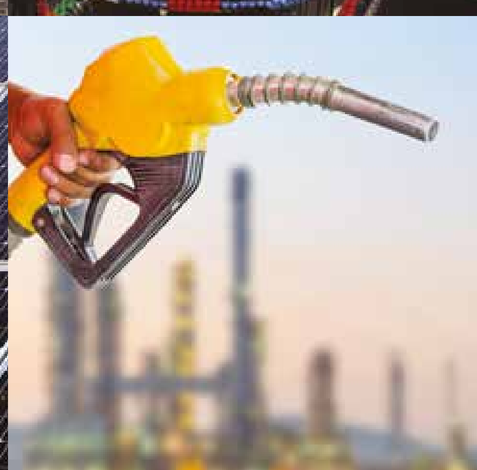
Notes








CONTACT INFORMATION

NATIONAL EMPOWERMENT FUND
Growing Black Economic Participation

Gauteng Province

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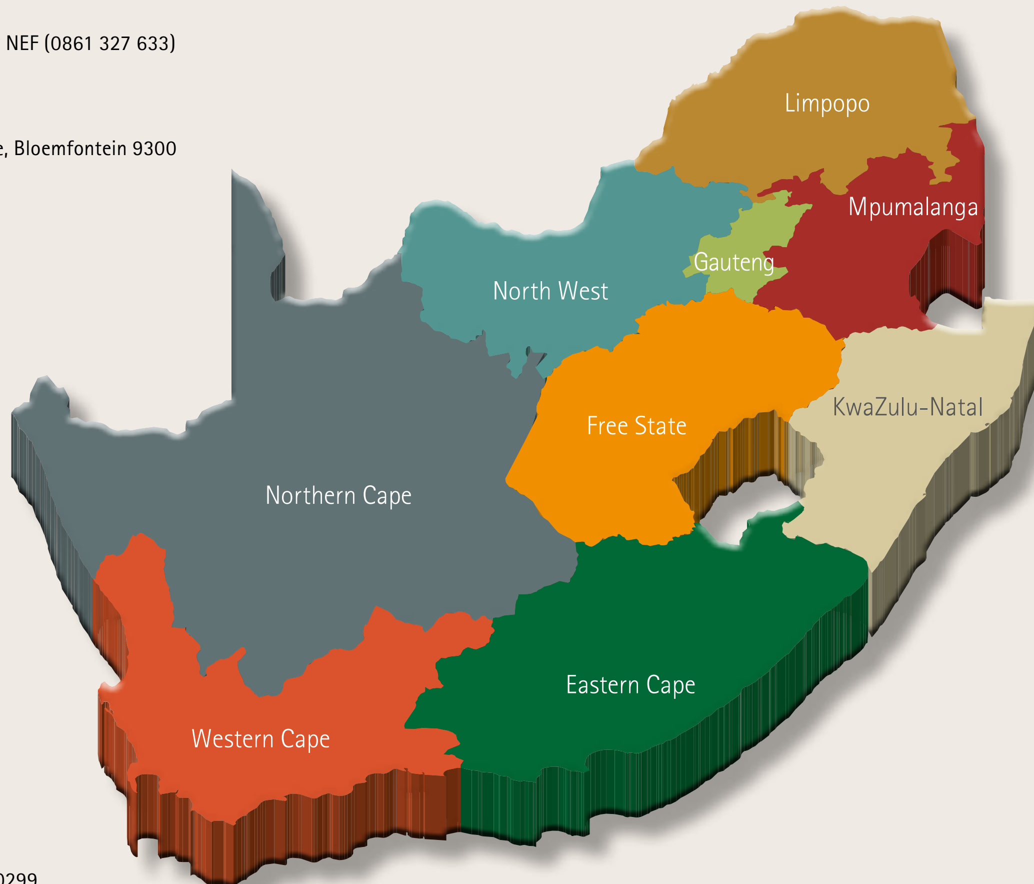

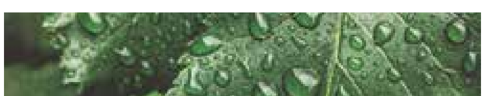
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