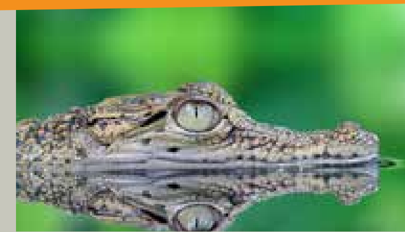
NATIONAL EMPOWERMENT FUND
INTEGRATED REPORT 2020

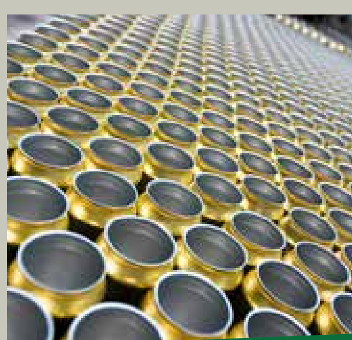
Pioneering Transformative Growth Beyond the Pandemic

NATIONAL EMPOWERMENT FUND
Growing Black Economic Participation



Explaining the cover of the Integrated Report 2020

The cover of this *Integrated Report 2020* portrays the aftermath of a crisis, where the stepping stones are a metaphor for the National Empowerment Fund, the development financier that exists for the service of black entrepreneurs who comprise women, rural and township communities as well as industrialists, by empowering their quest of inclusive growth. Once delivered safely to dry land after a catastrophe that almost devastated the economy, the NEF will be the mortar of hope, reconstruction and growth, providing innovative finance and non-financial support for a new and reimagined future. Through this bastion of renewal, black communities and entrepreneurs are assured of a partner that will continue to provide investor education, business-planning support, entrepreneurial training, incubation, rural and community development, innovative funding and mentorship support so that together the country can pioneer transformative growth beyond the pandemic.



NATIONAL EMPOWERMENT FUND (NEF)

INTEGRATED REPORT 2020

31 MARCH 2020

TABLE OF CONTENTS

Building the economy, brick by brick

Yet another development empowered by NEF funding

Having approved well over **R10 billion** for the empowerment of black entrepreneurs across the various sectors of South Africa's economy, there is no project that is too big or too small for the **National Empowerment Fund (NEF)** and its valued funding partners. Take this development, for instance, the construction of 312 social housing apartments in Kempton Park, Ekurhuleni, to be known as Kempton Village. Its scale and magnitude, its developmental essence and the entrepreneurial spirit that drives it are the attributes that have long since become the signature of the funder with a soul. As we contribute to the building of our nation, brick by brick, and with recapitalisation on the horizon, rural and township development as well as the growth of black industrialists can only go to greater heights, and with black women at the forefront.

FOREWORD BY THE MINISTER OF TRADE, INDUSTRY AND COMPETITION

Mr Ebrahim Patel
Minister of Trade, Industry and Competition

This Annual Report provides an account of the National Empowerment Fund (NEF) for the past financial year ending March 2020.

The sixth government administration took office following the national elections in May 2019, with a re-imagined industrial strategy for the country focused on localisation and a renewed promise, passion and urgency to address long standing socio-economic challenges.

The new **dtic** family accelerated the development and implementation of sector masterplans, completing these 'industry social pacts' in the automotive, poultry, sugar and clothing and textile sectors. These serve as a blueprint to harness energies amongst industry players for investment and increased output and jobs in sectors which together employ some 500 000 people. The Master Plans set out practical and reciprocal actions that each social partner at industry level would take to build more resilient businesses and industries.

Significant progress was made with the finalisation of the modalities of the new African Continental Free Trade Area (AfCFTA), and with a trade agreement to address access to the United Kingdom in the event of a no-deal Brexit.

The 2019 Presidential Investment Conference, held in November 2019 demonstrated sustained commitment and productive partnerships between the public and private sector in rebuilding the economy. Some R364 billion of further commitments were made (21% higher than at the inaugural Conference the previous year), with potential to create over 400 000 jobs over a five-year period. This brings the total of investment commitments made at the two Conferences (2018 and 2019) to R664 billion, more than 50% of the five-year target set by the President in 2018.

The role of development finance institutions is important in driving the aggregate level of investment in the economy and improving the inclusivity of investment and their development impact. The NEF reports approval of industrial funding in excess of R700 million for black-owned and managed businesses in the past financial year. Some 69 firms benefited from this funding, and the NEF reports that 38% of these have meaningful and direct black women shareholding and operational involvement.

While this reflects developments in the financial year, in the period following, the pandemic has been harsh on the economy, both locally and globally. The pandemic and its economic fallout have been described by leading economists as unprecedented in our generation. Across the world, countries are reporting or forecasting their lowest growth in at least a generation.

For public entities, the pandemic principally impacted on their work beyond the financial year, placing pressure on delivery platforms and in a number of cases, on their finances.

To repair the damage of Covid-19 and reconstruct the economy to create more jobs, bring more young people into entrepreneurship and increase economic inclusion, we need to think boldly and implement smartly.

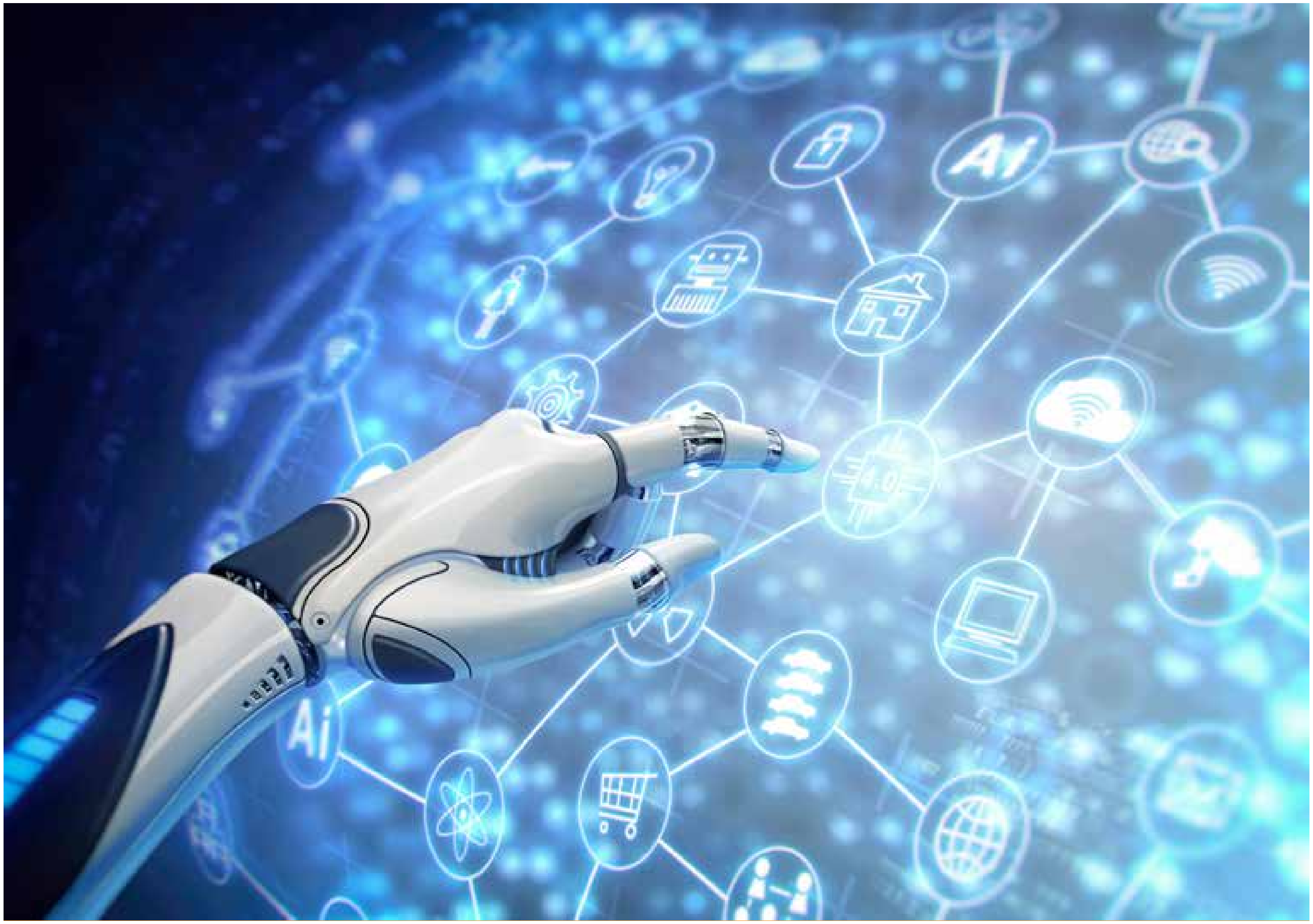
To address the immediate and urgent challenges of the economy, government and its social partners have agreed to an Economic Reconstruction and Recovery Plan. The Plan includes structural reforms and a commitment to greater levels of localisation and infrastructure investment. These measures will impact and shape the work of the dtic and its agencies.

Every agency of the dtic will be required to play its role in ensuring a steady recovery from the pandemic, and to continue execution of the re-imagined industrial strategy, outlined by President Ramaphosa at the start of this administration. The focus in the period ahead must be on deeper levels of transformation, combining financial and non-financial support. In particular, greater levels of post-investment technical support as well as assistance with developing business plans, is clearly needed.

I would like to thank the NEF leadership (CEO Philisiwe Mthethwa and Board Chairperson Rakesh Garach) together with the board members and staff, for their work this past year and the progress set out in the Annual Report.

trade, industry & competition
Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

Mr Ebrahim Patel
Minister of Trade, Industry and Competition
Government of the Republic of South Africa



ABOUT THIS REPORT

This is the sixth year of integrated reporting for the National Empowerment Fund (NEF), applying the King Report on Good Corporate Governance. The preparation of the report was further guided by fundamental concepts, guiding principles, content elements and presentation guidance provided in the Integrated Reporting (IR) Framework of the International Integrated Reporting Council's (IIRC)'s. 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 to page 24) strategy, business model, performance, risks and opportunities for the year ended 31 March 2020. A high-level overview of the four subsidiaries in the Group is provided on page 24.

The NEF's mandate places it as a significant entity through which 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 as well as the risks and opportunities ahead.

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

The aim of this report is to provide stakeholders with an account of the usage of capitals through various value-creating activities in the short-, medium- and long-term in order to create value for the organisation. It reflects 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, Act 1 of 1999 as amended) and the National Empowerment Fund Act (NEF Act, Act 105 of 1998) 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 (1999, as amended).

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
- 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 has been independently assured by our external auditors, SNG Grant Thornton. 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

At the time of finalisation of this report the term of office of a number of trustees of the NEF had expired which had affected the constitution of the NEF board. The integrated report has been properly approved by the NEF Executive Committee and the Audit Committee of the NEF. The remaining members of the NEF Board (assisted by members of the Audit Committee) have also approved the Integrated Report to ensure the integrity and its completeness and have confirmed that this report addresses the material issues and provides a fair presentation 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 remaining members of the NEF Board (assisted by members of the Audit Committee) unanimously approved this report and authorised its release on 20 October 2020.

Rakesh Garach
Chairman

Philisiwe Mthethwa
Chief Executive Officer

Overview & Reports

PERFORMANCE HIGHLIGHTS

Approvals
2020: R727 million
(2019: R576 million)

Commitments
2020: R567 million
(2019: R513 million)

Entrepreneurial Sessions
2020: 134 Sessions
2020: 852 Attendees
(2019: 103 Sessions)

Collection Ratio
2020: 143.81%
(2019: 128.43%)

Investor Sesssions
2020: 74 Sessions
2020: 30 699 Attendees
(2019: 84 Sessions)

Disbursements
2020: R304 million
(2019: R437 million)

Return on Investment (ROI)
2020: 9.04%
(2019: 9%)

Social Facilitation
2020: 36
(2019: 42)

NEF/DTIC Covid-19 Fund approved R200m for 33 Deals

NEF Covid-19 Relief Fund approved and disbursed R4m to 13 Investees

NEF

NEF-FUNDED BUSAMED HOSPITALS AMONG THE TOP 20 IN THE COUNTRY

In July 2019 Discovery Health released a list of 20 leading South African hospitals as voted by their patients. A total 202 hospitals across the country were rated by 53,000 patients looking at how well nursing staff and doctors engaged and communicated with patients; how well-suited the hospital environment was to the needs of patients; how well pain was managed; how clearly information about medication was shared with patients; whether patients were adequately prepared for discharge and whether patients would recommend the hospital to others.
5 Busamed hospitals were ranked in the top 20 of the 202 hospitals that were surveyed nationally.

Busamed ranks supremely as one of the stars in the NEF-funded portfolio. The private hospital sector in South Africa has been dominated by three main hospital groups. These three groups hold more than 79% of the market share and the remaining 21% is fragmented and held by independents. In Busamed the NEF saw a unique and strategic opportunity to bridge the divide and to raise the levels of black participation in the industry.

From early stage to financial close the NEF's net investment of R260 million in Busamed was for the purpose of commercialising 4 hospital licenses and to support black industrialists in a key-targeted growth sector.

The first is Busamed Paardevlei Private Hospital, a 100-bed acute hospital that specialises in cardiac care. Second is the world-class Busamed Modderfontein Private Hospital Orthopaedic & Oncology Centre, a 170-bed hospital that boasts impressive features and facilities, and is located in Johannesburg. The orthopaedic specialists at Busamed Modderfontein are experts in their fields, using state-of-the-art technology in their Robotic Assisted Surgery, the first of its kind in orthopaedic surgery in South Africa and on the African continent. The third is Busamed Harrismith Private Hospital is a 120-bed acute hospital and pride itself in offering the best clinical outcomes supported by integrated systems. Located in the Free State, the Busamed Bram Fischer International Airport Hospital is a 110-bed medical establishment, and boasts state-of-the-art technology and offers a comprehensive range of speciality disciplines such as general surgery, Gynaecology and Obstetrics, Orthopaedics, Paediatrics, Neonatology, Neurosurgery, Orthopaedic Surgery, ENT Surgery, 4 theatres, Radiology, Ophthalmology, Pharmacy, Dermatology and Urology.

Today the group is worth R2.6 billion, having subsequently attracted investors such as the Public Investment Corporation and Standard Bank, among others.

CHAIRMAN'S REPORT

Mr Rakesh Garach
Chairman, Board of Trustees

Commitment to good governance

For the 17th year running, the Board of Trustees of the National Empowerment Fund (NEF) is pleased that once again the development financier is able to report on the basis of a clean external audit, attesting to the NEF's commitment to good governance, an ethos the NEF has striven to entrench across its funded portfolio since operational inception. The Board has found a management corps that is second to none in upholding the same values.

This is the same diligence and integrity that saw the NEF rising to the occasion when the coronavirus pandemic struck the country, and the NEF set out to identify and fund eligible and sustainable investees that would support Government's ability to respond effectively to the deadly virus.

As a publicly funded institution we assert that the highest standards of good governance must be the norm, and not an exception. This distinction, among others, has been a particularly important attribute that has continued to make the NEF an attractive partner to the many public and private entities that have entered into valuable enterprise and supplier agreements with the NEF, to help empower black entrepreneurs, many of whom operate in township and rural localities.

The Board is aided in the discharge of its duties through a range of committees, exercising oversight, setting policy and direction on areas inclusive of audit, risk management, human capital and remuneration, investment, as well as social and ethics matters.

The Board is fervent in its commitment to international best practice in respect of governance, ethics and integrity and ensures compliance with legislation, policies and regulatory requirements.

Economic overview

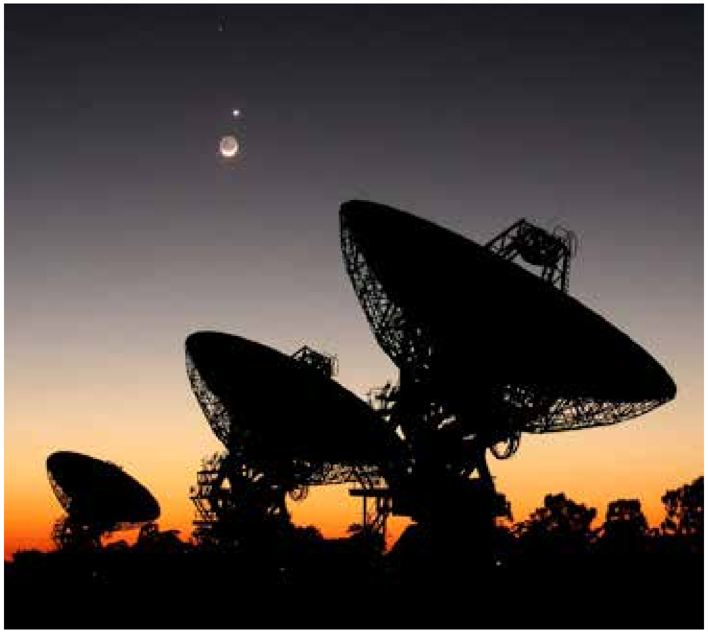
According to Statistics South Africa (StatSA), "gross domestic product (GDP) fell by just over 16% between the first and second quarters of 2020, giving an annualised growth rate of 5,1%.This contraction dwarfs the annualised slowdown of 6,1% recorded in the first quarter of 2009 during the global financial crisis. Historical data from 1960, sourced from the South African Reserve Bank, show that the second quarter of 2020 experienced the biggest fall in GDP since that year, far steeper than the annualised 8,2% decline in the fourth quarter of 1982".

Highlights in this Report

Corporate Governance
The centrality of ethical leadership

R10.61 billion
Approved since inception by NEF to fund B-BBEE

Number of years of NEF securing clean external audits
17 years running



With agriculture relatively unaffected, manufacturing output shrank by 74,9%. Air travel came to an almost complete halt, adds StatsSA, "contributing to the fall in economic activity in the transport and communication industry. There was also less activity by rail and road freight operators due to restrictions on the production and movement of various goods." Inevitably, the bus operators funded by the NEF, were not spared the onslaught.

The retail ban on alcohol sales and closure of tourist accommodation facilities were notable drags on trade activity. Wholesalers and motor vehicle traders also reported significant declines, states the same report, underlining the experiences endured by the NEF's extensive tourism portfolio.

With business in the finance industry having fallen by 28,9%, now more than ever before the NEF requires funding to be able to stabilise the investees that together support in excess of 100 000 jobs, countrywide.

Funding the funder

Section 18 of the National Empowerment Fund 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".

The NEF last received funding from Government in 2010, and since then the entity has been self-financed with proceeds from dividends and interest income from its investments, loan repayments and proceeds from the sale in 2007 through the Asonge Share Scheme of a portion of the NEF's holding in the MTN Group.

For the past decade the NEF has not received further funding from the fiscus, despite its sterling results year-on-year. With the first few years having been spent on establishing systems and processes, stabilising the organisation and engineering a solid way of doing business, the NEF's collections culture has matured appreciably over the years.

Life-to-date over R3.7 billion has been collected, and over the years this has been reinvested into the NEF's funding mandate. From a disbursement of just over R7.1 billion, this substantial collection culture is due to effective portfolio management and entrenching a culture of loan payments.

Mentorship support has also resulted the NEF's high-performing investees servicing their debt obligations diligently.

The debilitating effect of the COVID-19 pandemic, however, has inflicted significant harm on the ability of the portfolio to meet repayment obligations. This portends mortal crisis for black business in the medium term, and only a refinanced NEF will be able to rally to the rescue to save businesses, safeguard jobs, create new ones, stimulate township and rural economies in pursuit of the mandate for which it was established.

As demonstrated throughout this Integrated Report 2020, the NEF has the integrity, acumen, expertise, the experience and the passion to go beyond the milestones that are the essence of these pages.

Equally important, the NEF possesses deep patriotic commitment to supporting black entrepreneurs to contribute to inclusive growth.

Strategic planning framework and alignment to Government's macroeconomic policy

The NEF implements the Code of Good Practice of Broad-Based Black Economic Empowerment, as outlined in the NEF Act.

For this purpose, the NEF employs a sector-targeted approach in developing its portfolio and these sectors include tourism, construction, agri-processing, transport; the 4th Industrial Revolution, creative industries, mining services, franchising, property and student accommodation, rural & township economies, among various others.

In doing so the NEF specifically seeks to support the initiatives of **the dtic** and Government's broader macroeconomic policies by championing and funding the advancement of emerging black entrepreneurs and progressing eligible enterprises into industrialists.

The Government priorities that we seek to support include:

- Acceleration of economic growth and transformation,
- creating sustainable jobs,
- infrastructure and rural development,
- skills transfer and human resource development, as well as
- improving public service in line with national industrial objectives.

This alignment with the Government's fundamental developmental goals has seen the NEF champion the following key strategic imperatives:

1. The need to support the emergence of **black industrialists**, in partnership with local and international co-funders has resulted in the establishment of specialist hospitals countrywide, among many others, out of a total 24 industrial projects which have leveraged over R4 billion third party funding.
2. In **supporting SMEs**, the NEF operates a dedicated fund that has supported entrepreneurship, procurement & franchise funding as well as business planning, incubation, training and mentorship support. In this area, to date the NEF has disbursed over R1.6 billion into the economy to support 454 SME enterprises.
3. To help revitalise **Township & Rural Economies** the NEF has supported the construction & ownership of shopping malls and filling stations across the country, and to date the NEF has disbursed over R2.1 billion in support of 220 entities in rural and township areas.
4. To support **land restitution** the NEF has in the past served as the implementation partner of the 50-50 programme with the Department of Rural Development and Land Reform to empower farmworkers to become part-owners of commercial farms.
5. Similarly, the **tourism sector** has received special focus because of its significant job-creation and developmental potential. We have helped establish community-owned hotels and lodges, as well as infrastructure projects such as the Graskop Gorge Lift, a flagship project that has been driving tourism development in the Panorama Tourist Route and is the first of its kind in Africa. To date the NEF has disbursed over R251 million into this sector.

6. In partnership with various industry stakeholders the NEF has supported the construction of several social housing, student accommodation and related solutions to help deliver **affordable housing** to communities. To date the NEF has disbursed over R272 million into this sector.
7. **Agro-processing** has been identified as a priority sector in the National Development Plan and accordingly the NEF has supported beneficiation investments across the agricultural value chain such as enterprises that produce castor oil, fruit juices, condiments, milk, dairy by-products and various other products. To date the NEF has disbursed over R316 million into this sector.
8. In the energy sector we have invested over R885 million in service stations countrywide, 44% of which are owned and managed by black women.

The implementation of the mandate of the NEF, therefore, is attuned to the developmental and transformation imperatives of the South African economy.

Appreciation

The NEF Act requires that the NEF Board should have between 5 and 7 trustees who "possess expertise and experience in the fields of, amongst others, law, economics, business practice, development practice, capital markets and finance". Over the years the NEF has had the good fortune of being served by successive trustees of high merit and repute.

It is a special privilege to acknowledge the sterling and diligent contributions of past trustees in having invested care, diligence and skills in taking one of the noblest mandates in the land to greater sights and higher vistas.

The NEF is privileged to be led by an illustrious Chief Executive along with executives, managers and staff who are among the finest in the financial services sector.

The NEF is indebted to the Minister, the DG, **the dtic**, Parliament and co-funders for their support and for holding us to a higher standard. The investees and communities that we serve, deserve no less.

Mr Rakesh Garach
Chairman
Board of Trustees

OVERVIEW OF THE OPERATING ENVIRONMENT

Macro-economic environment

Global economy on the downward spiral

The International Monetary Fund (IMF) made a dramatic downward revision in their forecast for global economic growth amid rising effect of the COVID-19 pandemic. They now expect world economic growth to crush markedly by -3.0% in 2020 (-6.3% down from January projections) – this economic downturn surpasses that of the 2008 – 2009 financial crises. Although the global pandemic originated in one of the major emerging market economy, developed economies have now been hit hard by this pandemic and consequently those economies as a group are expected to contract by 6.1% in 2020 whereas emerging markets and developing economies are anticipated to fall by 1.0% during the same time.

Countries around the world are confronted with massive uncertainties' regarding short- and medium-term Impact on their economies as the pandemic spread further and continues to burden health care capacity. As such it is apparently clear that economic damage will mostly vary among countries depending on the extent of the pandemic, health care as well as monetary and fiscal responses. The IMF projections for 2020 show that Italy will be hit hardest as the country is expected to contract sharply by up to 9.1%, followed by Spain and France respectively at 8 and 7.1%, respectively. While the United States and United Kingdom are also expected to fall markedly – the more conservative projections can be attributed to late introduction of the COVID-19 in these countries and similarly in Sub-Saharan Africa.

The world's fastest growing economies (China and India) are expected to shed massive growth during 2020 but they might avoid negative growth. After all, the direction of the economic activity is currently difficult to predict as it will depend on the "pathway of the pandemic, the progress in finding a vaccine and therapies, the intensity and efficacy of containment efforts, the extent of supply disruptions and productivity losses, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioural changes (such as people avoiding shopping malls and public transportation), confidence effects, and volatile commodity prices," according to the IMF.

Domestic economy deep in recession

The country reported a contraction of 1.4% in gross domestic product (GDP) during the last quarter of 2019 after shrinking by (0.6% revised) 0.8% in the third quarter of 2019. The further slump in economic activities follow the downward trajectory of the global economy as well as low domestic consumer sentiments, which is being reflected by consecutive drops in real domestic expenditure. The industrial assessment shows that the transport industry continues to sink by contracting up to 7.2% in quarter four of 2019. The notable negative growth of the trade industry has also contributed to plummeting GDP numbers this quarter. Only the finance, mining and personnel service posted positive growth.

The gross fixed capital formation plummeted by 10.0% (contributing -2.0%) during the fourth quarter of 2019, followed by imports which fell by 8.5%. The downward spiral on expenditure growth of these items point to subdued business and consumer confidence. In addition, the already slowing global trade levels have been compounded by lockdown measures to further weigh on the domestic economic outlook. Accordingly, the South African Reserve Bank (SARB) now expects GDP to contract by 7% in 2020 – much worse than the level reported during the 2008 to 2009 financial crises. The consecutive downward revisions reflect the muted domestic economic activities as widespread effects of the lockdown began to be felt despite the easing of restrictions on the production and demand side of the economy. The severe damage caused will continue to weigh significantly on the balance sheets of the NEF and many businesses as it essentially means companies will have difficulties raising sufficient revenues to service their debt obligations, which will lead to high impairments and low collections for the NEF.

Prices, interest rate and exchange rate

Annual inflation eased markedly to 4.1% in March 2020 from 4.6% in February of the same year. As expected, the main contributors were housing and utilities; miscellaneous goods and services; food and non-alcoholic beverages; and transport. Fuel price fell notably by 7.2%, reflecting the declining global and domestic fuel demand as the immediate Impact of the lockdowns begin to be felt across the globe and excess supply as major oil producing countries battle to reach agreement. However, depreciating Rand exchange rate poses a notable upside risk to imported inflation. On average, the Rand depreciated by 4.3% against the US dollar (down to R/$15.37) between the last quarter of 2019 and first quarter of 2020. But the loss was much worse at about 29% between the opening (R/$13.99) and closing (R/$17.98) days of the first quarter of this year. This sharp depreciation of the Rand exchange rate was mainly due to rising global financial volatility and perceived risk towards emerging markets. The implication on businesses affiliated with the NEF will be immediate, particularly investees that depend on imports as the weak exchange rate raises the cost of importing inputs and goods.

The SARB's Monetary Policy Committee (MPC) was forced to cut the repo rate four times this year, which accumulates to the total cut of 275 basis points – taking the repo rate to 3.75% as at 22 May 2020. These historic cuts will reduce the cost of servicing debts for the indebted NEF investees, small businesses, and households in general struggling to keep afloat. Lower interest rates will stimulate much needed domestic consumer demand and improve the financial position of investees. The immediate Impact will be adverse on the NEF's balance sheet but medium- to long-term multiplier effect of low interest will filter down to reduce the negative effect on the investee and the NEF.

South Africa's fiscal position has deteriorated

The financial position of the country is expected to remain under pressure and unsustainable in the short to medium term owing to rising debt outlook and low revenue collection. According to the 2020 Budget, revenue is projected to be R1.58 trillion in 2020/21. Despite the absence of major tax increases, marginal gains are estimated in personal income tax (4%), corporate income tax (6%) and value added tax (5%) in the upcoming year. On the other hand, consolidated spending will amount to R1.95 trillion during the same period under review while compensation of employees and bailout of state owned entities remains major issues. This will take consolidated budget deficit to about R370 billion.

The National Treasury now projects the national gross debt-to-GDP ratio to climb further than previous expectation. Gross loan debt is forecast to reach R4.38 trillion, or 71.6 % of GDP, by 2022/23, with foreign debt averaging 9.6% of gross debt over the medium term. Net loan debt is expected to reach R4.15 trillion while debt service cost is projected to be about 15% and 18.4% in 2022/23 budget year as a percentage of total expenditure and revenue, respectively. The worsening financial position of government will hinder many developmental and transformational objectives as sources of funds to recapitalise transformational agents such as the NEF are depleted. Poverty and unemployment amongst Black people will escalate due to lack of funding and the NEF will not be able to achieve its mandate.

Social and service delivery environment

South Africa's Quarterly Labour Force Survey shows that the economy experienced a modest quarter-on-quarter increase of 54 000 or 0.3% in the number of people employed between the third quarter of 2019 and fourth quarter of 2019. During the same period, the number of unemployed persons also fell by 8 000 while the number of labour force gained by 38 000. This shows that the problem of high unemployment in South Africa is being exacerbated by the fact that many people are entering the job market without the necessary skills that the economy needs. The unemployment rate remains unchanged for the country at 29.1% but over the last ten years unemployment has risen to unacceptable levels. The unemployment rate for Black people was highest at 32.3% whilst for White people it was lowest at 7.6%.

The provincial unemployment statistics shows that the Eastern Cape has reported the highest rate at 47.7%, followed by Limpopo and Mpumalanga at 44.0% and 43.8% respectively. The Western Cape reported the least rate at about 24.1%, followed by Gauteng (35.3%) and Northern Cape (39.2%). Unemployment trends in South Africa still reflects the legacy of deliberate economic exclusion of Black people as it is predominately high in the former homeland areas. The unemployment rate continues to rise, particularly in the former homeland provinces where majority are impoverished Black people and the NEF strives to disburse funds and create jobs in these areas. Consequently, the racial inequality gap between White and Black people will remain large. There is a need for the NEF to prioritise sectors with high job returns per rand invested with links of economic activities to rural and township areas such as transport, mining and trade.

The Impact of the NEF

The NEF has had a notable impact on the lives of many South Africans through the targeted intervention of disbursing funds to previously disadvantaged communities – with close to zero % probability of securing financing from commercial banks. The Trust has disbursed a total capital of R7.020 billion since inception to the designated groups. The sectoral assessment shows that the service sector accounted for about 13.28 % (R869 million) of the NEF total disbursement to businesses owned by Black people. This was followed by construction and material industry at about 12.94 % (R849 million) as well as the energy and retail industry at around R588 million and R406 million respectively over the same reporting period.

Hundreds of thousands of direct and indirect jobs have been created and supported over the years. The actions of the NEF have been centred toward the eradication of the triple challenges of unemployment, poverty, and inequality. However, lack of recapitalisation has undoubtedly hampered the much awaited and equal participation of Black communities on the production side (for example; manufacturing, mining etc) of the economy. Most sectors have been battling to transform for years, new Black entrants often struggled to participate due to high capital requirements to establish fully operational businesses. The gap between the poor and the rich is expected to continue to widen as the capacity of the NEF to finance Black people remains at its lowest. It is important to note that the NEF remains committed to addressing issues of inclusion across all industries and have already made notable steps to support youth, women, and Black people in general to ensure that everyone benefits, particularly rural and township people. The table below summarises the socio-economic benefits and achievement of the NEF since inception.

> “The Codes of Good Practice are legally binding on all government and state-owned entities. This means that the NEF is obligated to use the Codes to measure B-BBEE compliance when procuring suppliers, and making concessions.”
>
> **Mr Mziwabantu Dayimani, General Counsel**

Investee profile

Parker Family Foods

Company profile

Parker Family Foods CC (" Parker Family Foods") is a **100% Black-owned and -managed** frozen food manufacturer. The business is owned by Mr Jamal Parker who started operating a butchery in 1989 that evolved over the years, leading to the establishment of Parker Family Foods in 1996. Their core focus is on manufacturing, wholesaling and retailing of high quality chicken and beef products at affordable prices for their target market. Parker Family Foods has established itself as one of the fast growing independently owned processed meat manufacturers in the country. They manufacture, store, sell and deliver a selection of over 82 products. They offer a wide range of products made from mechanically deboned meat (MDM) of chicken and beef, such as chicken burgers, beef burgers, rib burgers, crumbed products such as steaklets, nuggets, and waffles to mention a few.

Parker Family Foods has grown significantly since its establishment in 1996 in Stikland, Western Cape, with **over 216 customers** ranging from JSE listed entities such as Shoprite Checkers Group, other national retail players such as Food Lovers Market (Pty) Ltd, Spar Western Cape and restaurants. While Parker Family Foods is relatively small as compared to the well-known major players in the industry such as I&J and RCL Foods etc, they have successfully penetrated the market through reliability, quality delivery, variety and efficiency to the right target market at the right price consistently.

Parker Family Foods has international accreditations for its facilities and food safety and quality controls such as HACCP which allows them to export all their products. Amongst other accreditations are the South African National Halaal Authority, the Muslim Judicial Council (SA), SANS 10049 and ISO 22002 that allows Parker Family Foods to participate in small, niche and open markets.

Development Impact

The owner of Parker Family Foods, Mr Parker, is a seasoned businessman. He started operating a butchery in 1989 and his passion for the industry is undoubted, with his careful study of the target market, patience and persistence which are qualities consistent with great entrepreneurs. In addition to Mr Parker, the business is managed by an experienced team of individuals with vast industry experience and professional expertise. The significant year on year growth necessitated the business to expand their manufacturing capabilities. **Through the NEF's funding of R14,8 million (blended with Western Cape Enterprise Development funds), the business has retained 59 jobs and has grown the staff compliment by an additional 20 jobs through the expansion of the business. The funding will enable Parker Family Foods to increase their current supply and also create a demand for their new product ranges.**

CEO'S REPORT

Ms Philisiwe Mthethwa
Chief Executive Officer

Building generational prosperity

One of the most momentous cultural phenomena to capture the imagination of the world in recent times is the blockbuster movie, Black Panther, which brings to life the story of Wakanda, a fictional country that represents the phenomenal powerhouse that Africa could have become had it not fallen prey to the brutality of slavery and colonialism.

As the place where human civilisation began, Africa could easily have continued to be the global torchbearer for discovery, trade, scholarship, innovation, the arts, architecture, growth and much more across the various spheres of human endeavour.

And that is the vision that inspires us at the National Empowerment Fund (NEF), to be a catalyst in finding, crafting, funding and nurturing black entrepreneurs into superheroes, the Black Panthers who will bequeath South Africa its vibranium, unleashing the kinetic energy necessary to ignite growth across all sectors of the economy and building the prosperity of the nation for generations to come.

Stepping forward to help flatten the COVID-19 curve

It is because of this aspiration that when the COVID-19 pandemic was first reported in South Africa towards the end of the financial year under review in this ***Integrated Report 2020***, the NEF joined in the spirited fight to flatten the curve, working alongside **the dtic** following its R200 million endowment to the NEF for the purpose.

What followed was the establishment of the ***NEF COVID-19 Black Business Fund*** whose objective was to provide funding to black entrepreneurs of between R500 000 and R10 million per transaction in concessionary loans to purchase machinery, equipment and raw materials and to fund other working capital requirements for the manufacture and supply of healthcare products and essential foods.

Among the difficult but necessary decisions taken by the dtic and the NEF before going to market with the ***NEF COVID-19 Black Business Fund*** was the need to

Highlights in this Report

Corporate Governance
The centrality of ethical leadership

R10.61 billion
Approved since inception by NEF to fund B-BBEE

Number of years of NEF securing clean external audits
17 years running

ensure that businesses eligible for funding would be those with a track-record in the manufacture and supply of healthcare products. In the interest of public health and safety as well as risk management, a key criterion was for applicants to "be a current and registered supplier with retailers and other institutions in good standing".

The loans were offered at 0% interest for the first year and thereafter at 2.5% per annum. The loans will be repayable over a maximum term of 60 months. This is in line with the NEF's mandate as a development financier to champion inclusive growth while responding innovatively to the challenges facing the country.

Working virtually and round the clock throughout the various risk-adjusted levels of the nationwide lockdown, the NEF remained open for business and over a 90-day period contributed to the country's COVID-19 response through **approval of 33 transactions valued in excess of R207 million**. This achievement comprised R166 million from the dtic's R200 million endowment and R41.2 million from the NEF's own balance sheet.

These businesses manufacture and supply a diverse range of products encompassing hospital beds, frail care facilities, stretchers, trolleys, surgical masks, personal protective clothing such as body suits and isolation gowns. Other products are disinfectants, medical gloves, face shields, safety goggles and shoe covers, non-contact thermometers, plastic moulds, bottles, dispensers, hand sanitizers, detergents and soap, among others.

Among these were women-owned businesses, which attests to the diversity and expertise of the clients the NEF and the dtic supported since the advent of the pandemic.

Resourcing the NEF to pioneer transformative growth beyond the pandemic

As at 31 March 2020, uncommitted cash was R119.8 million. In the event recapitalisation continues to evade the NEF, we project an unencumbered position of negative R368 million as at 31 March 2021, should the NEF resume its full-scale lending operations after the lockdown is lifted.

However, our confidence remains undeterred. Were it not for the lockdown, which shifted the attention of the country to survival mode, we are certain that the IDC facility of R500 million would have been disbursed at the beginning of the 2020-2021 financial year, and the NEF is confident that this remains a certainty for the period ahead as soon as the two development financiers can agree on concessionary terms for the loan facility to the NEF, in the national interest.

Since July 2014 the NEF has been in discussion with the IDC in a process supported by Government for the purpose of finding a sustainable and long-term recapitalisation solution for the NEF to be able to take its mandate to the next trajectory.

The NEF was last capitalised by Government in 2010. In the view of many across the transformation fraternity, there are clear dangers in not recapitalising the NEF, and these include:

- The potential to weaken public trust in Government's commitment to inclusive growth.
- The delay can result in a funding crisis for black entrepreneurs who have very few options for concessionary business funding.
- The delay threatens to destabilise a high-performing organisation through staff attrition and institutional memory leakage.

It is for these critical reasons that both the Board and management of the NEF are intensely and single-mindedly seized with this huge and important task because it goes to the heart of the transformation of South Africa's economy.

Economic overview

As a result of the COVID-19 pandemic economic activity around the globe has been disrupted as efforts to contain the virus have taken centre stage. Substantial downward revisions are being made to growth projections across the world economy, with deep recession prevalent in many parts of the globe.

Recovery from the recession is set to be prolonged. World economic activity is unlikely to return to 2019 levels until 2022. World GDP growth is projected by the World Bank at -5.2% and recovery at +4.2% in 2022 and 2021, respectively. Gradually, recovering production activity and spending should lead to improving world trade and foreign direct investments flows.

The full or partial lockdown of national economies around the globe is unprecedented in world history, and the full extent of the social, economic and financial consequences of the pandemic, as well as recovery, are difficult to determine at this stage.

The pandemic is adding to the woes of an already weak South African economy, taking it into a deeper recession.

Inevitably, this will impact on the NEF's finances and operations, adversely imperilling the ability of the funded portfolio to repay, which will call for innovative interventions in the medium term.

NEF relief measures for investees affected by the COVID-19 lockdown

The NEF's Top Active Exposure amounts to R1.4 billion across key sectors of the economy, and these include property, energy, media, tourism & entertainment, transportation, manufacturing and retail.

As a result of the lockdown only 25% of these were operational, and these were largely in property, retail, essential players in manufacturing and in healthcare.

16% of the investees were operating at reduced capacity, and these were largely in the energy and media sectors.

The vast majority at 59% were non-operational and these included the tourism sector where the NEF has invested in lodges and hotels, among others. Also non-operational were most of the investments in manufacturing, entertainment, transportation, construction and materials, as well as services.

Because the bulk of the NEF's investees were under lockdown, only 7% had adequate cash reserves to meet their loan obligations, while 65% required temporal cash relief. 28% were already under a moratorium before the lockdown for a variety of reasons, and these included:

- Business premises were still under construction;
- Commissioning of plant and equipment takes place over a period of time;
- Some had been recently approved and disbursed and were in the process of ramping up their operations;
- Businesses that were facing financial distress required restructure of loan terms, as well as
- Unfavourable trading conditions because of the constrained economic climate.

As a measure to provide relief to existing clients whose businesses were negatively affected by the nationwide lockdown, the NEF granted 47% of its investees a loan repayment holiday for a period of up to three months, to be reviewed on an ongoing basis in accordance with risk imperatives. This was intended to help safeguard the sustainability of the businesses whose operations had been affected by COVID-19 restrictions.

This amounted to a total R30 million postponement in capital repayments. In addition, the NEF granted a zero rating on interest for eligible investees over the same period, which resulted in a total R20 million benefit for the clients, bringing the total relief package to R50 million. These concessions aimed to ensure that when the time for the lockdown to be lifted came, the businesses would not be confronted by an ominous debt obligation.

Additionally, the NEF and Raizcorp, a specialist in incubation and business acceleration, have combined efforts to assist entrepreneurs mitigate the risks and challenges confronting their businesses as a result of the COVID-19 pandemic. Through this joint initiative, Raizcorp is equipping entrepreneurs with practical business survival tools for implementation by means of a booklet that brings together nine information brochures on a variety of disaster-management strategies. The booklet is available on the NEF's website, www.nefcorp.co.za.

Placing black women at the forefront of the economy

The imperative that drives the NEF's funding and empowerment philosophy is the obligation to prioritise the funding of black women entrepreneurs because over the years they have demonstrated greater financial acumen and rigor in running sustainable businesses, despite being the greatest victims of oppression, exploitation and exclusion throughout our country's history. It is for this reason that for the NEF, to fund a woman is to fund a nation.

Below are some of the milestones that demonstrate the NEF's principled commitment to the socio-economic empowerment of black women:

- Since operational inception in 2005 to date, the NEF has approved over R10.6 billion to support 1 057 black-owned businesses countrywide for start-up, expansion and equity transformation.
- Of the total approved funding, over R7.02 billion has been disbursed into the economy in accordance with agreed tranches. 76% of the funded businesses are still active despite the many challenges our national economy has faced in recent years.

- Over the past 10 years more than 40% of funding has accrued to black women entrepreneurs. As part of the determination to grow its funded portfolio of businesses that are owned and managed by black women, the NEF will continue to work with organisations that represent women to mobilise deal flow.
- The strides made thus far are primarily due to the indefatigable efforts of the NEF's Women Empowerment Fund (WEF), established in 2014 to affirmatively drive the value and volume of approvals for and disbursement to businesses that are owned and managed by black women.
- The NEF Socio Economic Development Unit was established to empower black people in existing transactions and other broad-based groups through various social development interventions such as social facilitation, entrepreneurial training, corporate governance training and market access to facilitate meaningful participation. To date the NEF's entrepreneurship training and incubation programme has provided business skills to 3 808 participants, who have attended 398 seminars (reflects year-end data) countrywide from 2012 to date. The majority of these beneficiaries are women.
- The NEF's investor education campaign has reached 147 882 black South Africans in the villages and townships through 481 seminars for information on how to save and invest, personal financial discipline, shares, dividends and a range of other asset classes. Over 50% of beneficiaries are women.

Operational milestones during the year under review

As a result of yet-unrealised recapitalisation, during the year under review the NEF Board of Trustees requested the Minister of Trade, Industry and Competition to reduce the level of expected approvals from just over R1 billion to R550 million in order to preserve available and anticipated liquidity for the financial year 2019/20.

The request also sought to ensure that the NEF continued to operate as a going concern for the next 12 months, as required by the NEF's external auditors, with one of the key considerations being the availability of sufficient cash resources.

Therefore, the annual performance report for the year under review is set against these revised balanced scorecard targets, whose highlights follow below:

- Performance for the period saw approvals of 69 transactions worth R727 million against a target of 48 deals worth R550 million. In this area the outcome exceeded target following 10 uMnotho Fund (medium-sized businesses) approvals, 3 from the Strategic Projects Fund (black industrialists), 30 from iMbewu (SME funding) and 5 transactions from the Rural and Community Development Fund. This is a fundamental area of the NEF's mandate and the organisation is exceedingly proud of this achievement.
- Equally pleasing is the showing on commitments, which closed the year at R567 million against a target of R412 million.
- Disbursements lagged behind marginally with a showing of R304 million against a target of R330 million largely as a result of the need for investees to submit all conditions precedent.
- Because of a constrained economic environment, investments supported 1 738 job opportunities against a target of 2031.
- In response to market demand, 38% of approved funding went to businesses that have black women ownership, against a target of 40%.
- An achievement worthy of celebration is the milestone in respect of investing in economically underdeveloped provinces, namely the Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and the North West, where a total R81.7 million was disbursed, which represents 27% against the annual target of 25%.
- In terms of Investor Education 74 sessions were held against a target of 45.
- The commitment to provide entrepreneurial training also made a difference for rural, peri-urban and township communities with 134 sessions having been held across the country against a target of 30.
- Business incubation and referrals have grown appreciably over the years, with 151 entrepreneurs having been referred for incubation and 16 entrepreneurs fully incubated against a target of 125 and 15, respectively.
- We fulfilled the set objective by activating 36 social facilitation sessions during the period against a target of 36.
- Tough economic fundamentals conspired against the NEF's impairment target of 18%, with a showing of between 27%. In this regard the context is patently clear. South Africa was already in the throes of a technical recession when the pandemic came to our part of the world. Add to this Moody's credit rating downgrade to sub-investment grade, a growing fiscal deficit, sustained decline in household consumption and fixed investment, and we can see how the small to medium enterprises that make up the majority of the NEF's portfolio, as well as jobs, were up against obstinate odds. Our task, going forward, is to ensure that we help our investees to weather the storm, and certainly to bring impairments down significantly.
- Against this ominous background we can be pleased that Return on Investment closed at 9,04% against a target of between 9% and10%.
- Part of the mainstay of the NEF's performance during the year under review is collections, which at total collections closed at 143,81% against a target of 80%.
- The Internal Audit function continues to be an enabler of accountability and ownership by management towards the control environment, risk management and good corporate governance. Internal Audit assessed the system of internal controls and risk management to be adequate, efficient and effective for the year under review.
- The number and nature of audit findings has improved from the year prior with reported findings at current year-end at 29 vs prior year-end findings of 34. The improvement in the nature of the findings indicates continued commitment by management to maintaining a good control environment

- Despite challenging economic conditions, the NEF was able to achieve a collection rate of 86.2% on businesses in the turnaround, workout and restructuring space after successful implementation of turnaround initiatives. In addition, there was an overall increase of 21% in relation to jobs created in distressed investees undergoing turnaround during the financial year.
- As the NEF funds higher risk transactions which normally banks will not be keen to finance, the NEF has implemented robust Risk Management Policies and Frameworks. The NEF has implemented the following policies, frameworks and processes:
  - Risk Management Framework
  - Risk Assessment Process
  - Credit Risk Policy
  - Credits Risk reports are completed for all transactions
  - Background checks are done on all clients
  - Pricing Policy
  - Fraud Prevention Policy
  - Fraud Prevention Plan
  - Whistleblowing Policy
  - Various Fraud awareness and including sessions on cybercrime
  - Fraud Hotline operated by independent party
  - Investigate matters that are reported
  - Follow up on criminal matters
  - Compliance Policy
  - Compliance Framework
  - Business Continuity Policy
  - Business Continuity Framework
  - Business Continuity Plan
  - Update to Business Impact Assessment
  - Updated Departmental Business Continuity Plans.
- On the Information Systems and Technology (IST) front the NEF has demonstrated solid value-add through successful implementation of the following projects:
  - Significant improvements were made on IST governance, cybersecurity and cloud backup and recovery solutions.
  - Enterprise architecture has been developed and validated by an independent reviewed to be in-line with the best practice.
  - Implementation of a redundant or backup link which minimizes network downtime.
- In the year under review the NEF received media coverage valued in excess of R78 million against a target of R50 million, as measured by an independent external media monitoring agency, NewsClip. 97% of the coverage was rated positive, 1 balanced and 2% negative in tonality.

Highly skilled Human Capital

The NEF prides itself it its ability to attract a high calibre of suitably qualified and dynamic professionals who have solidified the NEF into a High Performing Organisation. This the NEF does by providing a compelling Employee Value Proposition that captivates the employment experience from entry to exit, by offering equal growth, learning and development opportunities and a rewarding career that contributes directly towards transformation and growth. We nurture the determination for excellence through a robust performance management system, building capacity through succession planning and talent management.

With a staff complement that is 60% women and with 41% of managers being women, the NEF is both progressive and libertarian. At 67% the majority of employees are in the investment stratum, which constitutes the core business of the NEF, whilst 33% are in the support divisions.

Life to date the NEF has leveraged third party funding in excess of R8.8 billion

The NEF has had a track-record of success as an implementing partner in enterprise and supplier development, having collaborated with various stakeholders in the public and private sectors.

This has helped to unlock additional capital which show year-on-year successes in the amounts mobilized from partnerships where typically, the NEF funds a transaction to the value of 60%, with concessionary funding from the ED partners amounting to 40% of the requirement.

In rural and community development, NEF investment of R580 million has been matched by external funding of R799 million.

In enterprise and supplier development the NEF has been entrusted with a total R101 million by a variety of investors, and in accordance with our commitment of funding on a 60:40 basis, the NEF stands to invest a total of R403 million to help black entrepreneurs take our economy forward by creating jobs and propelling inclusive growth.

At a provincial level the NEF has enjoyed an excellent partnership with the Western Cape Department of Economic Development and Tourism, which has seen the department invest over R50 million so far into a partnership with the NEF to support black entrepreneurs in the province.

In terms of local government the NEF has signed an agreement with the Ekurhuleni Municipality where the Metro will invest R150 million over a three year period into a fund to be administered by the NEF for empowerment funding of black entrepreneurs in that locality.

This area of work includes oil companies such as BP, Shell and Engen, as well as a retail giant such as Pick ‘n Pay with whom the NEF is turning spaza shops into mini supermarkets, as well as a leading automotive manufacturer such as Nissan.

Among these we are proud to identify the Transnet Ports Authority, as well as Government departments such as Tourism and the Department Sport, of Arts and Culture.

NEF COVID-19 Community Solidarity Fund spreads humanitarian aid

The pandemic and the subsequent lockdown both imposed incalculable hardships on the poorest of the poor. Those without jobs, the vulnerable who are bereft of hope, the child-headed households across the villages and townships who have nowhere to run to. These are the people who were hardest hit, except where solidarity relief was provided.

Making a difference in Limpopo

That is why in response to the socioeconomic and humanitarian challenges caused by the pandemic, the NEF partnered with the Domba Trust, a shareholder of Meropa Gaming and Entertainment, along with Goseame Open Market, the fresh produce and retail outlet funded and temporarily managed by the NEF, to deliver 2000 food hampers to rural communities across Limpopo. **2 000 families were assisted.**

Taking hope to provinces

Further, we are pleased to report that as part of the NEF COVID-19 Community Solidarity Fund, NEF Executives, managers and staff contributed R1.5 million to be able to buy food parcels for households across the country.

This was accomplished in partnership with the Telesure Group, which contributed just above R1.5 million towards the fund so that together we could distribute food parcels to 4000 households in the Eastern Cape, KwaZulu Natal, Mpumalanga and Northern Cape.

The households were identified in conjunction with the national and provincial Departments of Social Development.

Golden Dice Foods

Through Golden Dice Foods, an NEF investee, 1000 food parcels were distributed to vulnerable families across Gauteng, the resident province of the food manufacturing company.

Solidarity Fund

From its balance sheet the NEF made a contribution of R500 000 to the Solidarity Fund, which was created on 23 March 2020 by President Cyril Ramaphosa to respond to the COVID-19 crisis in South Africa. This is a platform for the general public, civil society, the public and private sectors to contribute to the consolidated effort to fund various community relief initiatives.

Acknowledgements

The NEF enjoys deep fraternal relations with a variety of industry players, among whom are the Black Business Council, Association of Black Securities and Investment Professionals and the African Women Chartered Accountants Forum. This patriotic fraternity of Black Panthers has continued to place transformation at the top of the country's discourse and are a trusted alliance in the quest for advancing the frontiers of economic liberation.

Management is grateful to the Chairman and to the Board for wise and trusted counsel, to the Minister and the dtic for progressive guidance and leadership, to the Select and Portfolio Committees for oversight that has helped us strengthen the NEF into a solid development financier, and indeed to the staff of the NEF who serve with diligence and honour. To the investees of the NEF, the gladiators who build the nation's economy, thank you for the social license to be at your service.

Ms Philisiwe Mthethwa
Chief Executive Officer

NEF perfomance since inception

Output	Achievements
Approvals	Approved 1057 transactions worth more than R10.61 billion across the country.
Disbursement	Approximately R7.02 billion has been disbursed to these companies since inception.
Integrity	Secured clean external audit opinions for 17 years running.
Supporting jobs	Since inception, the number of job opportunities supported is 101 183 of which 68 989 were new.
Industrialisation	24 strategic and industrial projects worth R12.5 billion, with the potential to support over 52 000 jobs Since inception 3 600 jobs opportunities have been created
A culture of savings and 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 147 882 people in villages and townships through 481 community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property, and money markets.
Entrepreneurship training / incubation	Business skills training provided over 3808 potential entrepreneurs who attended 398 seminars from 2012 to date.
Collections	Over R3.7 billion has been repaid by investees.

ABOUT THE NEF

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 NEF Act (1998), 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 (B-BEE Act, Act 53 of 2003, as amended by Act 46 of 2013).

Our Policy Regulatory Framework

Government discharges the implementation of B-BBEE through the Department of Trade, Industry and Competition (the dtic), 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 (1998). Other policies to which the NEF strategy and operations are aligned include the various policies and legislation directing macro-economy and governance. These include:

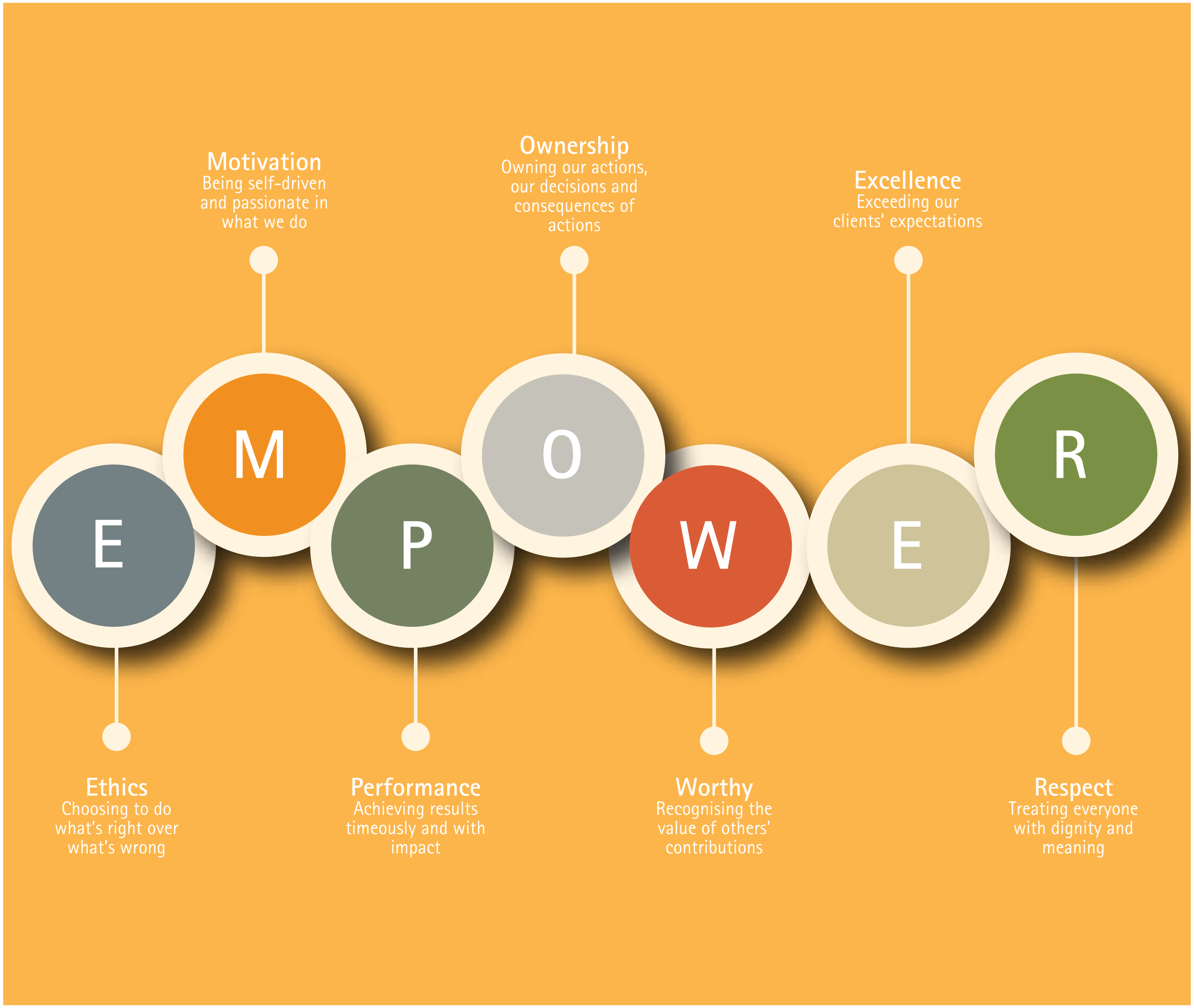
a. The National Development Plan (NDP)
b. National Empowerment Fund Act (NEF Act 105 of 1998)
c. Broad-Based Black Economic Empowerment Act (B-BBEE Act 53 of 2003, as amended), and the B-BBEE Codes of Good Practice
d. Industrial Policy Action Plan (IPAP)
e. Public Finance Management Act (PFMA, Act 1 of 1999, as amended), including National Treasury regulations
f. King Report on Governance for South Africa 2016 (King III)
g. Protocol on Corporate Governance in the Public Sector, 2002
h. Preferential Procurement Policy Framework Act (Act 5 of 2000)
i. Basic Conditions of Employment Act (BCEA, Act 75 of 1997)
j. Employment Equity Act (EE Act 55 of 1998)
k. Financial Intelligence Centre Act (FICA, Act 38 of 2001, as amended)
l. Labour Relations Act (LRA, Act 66 of 1995, as amended)
m. Occupational Health and Safety Act (OHSA, Act 85 of 1993)
n. Promotion of Access to Information Act (PAIA, Act 2 of 2000)
o. Protected Disclosures Act (Act 26 of 2000, as amended)
p. Protection of Personal Information Act (POPI, Act 4 of 2013)
q. Companies Act (Act 71 of 2008)
r. Integrated Small Business Strategy 2004.

In its quest to achieve inclusive economic growth, and to discharge its mandate as outlined in the NEF Act, the Executive Committee 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.

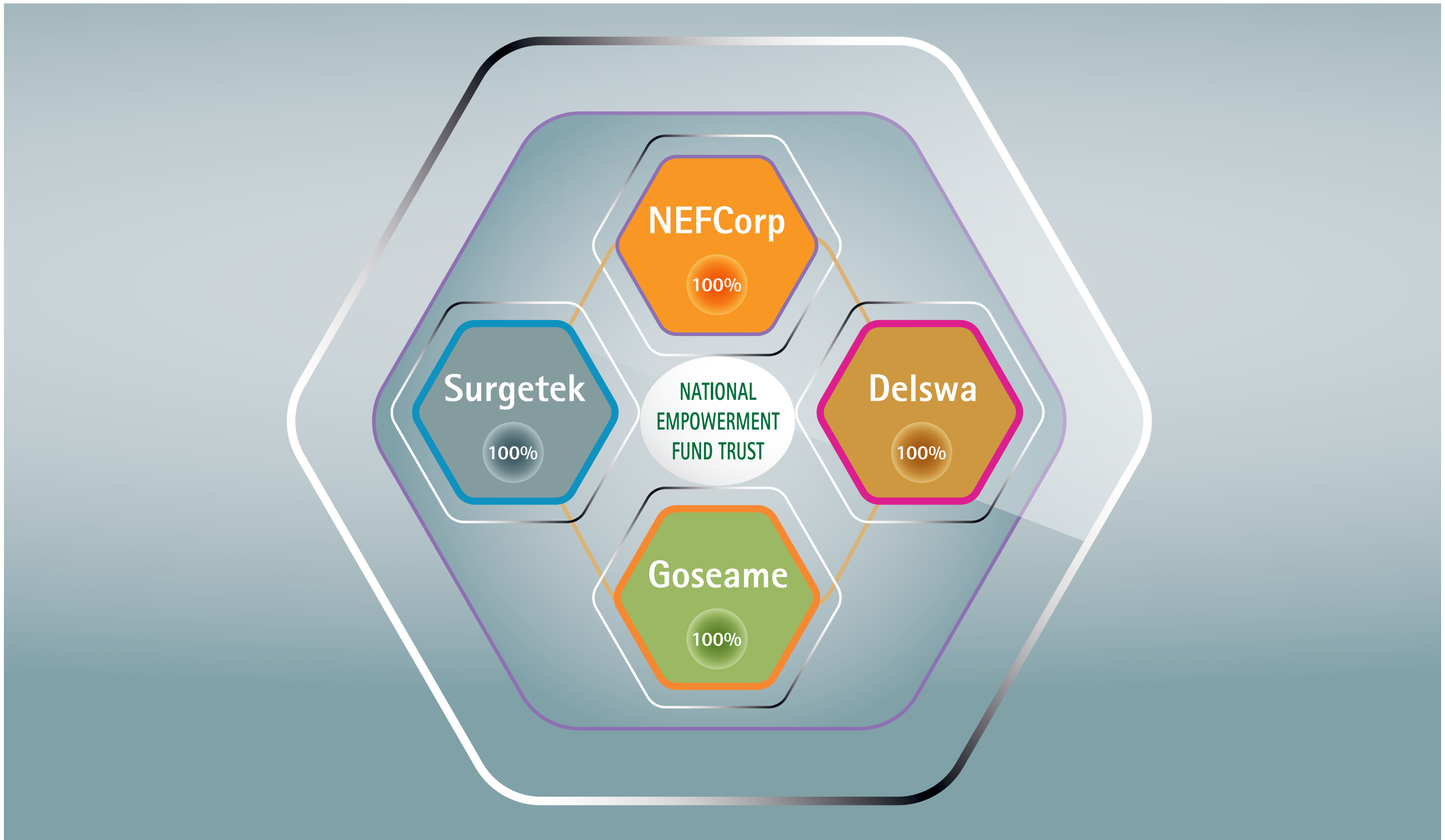
NEF Values

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 tenet that is inspired 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.

The values are denoted in the acronym EMPOWER and are further explained in the diagram below:



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. The NEF assumed control after the company fell into distress and was placed into business rescue. The business is in the process of a turnaround after which a suitable equity investor will be identified.	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 removed 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 the entity went into financial distress. After a prolonged period of distress, the business could not be salvaged and closed its doors in 2018. The NEF currently holds 100% of the property holding entity, which houses the factory premises in the Northern Cape.

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 and promote savings, investment and 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: North West (NW), Northern Cape (NC), Free State (FS), Limpopo (LP), Mpumalanga (MP) and Eastern Cape (EC).	• Percentage of portfolio impaired • Target ROI before impairments • Collection ratio	• Number of entrepreneurial training sessions provided • Number of entrepreneurs who are referred for incubation and successfully completed business incubation • Number of social facilitation sessions for NEF investees • Number of investor education sessions held across the country

> “Broad-Based Black Economic Empowerment policy strives to ensure that the economy is structured and transformed to enable the meaningful participation of the majority of its citizens and to further create capacity within the broader economic landscape at all levels promoting the entry of black entrepreneurs into the mainstream of economy.”
>
> **Ms Hlengiwe Makhathini, Divisional Executive Corporate Finance and Venture Capital**

Our Business Model

This is how we execute our business model through these processes:

GOVERNANCE

Processes	Functions	Activities
ENQUIRIES AND APPLICATIONS	PRE-INVESTMENT REGIONAL OFFICES	• Enquiries and product advisory • Business incubation • Business plan tool
SCREENING AND DUE DILIGENCE	SME AND RURAL COMMUNITY DEVELOPMENT DIVISION VENTURE CAPITAL AND DIVISION	• Deal expertise • Due diligence • Optimal deal structuring
DEAL APPROVAL	APPROVAL COMMITTEES	• Governance frameworks and structures • Credit risk assessment
LEGAL IMPLEMENTATION	LEGAL DEPARTMENT	• Legal Drafting • Trust and bond registration • Bond registration • Condition Precedent (CP) collection and disbursement compliance • Legal support
FINANCE	FINANCE DEPARTMENT AND FUNDS	• Disbursement of funds • Collections
POST-INVESTMENT SUPPORT	POST-INVESTMENT UNIT, TWR AND REGIONAL OFFICES LEGAL	• Portfolio monitoring, mentoring • Back office support • Turnaround and restructuring • Litigation

NEF Core Business

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 work of Regional Offices cuts across all units in the NEF.

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 R15 million.	• Funding ranges from R2 million to R75 million.	• Funding ranges from R1 million to R50 million.	• Funding from R250 000 to R75 million.

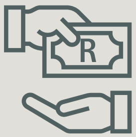
NEF Non-Core Business

The work of Regional Offices cuts across all units in the NEF.

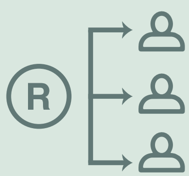
Pre-Investment Unit (PIU) and Regional Offices	Post-Investment Unit (POIU) and Regional Offices	Turnaround Workouts and Restructure (TWR)	Legal Service Unit	Socio-Economic Development Unit (SEDU) and Regional Offices
Pre-Investment and Regional Offices are responsible for: • **Application administration**, 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. • **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. – **Entrepreneurial training**, which is targeted at entrepreneurs that require capacity building and enhancement in running their fledgling businesses.	• Post Investment Unit and Regional Offices 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, with the assistance of Regional Offices, facilitates social interventions in NEF-funded transactions with broad-based groups, communities, or employee empowerment structures. The team identifies business opportunities for the targeted beneficiaries in transactions and assists in creating market linkages and identifying other development intervention areas for meaningful participation in the economy. The Unit also mobilises funding for the NEF Enterprise and Supplier Development Fund to benefit targeted investees in different sectors of the economy. In addition, the team facilitates a culture of savings and investments through the NEF Investor Education programme. The SEDU also manages the NEF Corporate Social Investment (CSI) programme which mainly focuses on Black people's education and development programmes throughout the country.

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 and Business Activities	Outputs	Impact
	• Financial capital	• Cash generated from investments made. • Cash raised through partnerships. • Cash generated and collected from investees. • Cash recovered by Legal. • Collections from the Post Investment Unit.	• Deals approved valued at R727 million. • Committed deals valued at R567 million. • Disbursement of deals to the value of R304 million.	• 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.	• 161 employees (2019:170), 60% of them are female, with 40% of senior management being female. • Employee turnover at 12%. • Value of training spent on employees R793 182 and R195 467 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.
	• 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 CSI programmes. • Socio-economic development and investor education seminars. • Activities to increase brand reputation.	• 38% of disbursements to Black women-owned investments. • 16 deals worth approximately R82 million (27% of disbursements) have been invested in targeted provinces. • 1 738 supported job opportunities of which 792 are new. • 36 social facilitation and 74 and entrepreneurial training sessions held respectively. • The media advertising value equivalent was valued at R79 million; the coverage target was 90% while the NEF achieved 95% positive, 4% balanced and 1% negative.	• 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.

Value Creation and the Forms of Capital (continued)

	Capitals	Inputs & Business Activities	Outputs	Impact
	• 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.	• Revitalisation of Township Economy (e.g. partnership to revitalise township economy through the conversion of spaza shops). • Partnerships with fuel giants to help investees (e.g. entered into MOA with Engen, co-operation agreement with Shell SA, enterprise and supplier development agreement with BPSA) • Partnership with Transnet Port terminals. • Partnership with Ekurhuleni Municipality.
	• Manufactured capital	• 8 regional offices across the country. • IT infrastructure and systems	• Provided access to walk-in clients across the country • Assisted clients to lodge inquiries and applications in the comfort of their offices or homes	• Increasing number of inquiries and applications. • Continued achievement of mandate to empower and enable Black-owned businesses to participate and contribute to economic growth.

OUR STAKEHOLDERS AND STRATEGIC PARTNERS

Evident in this Integrated Report is how the NEF creates and leverages stakeholder value. Stakeholders are defined as a person, group or an organisation with an interest or concern in, or influence over the NEF and who can affect or be affected by its objectives, policies and actions.

Stakeholder engagement is a critical element of the NEF business. Our stakeholders contribute to our value-creation process, which is articulated through our funded projects' business processes and procedures. As a DFI, our priority is to generate a developmental Impact return, not a commercial rate of return. Social and relationship capital are, therefore, central to our value creation. Across our holistic end-to-end infrastructure value chain the NEF fulfils many roles: financier, advisor, strategic partner, implementer, integrator, collaborator, catalyser and thought leader. Within each of these, the NEF has a wide and established stakeholder network, as illustrated in the overview below. We pride ourselves on long standing and well established relationships with various public and private sector entities to partner in the delivery of social and economic transformation.

The NEF values the strategic stakeholder partnerships and considers them a key strategic imperative. The NEF understands that as a public entity it is accountable to the public, and ensures that it utilises its strategic position as a channel between the private and the public sectors to drive development and transformation Impact. The NEF capitalises on its strategic partnerships to source deal flow and provide funding to clients at lower cost than if they were borrowing in the commercial market.

The NEF aims to strengthen its engagement with all stakeholders. To this end, we conduct multi-stakeholder reputation and perception surveys every two years, the latest one concluded in 2018. The data collected indicated that the stakeholders have a high level of awareness and reputation satisfaction. Among its entrepreneurs, the NEF enjoys a high regard among small enterprises, women-owned businesses, youth and Black industrialists. Stakeholders generally feel that the NEF was making a positive contribution to the economy and to job creation. The key concerns regarding business interactions with the NEF were around obtaining funding, as well as the time-consuming application processes and the lack of communication and feedback on applications. The survey indicates that one of the ways of improving our reputation is to focus on driving effective communication with our stakeholders. This includes improving engagement levels by providing open and timeous feedback.

Most of the findings were related to the service issues, turnaround time, lack of communication and onerous information requirements. The findings point to a continued need to focus on customer centricity and a culture of service excellence within the NEF through various initiatives such as:

- Streamlining our application processes, including the minimum information requirements.
- Improving our responsiveness.
- Tailoring our service to specific customer needs.

Details on our stakeholders and strategic partners:

Our Stakeholders	How we engage	Their needs and expectations	Expectations	How we create value
Employees	• One-on-one engagements with staff • Team and divisional engagements • Internal and external communication platforms • CEO feedback sessions • Staff engagements and culture surveys	• Reward and recognition • Employee development programmes and personal growth • Enabling working environment • Ability to make a valuable contribution to South Africa's development ambitions	• Motivated and empowered employees • To be brand ambassadors • Further the NEF's development agenda • Enthusiasm, commitment and skills • Service delivery mind-set • Awareness of the NEF's funding activities and developmental Impact	• Transformation • Personal development • Remuneration linked to performance, creating value • Staff awareness of how their work contributes to the NEF's value proposition
Clients and business partners	• Regional roadshows • Business support • Customised products and services • Client events • Government-sponsored events • One-on-one engagements • Surveys	• Transparent and efficient application process • Business support • Affordable and appropriate pricing	• Innovative business plans that address South Africa's developmental needs • Reasonable lending rates • Honour financial and other undertakings	• Growing industrial development funding for Black industrialists, women, youth and Black entrepreneurs • Strengthen businesses through business support • Interest and repayment rates linked to development Impact

Details on our stakeholders and strategic partners: (continued)

Our Stakeholders	How we engage	Their needs and expectations	Expectations	How we create value
Shareholders	• Shareholder meetings • Board strategy sessions • Presentations and reports to Portfolio Committee on Economic Development and Select Committee on Economic and Business Development • Integrated Report	• Transparency and good governance • Risk management and compliance • Operational efficiency • Thought leadership • Lead sustainable Black business development	• An enabling policy environment • Policy certainty • Strategic leadership	• Investment in government priority areas • Socio-economic development to fulfil the mandate
Regulators and funders	• Investor roadshows • Integrated Report	• Transparent and effective corporate governance • Financial sustainability	• Consultation • Understanding of the NEF's operating context	• Funding schemes • Input for policy development • Leveraging funding to benefit Black entrepreneurs • Industry economic development
Communities	• Regional offices • Community trusts linked to the NEF's investments • CSI initiatives • Due diligence on the environmental and social Impact of investments	• Supporting climate resilient industries • Wide dissemination of benefits • Business opportunities and inclusive growth • Compliance with environmental and social legal requirements • Emission reduction • Water stewardship	• Support for NEF-linked projects • Participation in NEF initiatives • Invest in environmentally conscious projects • Productive use of land	• Community and worker shareholding in the NEF funded projects • Social and community projects • Benefitting from poverty reduction • Sustainable industrial development • Utilising natural resources to create value for current and future stakeholders
Enterprise and supplier Development Stakeholders **Third party funders**	• Assist measured entities to comply with the BBBEE Act transformation agenda • Conclude co-funding partnerships • Invest in beneficiaries in the stakeholders' industry and database • Provide all business developmental support for business sustainability • Co-manage partnership through Project Steering Committees. • NEF BEE facilitator status creates a platform to earn ESD points as per code 400 requirements	• Industry Transformation • Meaningful participation by the historically disadvantaged groups • Obtain BEE Points	• Sustainable businesses and investments • Transparency and accountability • A return on investments • Industry growth	• NEF BEE facilitator status creates a platform to earn ESD points as per code 400 requirements • Co-investment and cost sharing model stretches the rand to reach more investees • Value creation and unlocking other third party investors • Provide an array of non-financial support interventions • Market linkages through forward and backward linkages • Market exposures through EXPOS
Other partners	• Engagements with academics, industry bodies, experts, DFIs, State-Owned Entities (SOEs), research institutions and organisations	• Funding and participation in pilot initiatives • Influencing policy development	• Entrepreneurship and innovative solutions • Mutual partnership	• Knowledge networks that support sustainable industrial development and address the needs of society
Media	• Media briefings • Press conferences and releases and print media	• Key strategic initiatives • Investee project information • Operational and • financial performances	• Raise public awareness of our strategy, products and services as well as our operational results	• Responding to media enquiries timeously • Being transparent and available

KEY RISKS AND MATERIAL ISSUES

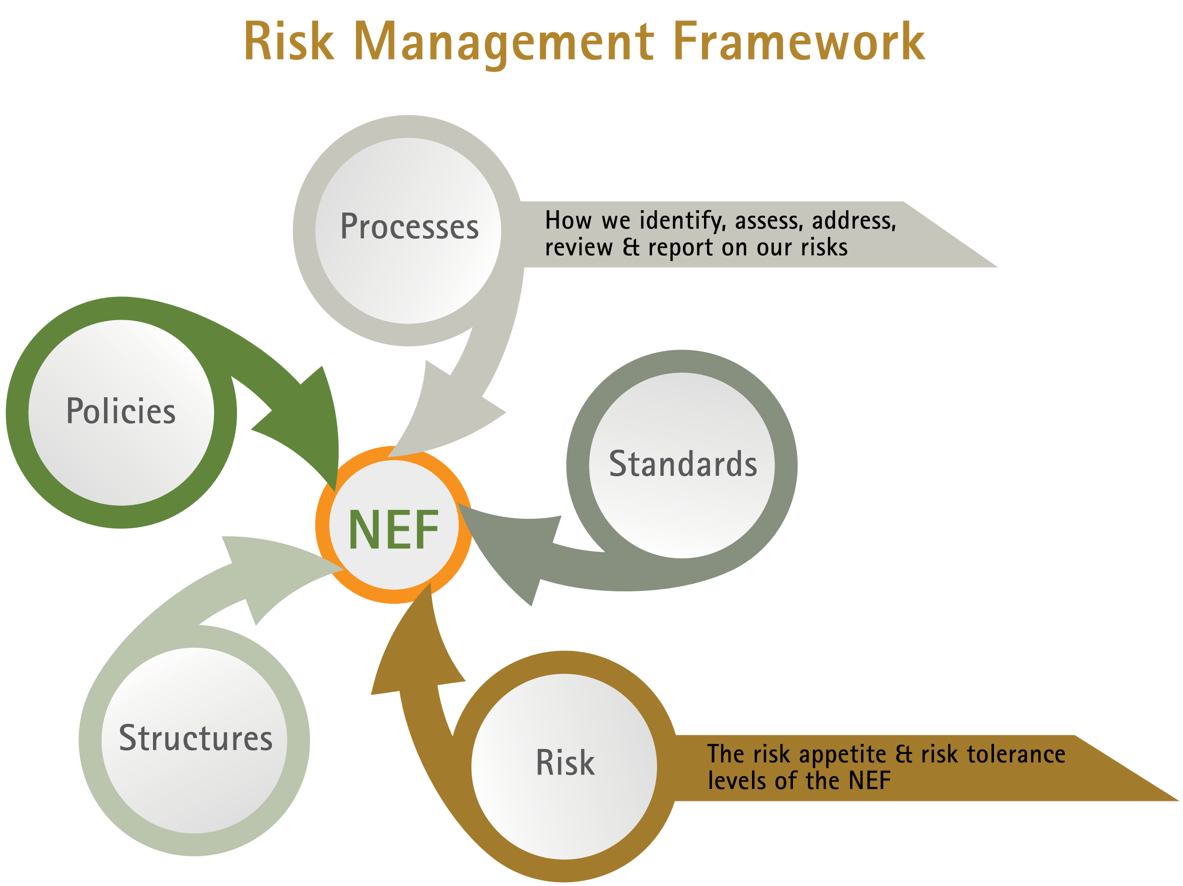
The NEF continuously assesses the current and emerging risks faced by the organisation in accordance with the organisation's enterprise risk management process. This risk management process also includes regular review of the organisation's risk appetite to cater for changes in the environment in which the organisation operates. The risk management activities cut across the entire organisation and the ultimate objective is to maintain an effective risk management culture.

As the NEF is a developmental finance provider, its business model is the provision of funding to entrepreneurs that have either minimal to no own contribution or minimum to no security to pledge (or both) and which entrepreneurs would otherwise not qualify for financial support from traditional finance institutions. This, inadvertently, leads to the NEF taking on a higher level of risk. It is, therefore, of critical importance that the NEF maintains a strong risk management process in order to remain a viable and sustainable organisation.

The NEF management is currently concerned with various risks which include, amongst others, credit risk, market risk, liquidity risk, risks from missed opportunities and reputation risk. The emergence of the COVID-19 pandemic has exacerbated these risks and has also created additional risks such as business disruption and continuity risks. If not managed appropriately, these risks may adversely affect the performance of the organisation and its promise to its stakeholders, customers and members of the public.

The Risk Management Framework:

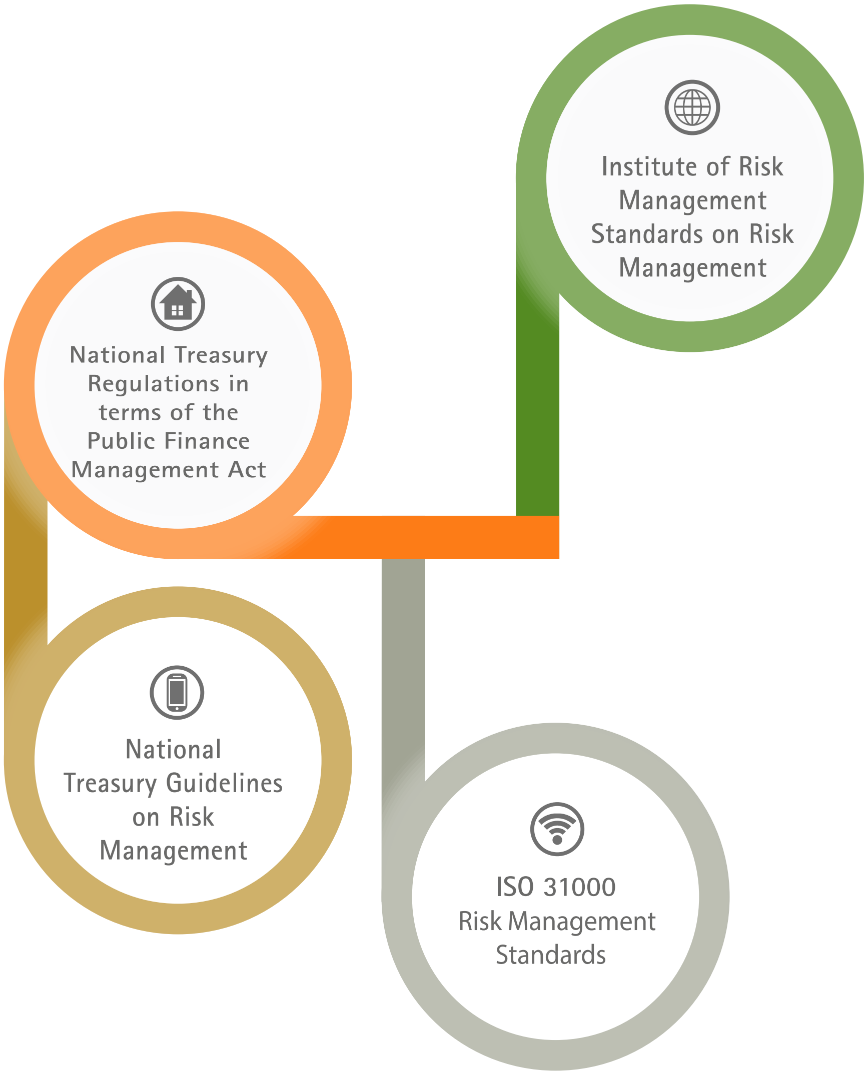
The following diagram depicts the NEF's Risk Management Framework and Strategy and outlines the important elements of effective risk management:



KEY RISKS AND MATERIAL ISSUES (continued)

Risk Management Standards:

The NEF's risk management standards are based on best practice and good corporate governance as depicted in the diagram below:

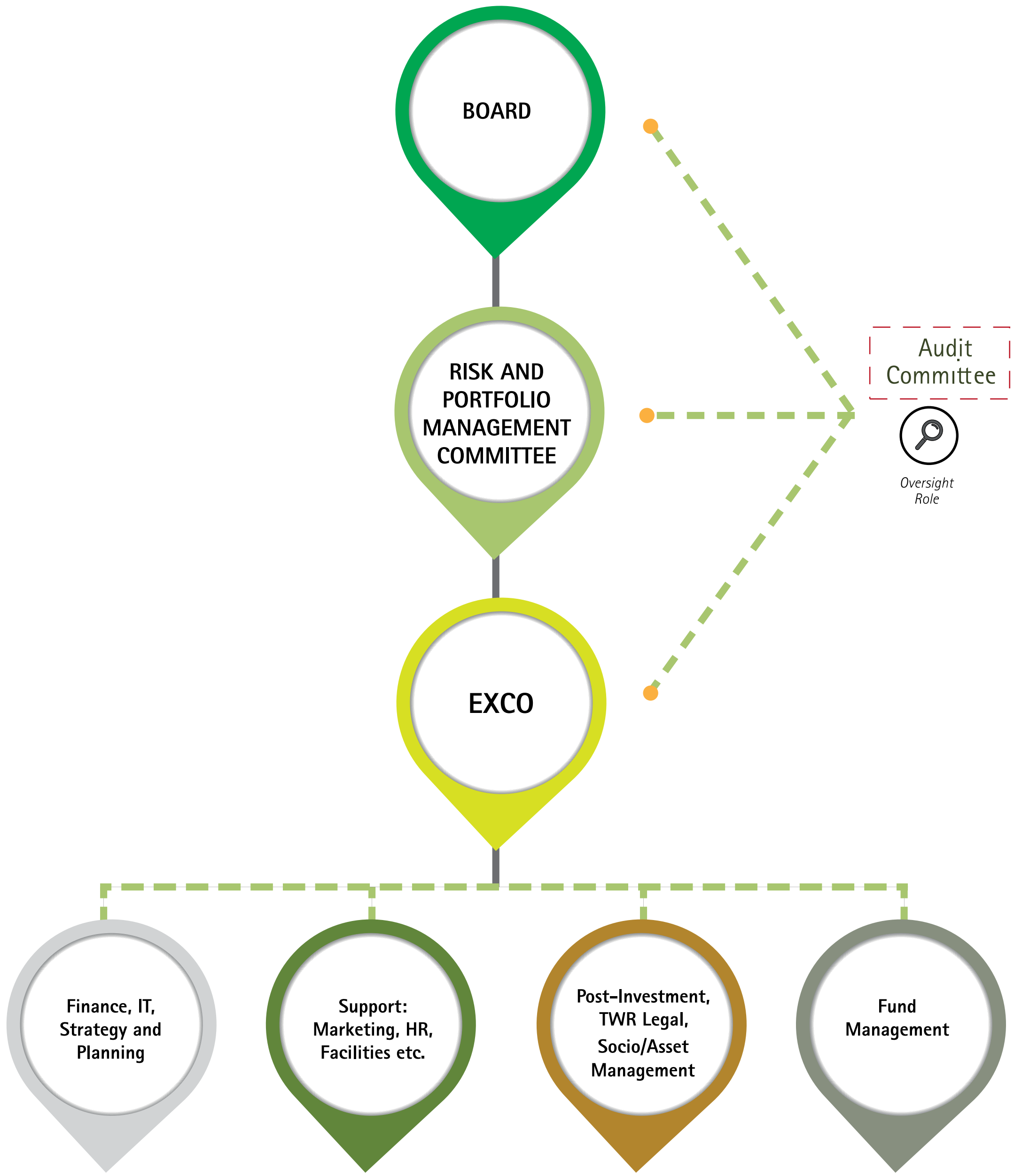


The Board of Trustees of the NEF (the Board) is responsible and accountable for directing and monitoring the organisation's risk management performance in a structured framework. The Risk and Portfolio Management Committee, which is a committee of the Board, is responsible for governance oversight of risk management. The NEF's Executive Committee, with the assistance of the Chief Risk Officer, is responsible for implementing the Enterprise-wide Risk Management (ERM) process.

The Audit Committee, also a committee of the Board, provides additional assurance to the Board, mainly, on the financial reporting risk management process and internal control on an annual basis.

KEY RISKS AND MATERIAL ISSUES (continued)

It is the duty of all business divisions of the NEF to support the Board and its committees to implement the risk management process. The diagram below shows the overall risk management structure, from the Board down to business divisions:

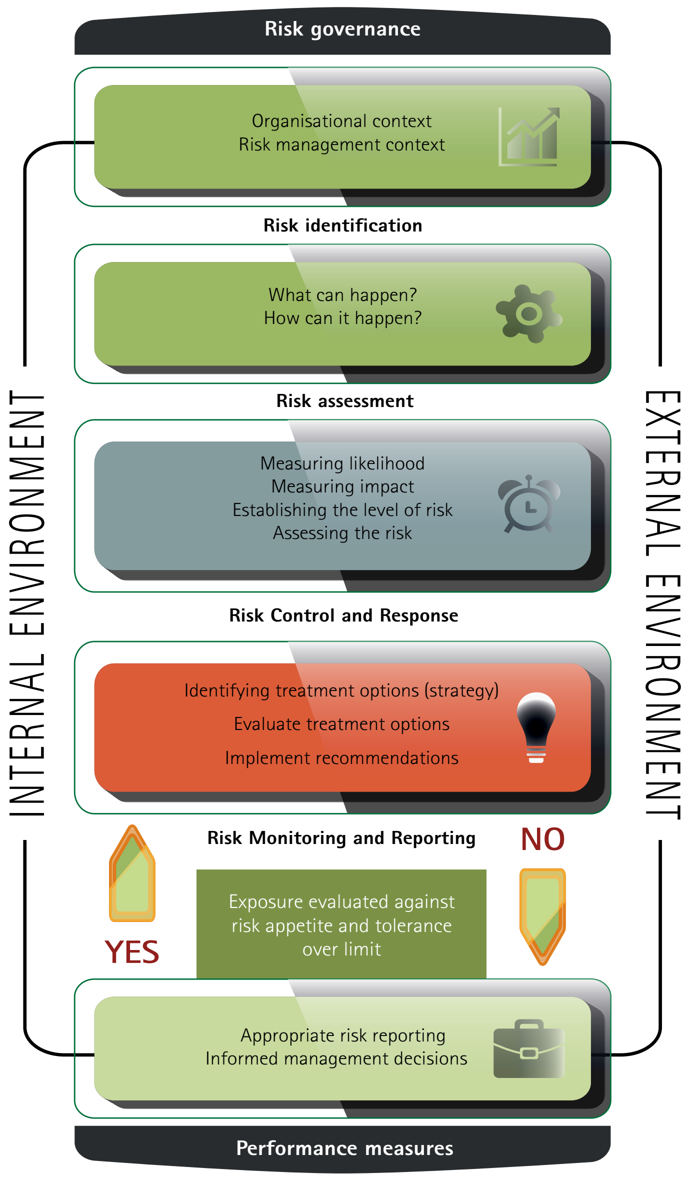


The NEF's approach to risk management is an intentional act of balancing the management of various threats while taking full advantage of the opportunities in the environment in which the organisation operates.

KEY RISKS AND MATERIAL ISSUES (continued)

Risk Management Process

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



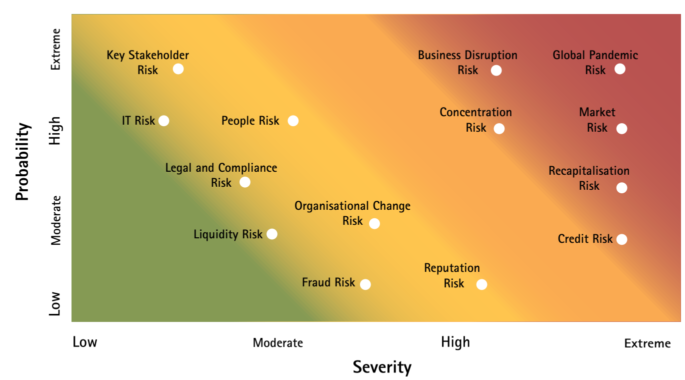
Identification of Material Issues

Material issues are identified as part of a risk management process from which key risks, mitigating measures and opportunities are identified. This process is managed by the Executive Committee, the Risk and Portfolio Management Committee and the Audit Committee and is then approved by the Board.

Key Risks Heat Map

Below is the depiction of the ratings of the residual risk that remains after management has applied all measures to mitigate the key risk. This has been represented by the heat map and then later by the table with the full details of the key risks and the residual risk ratings:

Heat Map



The following diagram reflects the movement in the residual risk rating from the previous financial year 2018/19. The arrows bear the following meaning:

- ➡ This reflects that the residual risk has remained the same from the previous year.
- ⬇ This reflect that the residual risk decreased which is a also an improvement in the outlook of the measured business objective.
- ⬆ This reflects that the residual risk has increased or the outlook for the measured business objective has worsened.

FY2020

Risk	Movement	Movement	Risk
Global pandemic risk	⬆	⬆	Credit risk
Recapitalisation risk	➡	➡	Concentration risk
Market risk	⬆	⬆	Business disruption risk
People risk	⬇	➡	Key Stakeholder Risk
Fraud risk	➡	⬆	Organisational change risk
IT risk	➡	⬇	Liquidity risk
Reputation risk	➡	⬆	Legal and compliance risk

The following further explains the movement that depicts the increase in residual risk or the outlook in the business objective that has worsened from the previous year (↑): -

- **Global pandemic risk**
  The global pandemic risk is a new risk that has become much of a concern for both the NEF and its investees due to the absence of assurance of when the pandemic will come to an end. It is a threat to the country's economic wellbeing and the NEF along with its investees' business continuity. This risk is, however, currently being closely monitored as uncertainty in the market and across the globe, remains.

- **Market risk**
  Market risk has further increased from the previous financial year due to uncertainty in the economic environment in the country and in the global market at large.

- **Credit risk**
  Credit risk has increased due to the threat of the COVID-19 pandemic and the economic downturn in the South African and global economies, leading to cash flow constraints for investees and subsequently limiting their ability to repay the loans.

- **Organisational change risk**
  This is an emerging risk due to the pending possibility of a business combination with the Industrial Development Corporation (IDC). The anxiety of this combination could lead to loss of quality human resources.

- **Business disruption risk**
  This is also another new risk identified as a direct consequence of the COVID-19 pandemic and is likely to affect productivity and efficiency of the NEF's operations. Due diligence investigations are likely to be reduced to desktop investigations leading to funding of transactions that would otherwise not have been funded if the full due diligence investigations had been performed. This is likely to lead to increased credit risk.

- **Legal and compliance risk**
  This is another new risk which has emerged, and it is related to a noticeable increase in the number of legal and compliance issues by the investees of the NEF that are likely to affect the organisation.

Credit Risk Management

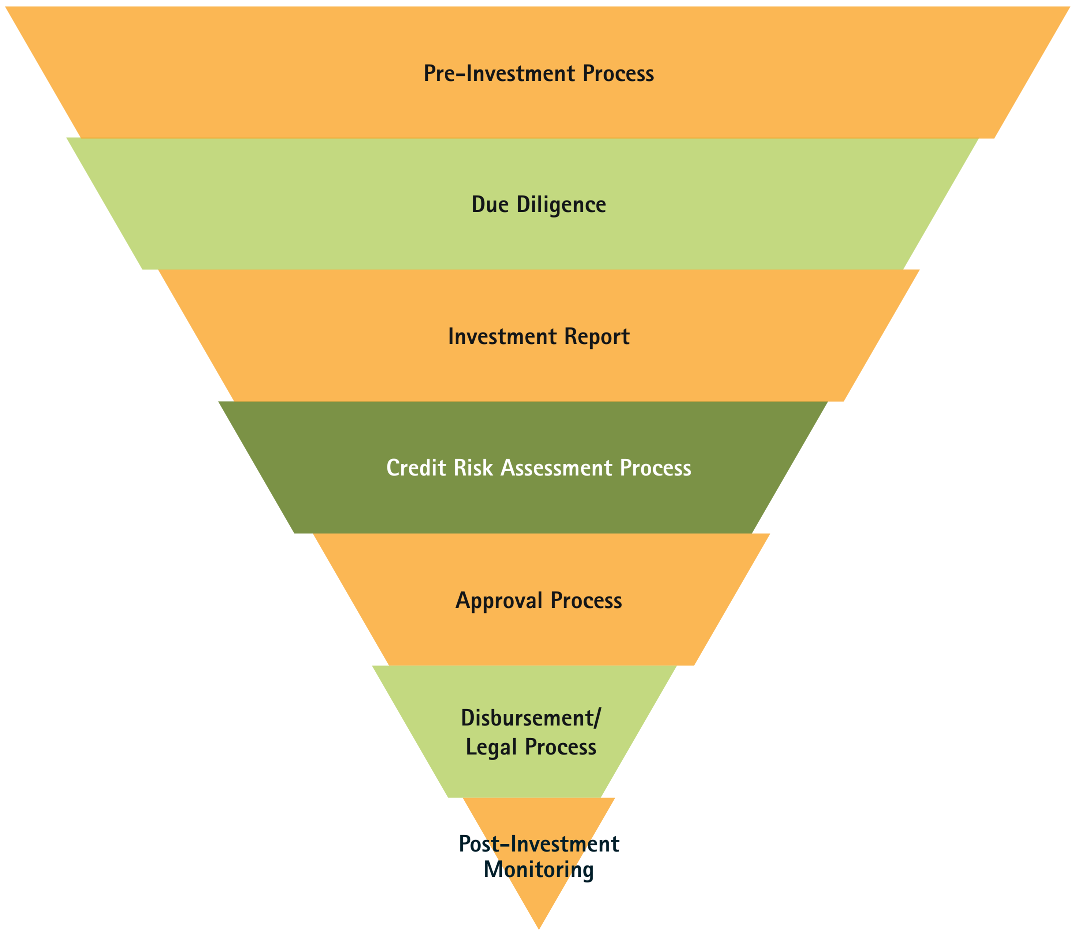
Credit Risk Management is a significant component of the ERM process of the organisation. This is because the NEF is an institution whose major objective is the provision of financial support in the form of credit facilities. The NEF Management assigns priority and adequate resources to ensure effective management of credit risk.

Credit risk is defined as the risk or possibility that a borrower or counterparty will fail to or will fall short in honouring their obligations arising from a credit agreement and its 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.

The management of credit risk has been assigned to the Credit Risk Department (part of Risk and Compliance Division) established by the Board. The principal role of the Credit Risk Department is to ensure that the funds of the organisation are advanced to entrepreneurs and entities that are credit worthy and have proven to have commercially viable enterprises. The Credit Risk Department, inadvertently, plays an active role in the investment process as seen below:

Investment process



Credit Risk Management (continued)

Although the Credit Risk Department has a responsibility for the overall credit risk management, that is, credit risk policy formulation and independent credit risk assessment of all credit applications tabled at approval committees, the Board assigns the responsibility for credit risk management to all personnel or departments playing a role in the investment process as detailed below:

Responsible team	Credit risk management actions	Desired outcomes
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 an informed decision to proceed to due diligence investigation. ❍ Letter of decline or investment report. ❍ Appropriately structured and priced transactions. ❍ Accurate approval committee decision that has considered all credit risk factors.
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 regards to the level and acceptability of credit risk.	❍ Adequate and independent credit risk assessment. ❍ Credit Risk Assessment report ❍ Accurate approval committee decision that has considered all credit risk factors.
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 approval committee decision that has considered all credit risk factors. ❍ 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 on-going 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 or capacity to successfully operate their enterprises.	❍ Financially sustainable enterprise that is profitable, capable of making debt repayments and/ or dividend distribution while growing its equity value. ❍ Timely interventions and collections. ❍ Timely interventions and collections.

Credit Risk Management (continued)

Responsible team	Credit risk management actions	Desired outcomes
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 these 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. ❍ Recovery of outstanding debt or acting on securities. ❍ Recovery of outstanding debt or acting on securities. ❍ Recovery of outstanding debt and or obtaining default judgements from relevant court and listing with credit bureaux and seeking 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 cash flow 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 cash flow constraints and devising turnaround or workout strategies.	❍ Turnaround of distressed business and/or collection. ❍ Turnaround, collections and/or exit. ❍ Turnaround, collections and/or exit.

Key Credit Risk Indicators

The Risk and Compliance Division tracks several key risk indicators, as part of portfolio risk monitoring, to assess and highlight potential credit risk factors that may adversely affect the overall performance of the organisation. An adverse movement in these credit risk indicators (year-on-year) indicates a potential increase in credit risk.

These indicators are further analysed 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 the organisation and the extent of the potential credit risk on the existing portfolio. An increase in this ratio indicates a potential increase in credit risk. There was a significant increase in the impairment ratio from 18% in 2018/19 to 27% in 2019/20. There were a few large exits reducing the loan book value which was also exacerbated by 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) reflects 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. ROI remained constant from 9% in 2018/19 to 9.04% in 2019/20. It also reflects a slight normalisation in credit risk in the current year under review.

Portfolio risk

The overall portfolio (credit) risk of the NEF is monitored by the Post Investment Unit. The Unit undertakes the risk rating of the entire credit portfolio 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 risk has remained medium for three years in a row (including the current year) which is indicative of a stable credit risk outlook for the existing portfolio. This is, however, likely to change due to the emergence of the COVID-19 pandemic which is likely to significantly and adversely affect the businesses of the NEF's investees.

Non-performing loans (NPLs)

NPLs are defined at the NEF as debt facilities with monthly instalments that remain unpaid for a period of 90 days and above. The NPLs are determined as a percentage of total active loan book value (total value of NPLs divided by total active loan book value). An increase in NPLs indicates increase in credit risk of the organisation. There was a significant increase in the NPLs from 28.6% in 2018/19 to 49% in 2019/20. The biggest contributor is the majority of the NEF investees experiencing adverse effects of weak economy towards the end of 2019/20 caused by the COVID-19 pandemic which resulted in a nationwide lockdown followed by a sovereign credit downgrade to junk status.

Collections

Collections are scheduled and or unscheduled repayments of credit or debt by investees. Collections are expressed as a percentage or ratio of repayment receipts over instalments raised for performance measurement purposes (collections ratio). Scheduled or periodic (monthly, quarterly or annually) instalments are raised on investments structured as debt/senior loan. In certain instances, where investees have excess cashflow they opt to reduce or fully settle their debt facilities through either senior debt facilities or junior debt facility such as mezzanine structured loans where no instalments are raised. These are referred to as unscheduled repayments or receipts.

Due to the fact that no instalments are raised unscheduled repayments, the collections ratio increases above 100%. In spite of this anomaly, collections ratio of 90% and above 100% indicates acceptable credit risk. An increase in total collections ratio from 128.4% in 2018/19 to 143.81% in 2019/20 was recorded and was due to higher exits and loan repayment acceleration as compared to 2018/19. Collections 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 lending. This has an adverse effect on the overall credit risk of the organisation compared to traditional financial institutions. Over 72% of the NEF's loan book is unsecured. The security cover has, however, increased from 16% in 2018/19 to 28% in 2019/20 which slightly reduces credit risk of the organisation.

Overall credit risk assessment

Based on the above indicators, there is a notable increase in the credit risk rating of the organisation. This increase also reflects the subdued economic growth for the past few years, the economic downgrades and the devastating effects of the COVID-19 pandemic. The South African Government is constantly working on various strategies to improve the economy of the country and has been working overtime to shield small- and medium- enterprises (SMEs) from the adverse effects of COVID-19. The NEF's Management is also 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 while also actively management the portfolio of COVID-19-affected investees.

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.

Compliance

In a highly regulated environment, we view compliance as part of preserving the integrity of the organisation through an integrated way of compliance implementation. The NEF values and strives to ensure compliance with laws, regulations and applicable standards in a way that supports the organisation being both ethical and a good corporate citizen.

The Compliance Management programme of the NEF is at a relatively mature stage as key steps have been taken in the design and detailing of the compliance management programme. Some of the interventions included the development of a Compliance Framework (which includes a Compliance Policy and Manual, Compliance Committee Charter and a Compliance Monitoring Manual) as well as the relevant regulatory universe of the NEF. Compliance monitoring efforts are an ongoing initiative aimed at minimising compliance risks.

Compliance management within the NEF is a significant and strategic process and is a key factor in assuring the sustainability of the organisation as well as re-assuring all stakeholders. The theme of integration is considered in all compliance efforts at the NEF. Such integration ensures that compliance becomes a crucial role-player in the combined assurance process at the NEF and becomes an integrated consideration in all key business processes.

A Compliance Committee is constituted and is responsible for all matters relating to compliance that affect their respective business units. The NEF upholds high standards in compliance management to protect the organisation from the adverse effects of non-compliance and legislative breach.

A dedicated effort was made to ensure compliance with the B-BBEE Act (2003, and its amendments), the FICA (2001, as amended) and the POPI Act (Act 4 of 2013). We continue to actively monitor the legislative landscape for any changes which may affect the business.

We proactively engage with regulators and other DFIs on all compliance-related matters. Through the use of guidelines issued by the Compliance Institute of South Africa, we aim to effectively identify, monitor and report on compliance performance and risks.

In order to supplement our current compliance management efforts and to build a medium-term view of compliance management within the NEF, we will be developing a strategy that will allow for progressive growth in compliance management in a manner that is aligned to the strategic goals of the organisation. This will include the implementation of various multi-disciplinary compliance programmes to ensure compliance with applicable laws and good governance practices.

On 15 March 2020, the Honourable President of the Republic declared the COVID-19 epidemic a national state of disaster. This necessitated that the NEF put in place precautionary measures to better protect all employees and to limit the Impact of the pandemic. Policies and protocols were developed to ensure that the NEF complies with COVID-19 regulations and to ensure alignment to the Governments' strategy to manage the spread of the virus.

Snapshot of Investee Profiles

Below is a random sample of the NEF's investee company profiles:

Companies	Woman % shareholding	Province	Jobs	Strategic sector	Partnerships	Industrial Development	Amount
1. Khabokedi Waste Management (Pty) (Page 44)	59% (black female)	GP, WC	500	Waste Management – Green economy	CoE: Fetola Fund	Green Economy	R39m
2. Nare Leisure Investment (Pty) Ltd (Page 45)	100% (black female)	NC	75	Tourism	Tourism Transformation Fund	Tourism	R9.6m
3. Nkomazi Cotton Development Project (Page 46)	80% (black female)	MP	16 650	Agro-processing	n/a	IPAP	R42.6m
4. Surge Technology (Pty) Ltd (Page 47)	100% NEF *Black Facilitator Status	GP	17	Manufacturing	n/a	Industrial	R20.3m
5. Mohlalefi Engineering (Page 48)	100% (black owned)	GP	31	Agro-processing	n/a	IPAP	R36.3m
6. Tyre Energy Extraction (Pty) Ltd (Page 49)	n/a	EC	60	Renewable energy	n/a	Black Industrialist	R38.1m
7. Makwande Supply and Distribution (Page 50)	100% (black female)	GP	185	Transport and logistics	n/a	Transport and logistics	R13.9m
8. The Leopards Sands (Page 51)	10% profit share for community	MP	44	Tourism	Tourism Transformation Fund	Tourism	R15m
9. BT Industrial (Page 52)	25% (black female)	GP	41	Manufacturing	City of Ekhurhuleni	IPAP	R15m
10. Parker Family Foods (Page 14)	100% (black owned)	WC	79	Manufacturing / Wholesaling and Retailing	Western Cape Enterprise Development Fund	Food processing	R14.8m

Investee profile | Khabokedi Waste Management (Pty) Ltd

Company profile

Khabokedi is an existing company that focuses on providing solid waste management services to public and private sector clients located throughout the country. They provide various services relating to waste management, however, their core focus has been landfill operations management. They have started processes to **diversify their service offering to include waste recycling services in support of the green economy**. Through the years, Khabokedi's quality of work, experienced resources, and good track record for timeous execution has resulted in a strong reputation in the market, giving them a competitive advantage over some of the industry players.

Development Impact

The business has been in existence since 2009 and is **100% Black-owned, 59% of which is women- and youth-owned**. The business is managed by an experienced team of individuals with vast industry experience and professional expertise. They manage 13 landfill sites which are located in six provinces across the country, thus contributing to job creation in those provinces. Through **NEF funding of R39 million (blended with City of Ekurhuleni Fund)**, the business has **retained 342 jobs**, and has the opportunity to grow the staff compliment **by additional 158 jobs** through the expansion of the business.

Khabokedi's business operates out of the **Ekurhuleni Municipality** as its head office is based in Alberton. In addition to that, the biggest contract serviced by the company is with the Ekurhuleni Municipality. As a result, they also qualified for funding through the **Ekurhuleni's Fetola Enterprise Development Fund in partnership with the NEF**.

Investee Profile Nare Leisure Investment (Pty) Ltd

Company profile

Nare Leisure Investment (Pty) Ltd is a new entity established in 2018 with the purpose of establishing a four-star top-end Boutique Hotel in **Kimberly, Northern Cape**. Nare Leisure is **100% Black woman-owned** by Ms Tsholofelo Maletsatsi Wesi. Ms Wesi took advantage of an opportunity that she identified within the tourism industry. A 39 years of age, dynamic and versatile Black woman with strong credentials and a good track record within the hospitality industry and in managing different projects. Through the NEF's funding of R9.6million (blended with TTF), the business will **create 75 jobs of which 19 will be permanent and 56 will be during construction**.

Development Impact

When the NEF was approached by Nare Leisure, the property was under the ownership of ABSA Bank and the construction had commenced and the building was 29.75% complete. Since then, the property has been acquired from ABSA, and the building construction is now 86% complete.

The hotel will feature four floors with the top floor overlooking the city and offering 360-degree panoramic views of Kimberley. It will consist of 13 rooms which can accommodate a maximum amount of 26 guests and a roof-top hosting facility with a capacity of 50 individuals. The hosting facility will provide a high-end venue for events such as corporate lunchs, birthday celebrations, baby showers, bridal showers, year-end functions and other smaller events. This facility will enable the hotel to reach clients whom would not necessarily be interested in the accommodation services provided by the hotel but the public that wants to have lunch, dinner or drinks any time of the day. The boutique hotel will have catering services on the premises which will serve breakfast, lunch and dinner.

Nare Boutique Hotel is centrally located in town, in close proximity to the major tourism and business attractions of the vicinity. The proposed development is in a busy area and will be easily accessible from five of the major roads entering Kimberley. Nare Boutique Hotel will aim to provide products and services of such quality that will comply with the requirements for a four or five-star grading from the Tourism Grading Council of South Africa.

> By complying with B-BBEE, organisations promote economic transformation which in turn will promote economic growth across the country due to the increase in the extent to which communities own and manage enterprises.
>
> **Mr Nhlanhla Nyembe, Acting Divisional Executive**
> **SME Rural and Community Development**

Investee Profile

Nkomazi Cotton Development Project

Company profile

The Lebombo Agricultural Secondary Co-operative Limited ("Lebombo") approached the NEF in 2015 for **feasibility funding of R7.4 million** to investigate the establishment of a cotton lint manufacturing plant. **The cooperative is 100% Black-owned and 67% women owned.** It is comprised of **21 primary cooperatives** and has **1 190 members** in total who are small holder farmers. The farms are located in and around the Nkomazi Municipality in Mpumalanga. The funding was approved in 2016 and was financed through a Joint Venture which is owned by both the Co-operative (51%) and the NEF (49%).

The BFS was developed in partnership with a turnkey professional service provider. The BFS phase has been completed and it yielded positive outcomes. Some of the salient features of the outcomes include the identification and selection of the gin equipment manufacturer, project site location securing, market and risk assessments and financial modelling.

Development Impact

The total project size is ca. R300 million and following the positive BFS outcomes, the NEF **has invested a further R42.6 million into the project**. The balance of the project funds are being raised externally by engaging different development finance institutions, commercial banks and private equity funders in the market.

At completion, the Nkomazi Cotton Development Project is expected to yield empowerment dividends such as the creation of **16 650 sustainable jobs** (through direct farming, processing of the cotton and construction of the plant, promoting growth in the agro-processing sector and promoting greater economic participation in the **Lebombo and greater Mpumalanga area**.

Investee Profile — Surge Technology (Pty) Ltd

Company profile

Surge Technology (Pty) Ltd trading as Surgetek was formed in 1988 following an exclusive association with Dehn & Sohne to supply lightning and overvoltage protection products in Africa. **Today the company is 100% Black-owned** and boasts a number of partnership agreements with leading international manufacturers and designers. This has seen the company establish itself as one of the leading supplier and manufacturers of quality products backed by excellent technical know-how and after sales service.

The company provides a wide range of products from lightning and power surge protection devices to electrical safety equipment and clothing (Arch Flash PPE), portable earthling devices and voltage detecting systems that are utilised by the major electrical, industrial, mining and telecommunication sectors in South Africa. Most of the power protection and safety equipment are SABS approved and are specified by the major users including amongst others government departments, municipalities, air traffic control, state-owned enterprises, and other private companies.

Development Impact

The company **is a wholly owned subsidiary of the NEF** following the business rescue process that completed in late November 2017. With the assistance and rescue interventions of the NEF, **the company was able to turnaround and retain the majority of its 18 long serving member staff, averaging over 30 years with the company**. The business has emerged from distress and is a success story of business rescue in an otherwise untransformed industry.

To confirm its status as one of the leading suppliers of lightning protections devices in South Africa, the company was invited to supply lightning protection equipment and devices in collaboration with their international supplier Dehn to the three Photovoltaic (PV) projects owned by Scatec in the Northern Cape as part of the renewable energy Independent Power Producer Procurement Program (REIPPPP).

"South Africa's policy of black economic empowerment (BEE) is not simply a moral initiative to redress the wrongs of the past. It is a pragmatic growth strategy that aims to realise the country's full economic potential while helping to bring the black majority into the economic mainstream."

Mr Setlakalane Molepo, Divisional Executive SME Rural and Community Development

Investee Profile

Mohlalefi Engineering

Company profile

Mohlalefi Engineering is a pioneering manufacturer and supplier of innovative, lifesaving and reliable roof support and safety solutions for the mining industry. Founded in 2017, Mohlalefi Engineering designs, manufactures, supplies and installs safety structures, roof tendons and anchors for underground mining operations. All Mohlalefi products are manufactured locally from a pilot plant located in Alberton industrial site, Gauteng.

The company is 100% Black youth-owned. Mohlalefi Engineering uses an innovative manufacturing process to create mining roof support systems that are superior in performance compared to competitors in terms of strength. Mohlalefi has a strong research and development base, with decades of experience in the mining roof support space. This enables the project team to better understand customer needs as well as to provide continuous support and training for the products. **Mohlalefi currently has employed 48 employees** and has a capacity to produce 10 000 units per month.

Development Impact

The NEF has invested R15 million towards conducting a bankable feasibility study based on a pilot plant. The pilot plant is used to produce and acquire all the necessary statutory testing and certification for the Mohlalefi products. To date, Mohlalefi is already rendering its services to six mines locally and one mine in Zimbabwe, bringing the total to seven mines. Post the Siyanda and Royal Bafokeng mine trials, Mohlalefi will be supplying underground support to nine mining operations companies. This will conclude the market development milestone and the balance of the milestones are expected to be completed by March 2021.

> The NEF Women Empowerment Fund aims to address barriers that often push women entrepreneurs into the informal economy where a lack of access to finance, information, and networks jeopardise their capacity to grow and develop businesses.
>
> **Ms Zama Khanyile, Head: uMnotho Fund**

Investee Profile

Tyre Energy Extraction (Pty) Ltd

Company profile

Tyre Energy Extraction Pty Ltd ("TEE") is a Black-owned company which is located in the COEGA Development Zone in the **Eastern Cape**. The NEF has been involved in the project since the early stage of its development in 2012, this is when the project was still a concept. The project has now developed significantly having gone through pre-feasibility, bankable feasibility and is now at financial close with the plan to get it operational in the first quarter of 2021.

Development Impact

Mr. Lunga Limba, a Black industrialist that resides in the **Eastern Cape (Port Elizabeth)** is the main driver and owner of this project. **NEF has invested R38.1 million** in TEE and has a 30% equity stake in it. The main objective of the project is pyrolysis of waste tyres in the Eastern Cape and through that process, the company will generate oil, waste steel, char and gas for sale to the respective markets. The success of this renewable energy project will see it being rolled out to other provinces outside of the Eastern Cape.

The company will create 60 direct permanent jobs. In addition, this project will support numerous other indirect jobs from the tyre collectors, transporters which are mainly owner driven transport companies and jobs in the approved depots which store tyres before they are transported to recyclers.

This is a project that fits squarely in this renewable energy space, a developing sector in South Africa. TEE will contribute to the cleaning of the environment through the eradication of historical tyre dumps which have filled up beyond their capacity.

The NEF is proud to be part of a project that is aligned to government policy regarding waste tyre management.

> Although South Africa has made significant strides in terms of women's political representation at various levels, women are still marginalised economically as men control the bulk of the resources and decision-making. It is for this reason that at the NEF we established the Women Empowerment Fund.
>
> **Ms Eldene Govender, Acting Head iMbewu Fund**

Investee Profile

Makwande Supply and Distribution

Company profile

Makwande Supply and Distribution (Pty) Ltd ("Makwande") is a **100% black woman-owned and managed** business by Ms Nona Chili. The business has been providing transport and logistics services to the petroleum industry since 2009. In 2015, Makwande approached the NEF seeking R12m to increase its fleet of eight trucks by an additional three trucks in order to service a three-year contract that was awarded by one of the oil majors. With an increased fleet, the business was able to secure more contracts and was awarded an eight-year contract from yet another oil major. Since then, the business has grown its asset base to 58 trucks and employs 175 permanent employees.

Development Impact

Makwande exited the first NEF loan in July 2019 and approached the NEF for a second loan of R13.9m for the acquisition of the depot from which it operates. The property comprises three erven totaling 15 200 sqm boasting a truck stop, ancillary office building, workshop and other related buildings. **The NEF's financial support enabled the business to trade competitively by increasing capacity as well as increasing its asset base by owning its own commercial property.**

Investee Profile | The Leopards Sands

Project value: R48.2m

NEF funding: R15m

Jobs: 44 permanent Jobs

Grading: 5 star

Ownership: Owned by 5 Black entrepreneurs

Community Benefit: 10% profit share.

Project description: Overlooking the Sabi River, Leopard Sands River Lodge by BON Hotels is set to launch in May 2020. The lodge is bordering and overlooking the world-renowned Kruger National Park, only minutes from the Kruger Gate entrance. The lodge has 18 luxury units, all equipped with private plunge pools overlooking the iconic river, home to hippos, crocodiles and countless species of birds. It also boasts an elevated restaurant that gives guests a unique view of the park. Discussions are at an advanced stage with San Parks to collapse the border fence with Kruger National Park.

> The tourism industry is important for the benefits it brings due to its role as a commercial activity that creates demand and growth for many more industries. Tourism not only contributes towards more economic activities but also generates more employment, revenue and plays a significant role in development.
>
> **Mr Eric Zwane, Head Rural and Community Development Fund**

Investee Profile
BT Industrial

Company profile

BT Industrial (BT) is a **100% Black-owned** engineering business founded by Mr Kgomotso Lekola in 2017. BT's head office and manufacturing plant is situated in Germiston, east of Johannesburg. The business is a manufacturer and supplier of HDPE pipes ranging from 65mm to 1000 mm. HDPE pipes are mainly used for industrial purposes in the mining and construction sectors.

As a manufacturer of HDPE pipes, BT Industrial conforms to the local content requirement of the new Mining Charter, meaning that every R1 spend translates into a R1.28 B-BBEE benefit for its mining clients.

Development Impact

The NEF approved R15 million as a revolving loan facility to BT for expansionary purposes. This resulted in **maintaining 28 sustainable permanent jobs** as well as **creating 13 new permanent jobs**.

BT obtained its SABS approved certificate in 2019 and was DEKRA approved in 2020.

Its main achievement in 2019 was being one of the seven majority Black-owned small businesses selected as **winners of the SA SME Fund's CEO Circle Entrepreneurs Award** for entities deemed high-potential enterprises with the ability to grow into a significant company of R500m-plus in value.

CFO'S REPORT

Mr Lebogang Serithi
Chief Financial Officer

Finance Report

New developments and updates

The Group's 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 24.

Management is still working on the disposal of Goseame. It has, however, taken longer than anticipated; as a result, an application to extend the PFMA (1999, as amended) 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 sale agreement has been concluded, however awaiting for a condition to be met which is property rezoning and the rezoning certificate in order for the transfer to be effective.

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

> "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."

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	2019/20	2018/19	2017/18	2016/17	2015/16
Financial Position								
Cash & Cash equivalents	0%	1 267	40%	1 420	1 017	1 134	1 345	1 419
Investment in development activities	-2%	2 417	-13%	2 146	2 466	2 569	2 537	2 369
Financial market assets	-19%	1 074	-46%	498	925	1 248	1 287	1 412
Other assets	-9%	52	2%	57	56	51	4	92
Total assets	**-5%**	**4 810**	**-8%**	**4 121**	**4 464**	**5 003**	**5 173**	**5 292**
Liabilities	20%	315	91%	471	247	281	386	188
Trust capital & reserves	-6%	4 496	-13%	3 650	4 217	4 722	4 787	5 104
Total liabilities and equity	**-5%**	**4 810**	**-8%**	**4 121**	**4 464**	**5 003**	**5 173**	**5 292**
Financial Performance								
Interest on development activities	-2%	217	-27%	183	251	231	212	206
Interest on cash investments	-2%	78	4%	75	72	73	85	83
Total interest	**-2%**	**294**	**-20%**	**258**	**323**	**304**	**297**	**289**
Dividends from development activities	-12%	6	-24%	4	5	13	1	7
Dividends from financial market assets	-16%	80	8%	59	54	76	75	137
Other income	-15%	51	10%	45	41	18	52	101
Profit on disposal of investments	0%	13	0% -	-	- 8		58	
Total income			**366**	**424**	**410**	**432**	**591**	
Impairments (including write offs)	-11%	286	-8%	252	275	217	240	445
Fair value gains/(losses)	-190%	-35	-61%	-35	-88	32	-145	60
Income after credit impairment charges and fair valuations			**78**	**61**	**226**	**48**	**206**	
Operating expense	-2%	241	-15%	220	257	251	240	237
Operating surplus/(deficit) for the year			**-141**	**-197**	**-26**	**-192**	**-31**	
Fair value gains/(losses) on listed equities	-10%	-323	38%	-426	-309	-39	-125	-716
Surplus/(deficit) for the year	**-5%**	**-440**	**12%**	**-568**	**-505**	**-65**	**-317**	**-747**
Financial Ratios								
Cash & Cash equivalents to total assets		26,5%		34,4%	22,8%	22,7%	26,0%	26,8%
Net Return on assets		-9,3%		-13,8%	-11,3%	-1,3%	-6,1%	-14,1%
Return on investment (before impairments)		8,7%		9,04%	9,0%	8,3%	7,8%	9,5%
Return on investment (after impairments)		-1,2%		-2,7%	-0,4%	1,2%	-0,5%	-3,5%
Operating expenses to income		55,6%		60,1%	60,8%	61,3%	55,7%	40,2%

Due to the muted and significantly inadequate GDP growth of the South African economy at 0.2% in 2019 compared to the required 5% per the NDP, it is unfortunate that the NEF is reporting a 13% decline in year-on-year growth in development assets.

Muted disbursements during the year were at R304 million against R383 million in 2019 and net write-off of assets was R18.9 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.

As South Africa's credit rating has been downgraded to junk status during the early days of the lockdown to contain the COVID-19 pandemic, this indicates that the economic environment will be worse off than the current situation. We expect our development portfolio to continue to decline compared to prior years due to some sectors which will be adversely affected by the national lockdown, further, the NEF has granted clients a notional moratorium of 90 days, which can lead to a 2% adjustment on the impairment ratio.

The dtic has partnered with both the IDC and the NEF, by allocating R200 million to the NEF in order to enable it to finance products which are critical in the fight against COVID-19. Further, the NEF has approved a R20 million critical needs funds for its affected clients.

The compounded negative growth in our portfolio since 2015/16 is at -2% and is worse off than the recorded average GDP growth over the same period of -0.6%. The cost per job for the year was about R174 914, against a target of R162 500.

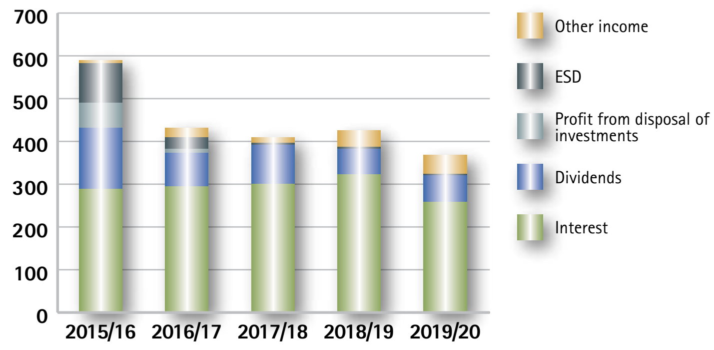
Due to tough economic conditions which affected the muted growth in development assets, interest earned on these assets has declined by 27% year on year, although our main income line has resulted in reporting a ROI at 9.04%, which is 4 bps up when compared to the prior year's ROI of 9%.

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 holdings has increased by 5% year on year at R62 million (R59 million in 2018/19). The decline in total income was at 13.7% (which is 960 bps below CPI rate), resulted in cost-to-income ratio of 60.1% (restated 60.8% in 2018/19). 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 negative growth in expenses of 2% over the past five years, as a result of the implementation of cost containment measures including the performance bonus provisions not provided for. 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 2015/16 where we saw a much varied income mix than the norm). Dividend income has significantly reduced in the current financial year, while unconditional enterprise development funding income has materially reduced since 2015/16. Other income includes bad debt recovered and raising fees charged on new facilities. The steady decline in the contribution from raising fees over the years has had an Impact on income growth.

Figure 1: Income mix



Although there were tough economic conditions, impairment provisions and write-off charges were at R252 million (R275 million in 2018/19); an 8% decline for the year. This total charge represents net write-offs at R18.9 million (R10.3 million in 2018/19), while impairment provision charges were at R233.5 million (R264.5 million in 2018/19). Based on assessment of the portfolio, economic conditions are anticipated to get worse due to clients being affected by the COVID-19 pandemic.

It is key to point out that the NEF has consistently delivered a surplus after impairment and write-off charges but before operating expenses, as well as following fair valuation movements of all its unlisted equity investments. In particular, the NEF reported net income of R78 million before operating expenses and fair value movement on listed equity investments in the current year. In the last five years, the NEF recorded a net surplus of R619 million.

As a schedule 3A 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 R2.1 billion (42% 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.

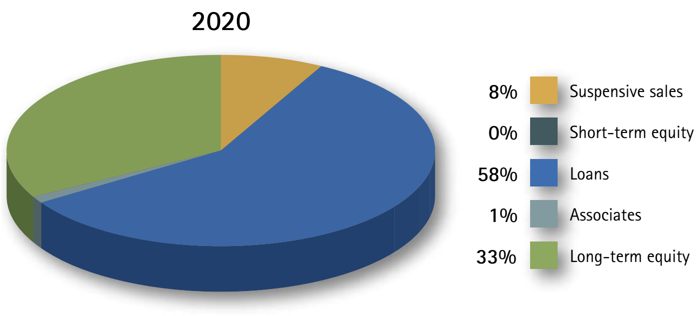
Since the NEF has had to fund its operating expenditure as well, a net operating deficit of R141 million was reported during the 2019/20 financial year (R197 million in 2018/19). The last item that impacts our net performance, is the fair valuation of listed equity holdings (mainly driven by the MTN shares), which as demonstrated in Table 1 above, have resulted in material unrealised fair valuation movements in the recent past. During the 2019/20 financial year, a net deficit of unrealised fair value movement of R426 million was reported, resulting in a net deficit of R568 million for the year.

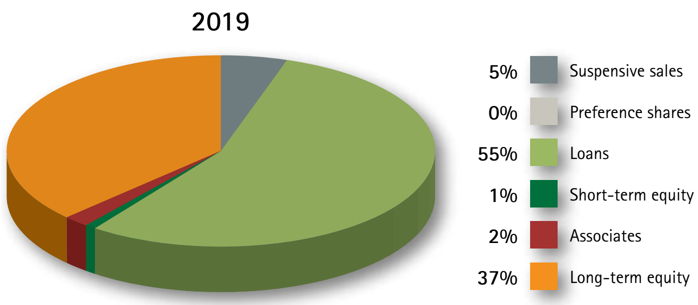
Overview & Reports

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 66% compared to 60% in 2018/19.

The portfolio skew in favour of non-equity instruments provide the NEF with the required element of predictable cash flows, 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 total collections ratio (measured as receipts as a percentage of instalments raised) at 143.81%, has improved from the prior year's 128.43%. Total collections and disposal income on the portfolio at R483.6 million is 24.3% higher than total portfolio collections made in 2018/19. When equity disposals are excluded, pure portfolio collection is 27% higher than the prior year. This is testament that active portfolio management has ensured that over R3.5 billion is collected from our invitees since inception.

Portfolio impairment provisioning in the year further increased to a range of 25% - 27% from prior year's 18% mainly due to the settlement of Ubumbano Rail (Pty) Ltd loans, which had a negative Impact on the impairment figures as a provision of R78 million had to be made for the remainder of the balance. Additionally, the transfer of certain contracts to the Legal Department due to failure to make payments exacerbated the impairment provision. As a result of the above settlement, the loan book decreased by R230 million without any commensurate increase in disbursements. The Impact of the COVID-19 pandemic caused nationwide lockdown which has adversely affected a significant part of the NEF's portfolio.

Fair value movements on unlisted equity positions resulted in an unrealised loss of R36 million against an unrealised loss of R88 million in 2018/19 based on the performance of our investees, which were further affected by the adverse current economic conditions.

Our governance framework around IST continued to be entrenched and enhanced during the year. One of the key milestones is the development of the Enterprise Architecture (EA) roadmap. The intention of an EA roadmap 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 who has developed an EA roadmap 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 to improve on the Cybersecurity. The IST Department has implemented Sophos Endpoint Protection and Sophos XG firewall solution with an advanced protection to mitigate possible threats, risks on network, user and computer intrusions. These projects have been implemented.

Lastly, we have implemented the redundant or backup link. The redundant link is used to prevent small network failure. These are used to provide redundancy, i.e. serves as a back-up when a link fails, the redundant link will take over through another path.

We are proud that the IST Department has expressly 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.
- The benefits of EA:
  - ❍ Simplification of an enterprise. The enterprise architecture benefits include more efficient business operation with lower costs, more shared capabilities, lower management costs, less duplication and redundancies.
  - ❍ More effective IT operations. The EA helps in easier system and network management, improved ability to address critical enterprise-wide issues like cybersecurity.

The NEF remains committed to ensuring stability of the IT systems, with 99.6% 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.

Regarding IST, we have very exciting projects to roll out in 2020/2021. These include; the migration of our emails to the cloud using our existing office 365, migrating CRM to the cloud, and the upgrade and roll-out our antivirus software onto servers and employee's machines. The IST Department will continue to create awareness on cybersecurity, disaster recovery and IST policies to reduce threats and attacks.

Supply Chain Management

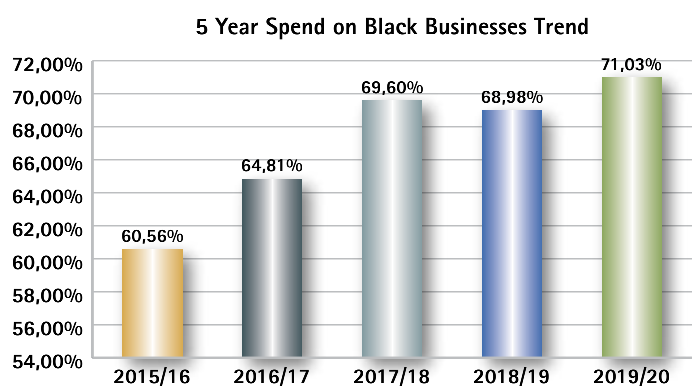
During this financial year, 12 tenders were issued and 6 were awarded and the remaining six are still in progress with three having closed in the 2020/21 financial year. These tenders were evaluated against the process set out in the NEF's Supply Chain Management Policy, the National Treasury Supply Chain Management Regulations and Preferential Procurement Policy Framework Act (2000) 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's 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 R55.4 million from 365 suppliers. This represents an achievement of 71.03% 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 78% 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 47.71% in the current year.

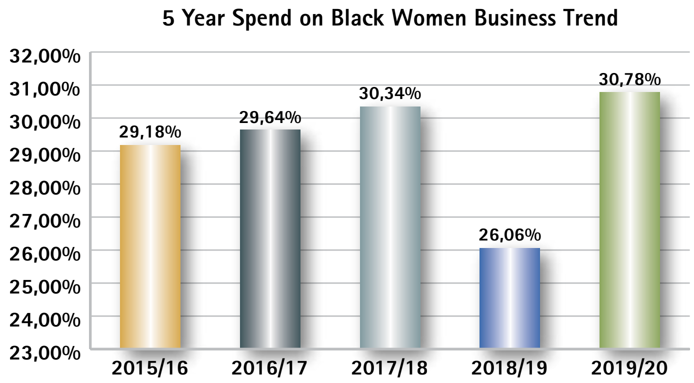
The traction we have made in the past five years in procuring from the majority of Black-owned entities is demonstrated in Figure 3 below.

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

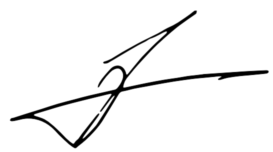


Even more gratifying is the achievement of 30.78% procurement from the majority of Black-women-owned businesses; against a target of 20%. This achievement is higher when comparing to the previous financial year 2018/19 depicted in figure 4 below, as the NEF continues to support and empower Black women-owned 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 2020.



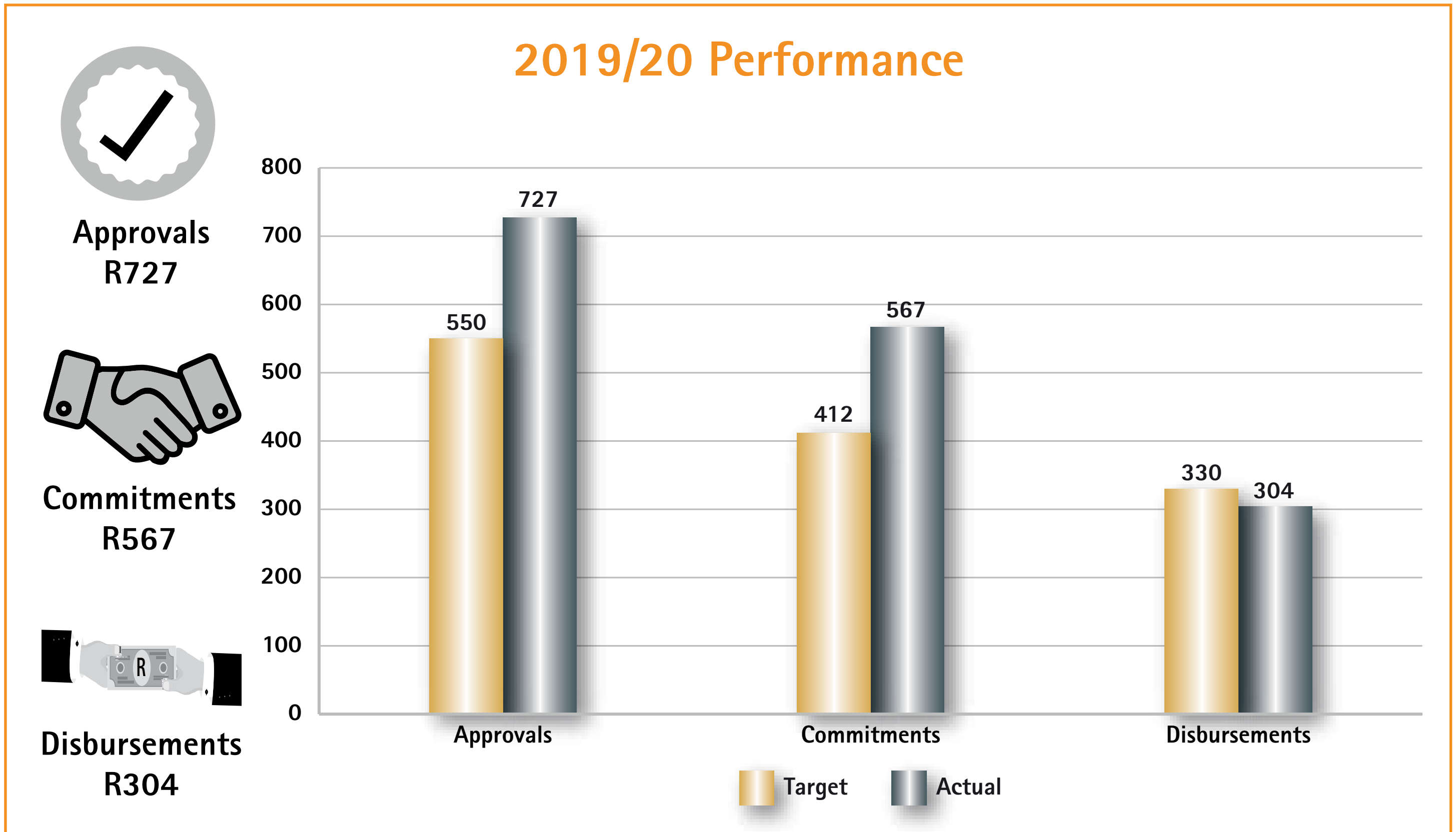
Mr Lebogang Serithi
Chief Financial Officer

PERFORMANCE REVIEW

The NEF 2019/2020 financial year performance presented in this section is based on revised targets.

Achievements against strategic objectives

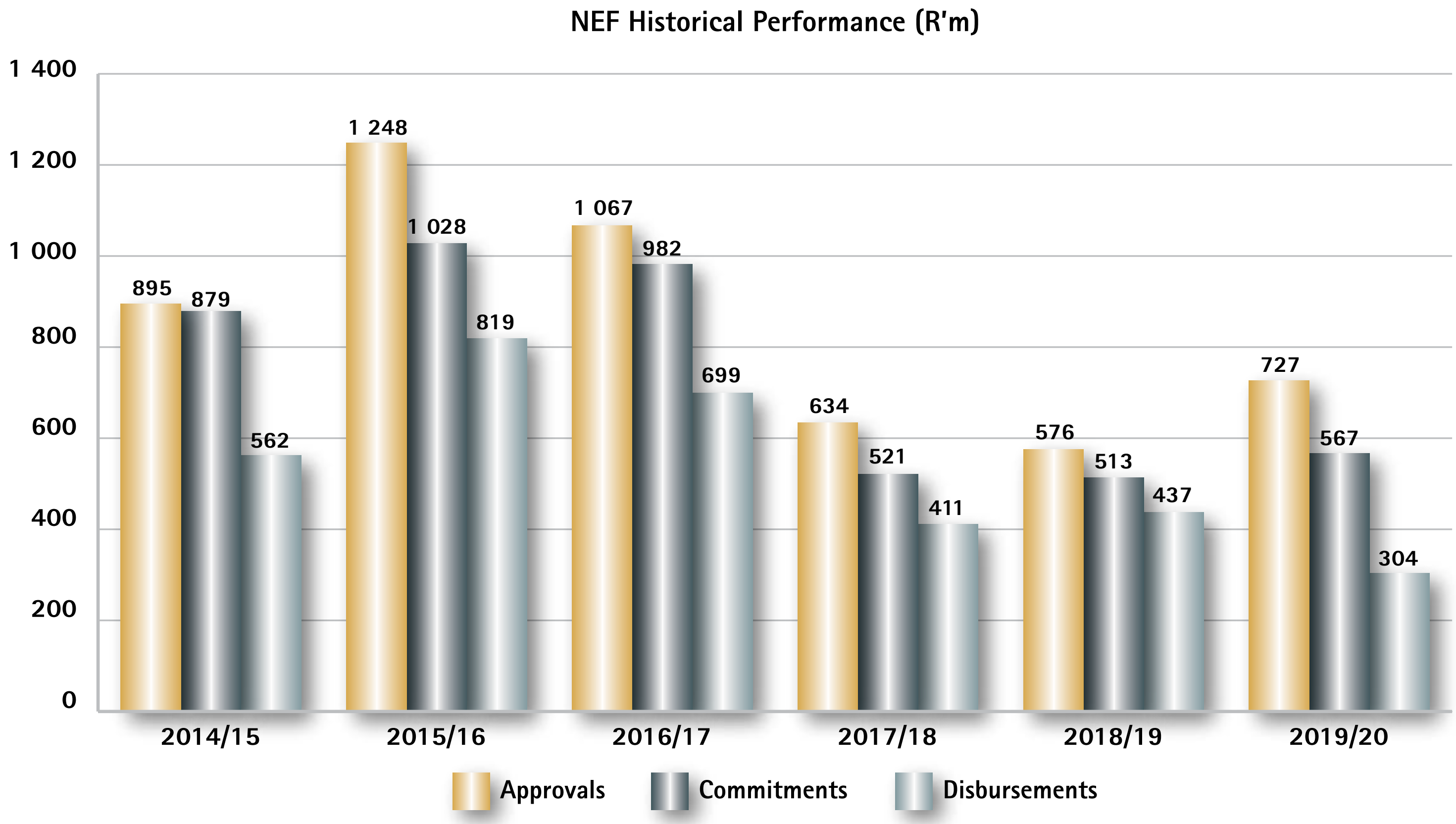
Advancing B-BBEE provide finance to business ventures



The figure above depicts performance against targets for approvals, commitments, and disbursements for the 2019/20 financial year. It shows that the NEF significantly exceeded the targets set for approvals after recording R727 million against a target of R550 million. In addition, commitments also exceeded target after posting R567 million against a target of R412 million owing to the pipeline that was processed on time. Contrary, the disbursements target was not achieved for the year under review after posting R304 million against a target of R330 million mainly. This was due co-funding with financiers and CPs that required third party participation which was hindered by the lockdown. Other factors that affected disbursements are deal packaging as well as post-approval clients wanting to re-negotiate the terms of approval, amongst other things.

Achievements against strategic objectives

Advancing B-BBEE provide finance to business ventures



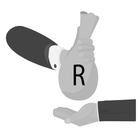
The historical trend demonstrate that the NEF's approvals, commitments and disbursements all peaked at R1.24 billion, R1.02 billion and R0.81 billion respectively during the 2015/16 reporting year. This performance was supported by the Department of Rural Development and Land Reform (DRDLR) partnership which brought in significant capital, however in subsequent years, particularly in the current year, the NEF's uncommitted cash position has diminished significantly. Consequently, the overall performance of these key performance indicators has been on the downward trajectory as the Board was forced to revise the targets. Approval declined by 41.7% between 2015/16 financial year and the current period under review. While commitments and disbursements also fell by 44.8% and 62.8% respectively during the same period under review.

> "Through the Strategic Projects Fund, the NEF provides essential funding that underpins growth, meaningful jobs, productivity, and competitiveness in the economy."
>
> **Mr Andile Stemela, Head Strategic Projects Fund**

1 738 Jobs

38% of disbursement to women

27% of disbursements to outline regions



Disbursements R304m

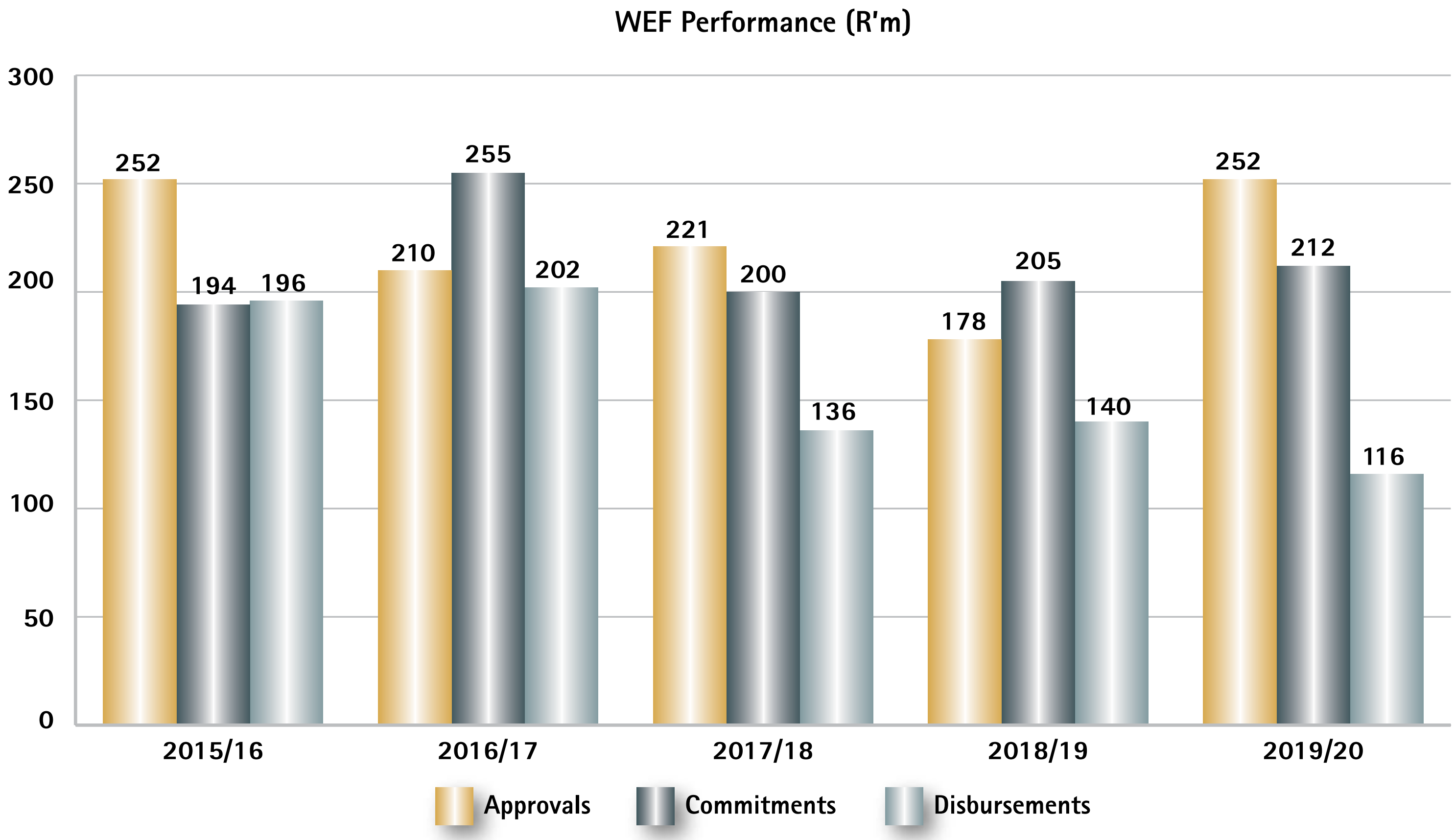
	Target 2019/20	Actual (2019/20)	Actual (2018/2019)	Actual (2017/18)
Jobs created	2 031	1 738	3 713	3 069
Percentage of disbursements to women	40%	38%	32%	35%
Percentage of disbursements to outline regions	25%	27%	19%	36%
Disbursements	R330m	R304m	R437m	R411m

Jobs created

The organisation facilitated 1 738 job opportunities at year end against a target of 2 031. This represents an over 50% decline as compared to the prior financial year performance of 3 713 in the number of jobs opportunities facilitated. The declining number of job opportunities facilitated mainly reflects the cutting of approvals, commitments, and disbursements targets in recent years and to some extent that the deals funded are not in high job creating industries. Since inception, the number of job opportunities geared to be supported increased to 101183 (of which 68 989 were new).

Women Empowerment Fund (WEF)

The NEF's WEF is comprised of businesses that are 51% or more owned and managed by Black women. The purpose of the fund is to accelerate the growth of businesses owned by Black women.

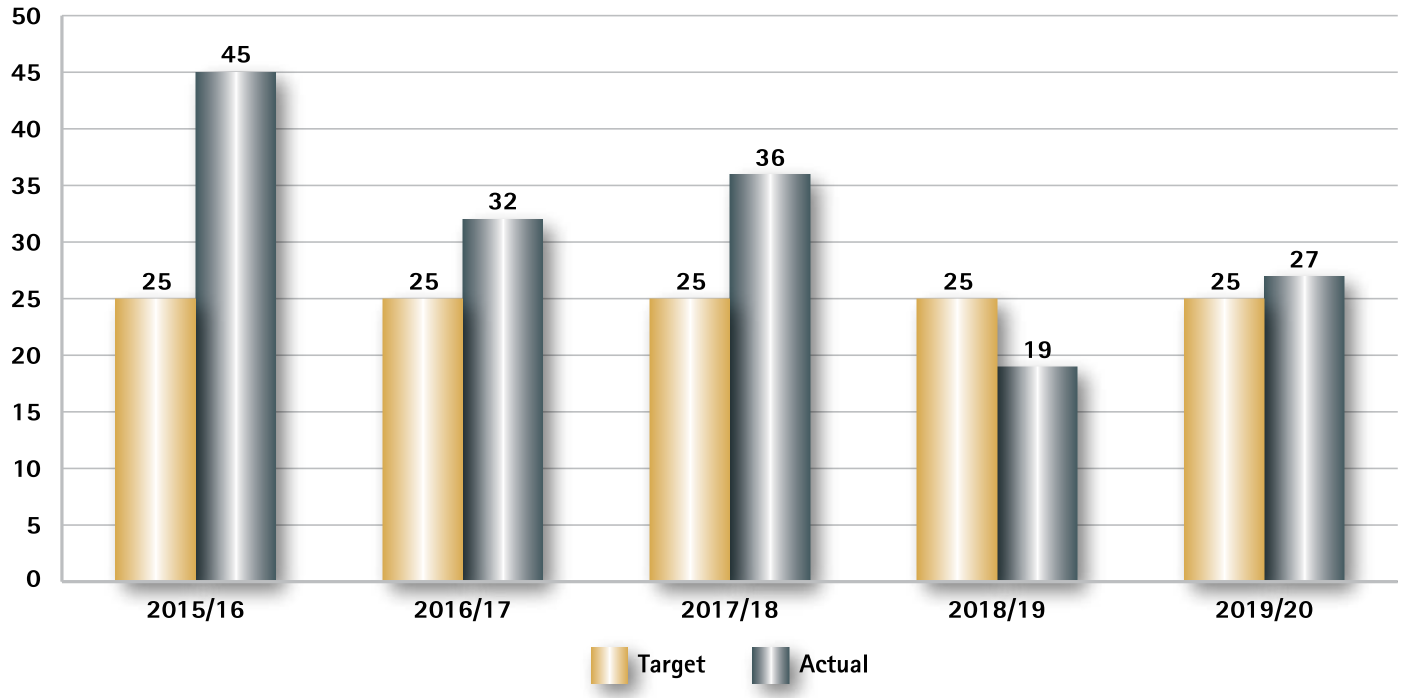


The NEF remains committed to growing Black women-owned businesses as all our targets for the WEF have been exceeded in the current year. However, the performance for disbursements has decreased in comparison to the previous year, while approvals and commitments increased. This performance is in line with the NEF overall performance.

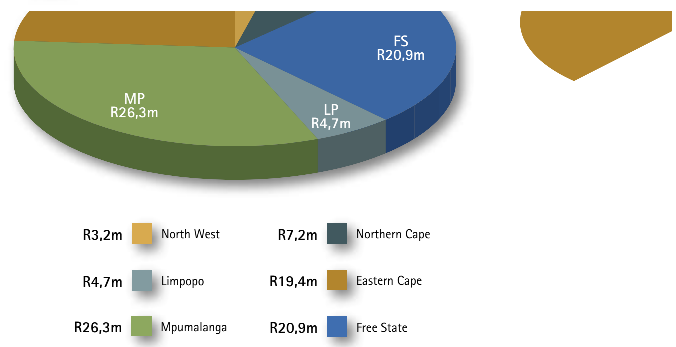
Regional activity

The NEF remains committed to increasing the value of the collective portfolios in the six targeted provinces namely North West, Northern Cape, Free State, Limpopo, Mpumalanga and the Eastern Cape due to greater focus being placed to increasing the geographical reach. A total of R81.7 million was invested in the six provinces representing 27% of annual disbursements against target of 25% in the current year.

Disbursements to Targeted Provinces (%)



Disbursements in targeted provinces (R'm) 2019/20



THE NEF AS A SUSTAINABLE DFI

To ensure continued sustainability of the organisation, active portfolio monitoring is crucial. The NEF's sustainability performance is measured through impairments, ROI and collection ratio.

Impairments	2019/20	2018/19	2017/18
Target	18%	18%	18%
Actual	27%	18%	15.4%

ROI	2019/20	2018/19	2017/18
Target	9%-10%	9-10%	9-10%
Actual	9.04%	9%	8.3%

Total collections ratio	2019/20	2018/19	2017/18
Target	80%	80%	80%
Actual	143.81%	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. The NEF's investor education campaigns have reached over 147 000 people across communities since inception. The table below highlights the number of investor education sessions over a three-year period.

	2019/20	2018/19	2017/18
Target	45	45	32
Actual	74	84	58

Business training

The objective of the training is to provide emerging Black-empowered SMEs an understanding of basic business principals and business management competencies in the areas of finance, human resources and legal compliance. It also serves as a marketing tool, for the NEF's funding products. This is typically a four-day training course with between 10 and 24 people. Upon completion, the trained individual will have:

- The ability to produce business plans.
- Understanding of financials.
- Marketing and sales of the business.
- Creation of business networks.

	2019/20	2018/19	2017/18
Target	30	30	18
Actual	134	103	19

Business incubation

Business incubation nurtures entrepreneurial ideas into feasible business opportunities. The table below highlights the number of entrepreneurs referred for incubation and of those that are fully incubated over a three-year period. It shows that the NEF achieved targets for the total number of business referred and incubated during the 2019/20 reporting year after recording 151 against a target of 125 for business referral and 16 against a target of 15 for business incubated.

Referred businesses

	2019/20	2018/19	2017/18
Target	125	125	75
Actual	151	141	101

Fully incubated

	2019/20	2018/19	2017/18
Target	15	15	15
Actual	16	23	13

Social facilitation

Social facilitation forms part of the NEF's non-financial support services seeking to assist NEF investees, and other broad-based groups with various empowerment intervention programmes that ensure accelerated implementation of the transformation and development mandate. The function of social facilitation is to foster meaningful participation by broad-based groups in NEF-funded transactions to ensure understanding of how transactions are structured; address beneficiaries' expectations, identify and prioritise broad-based opportunities, implement corporate governance structures, create backward and forward linkages as well as implement socio-economic development plans. The table below highlights the number of social facilitation sessions held over a three-year period. It shows that the NEF achieved the target for social facilitation during the 2019/20 reporting year after posting 36 against a target of 36.

	2019/20	2018/19	2017/18
Target	**36**	**36**	**18**
Actual	**36**	**42**	**49**

GROWING B-BBEE THROUGH PARTNERSHIPS

The NEFs Enterprise and Supplier Development Fund (ESDF)

The NEF has identified an opportunity to partner with and provide a mechanism to private and public organisations for delivery of sustainable B-BBEE solutions to black enterprises at an accelerated pace. The opportunity entails private sector enterprises making their Enterprise Development (ED) and Supplier Development (SD) contributions to the NEF's ESDF. The NEF utilises these contributions to co-finance its investments in ED and SD beneficiaries, in order to facilitate their development, financial and operational independence.

The NEF ESD Fund has received contributions from 16 contributors from both the private and public sector such as BP South Africa, Nissan South Africa, Bakubung Platinum Mine, the Western Cape Department of Economic Development and Tourism (DEDAT) and the City of Ekurhuleni, valued at over one billion rand (R1,15 billion) since inception of the fund.

Contributions to the value of R101 000 000 were received in the 2019/20 financial year against a target of R75 000 000. The table below shows the entities that contributed to the NEF ESD Fund in the 2019/20 financial year:

Contributor	Amount
Western Cape DEDAT	R10 000 000
Department of Tourism	R40 000 000
City of Ekurhuleni	R33 000 000
Transnet Port Terminals	R15 000 000
Bakubung Platinum Mine	R3 000 000
Total	**R101 000 000**

Performance against the Annual Performance Plan

Output	Performance measure or indicator	Annual target 2019/20	YTD achievement	Reason for variance
Provide finance to Black-owned business by investing in the form of loans, quasi-equity and equity finance through funds and funding products, targeting black rural enterprise, smes, corporate finance and venture capital.	Value of deals approved (R million).	R550m	R727m	The target was achieved and exceeded owing to a pipeline that was processed on time.
	Value of new commitments (R million).	R412m	R567m	The target was achieved as exceeded.
	Value of disbursements (R million).	R330m	R304m (Including grants)	• The target was not met due to co-funding with financiers and conditions precedent that required third party participation. • Other delays in disbursements relate to deal packaging and collections of transactions documents from clients. • Post-approval clients want to re-negotiate the terms of approval, which leads to the delays in disbursement. • Delays were experienced with transaction at financial close.
Source investment opportunities for the funding programmes that focus on the creation of new employment opportunities.	Number of jobs expected to be supported or created.	Support 2 031 new and existing job opportunities.	1 738 Jobs opportunities.	The target was not achieved due to underperformance in disbursements. In addition, deals that were funded were not operating in high job creating industries. Others that were funded already had exiting jobs and did not create any new jobs.
Source investment opportunities for the funding programmes that are owned and managed by black women.	Percentage of portfolio disbursements to businesses (partially/wholly) owned by women.	40% of annual disbursements.	Year-to-date, 38% of the portfolio has been disbursed to investees that are partially/ wholly owned by women.	The target was not achieved. This is a significant increase in comparison to the 32% achievement in the 2018/19 financial year.

Output	Performance measure or indicator	Annual target 2019/20	YTD achievement	Reason for variance
Increased share of portfolio in under-represented provinces	Percentage of disbursements to be invested in EC, NC, NW, MP, FS and LP.	25% of disbursements to be invested in EC, NC, NW, MP, FS and LP.	27% of disbursed funds comprising of 16 deals worth R81,7m were split as follows; NW: 1 worth R3,2m NC: 1 worth R7,2m FS: 3 worth R20,9m LP: 2 worth R4,7m MP: 6 worth R26,3m EC: 3 worth R19,4m.	The target was achieved owing to more disbursement that were made to targeted provinces.
Conduct investor education seminars in provincial towns and increase understanding by participants.	Number of seminars held across the country.	45 Investor education seminars per year.	74 investor education seminars per year.	Target was met and exceeded due to invitations received and workshops attended with stakeholders who share the same content (savings and investments) as the NEF.
The provision of non-financial support and training for Black-owned businesses and entrepreneurs	Number of entrepreneur training sessions provided.	30 Entrepreneurial training sessions, with an average score of 60% required in the post-training assessment.	134 Entrepreneurial training sessions conducted with an average score of 76% in the post-training assessment.	The target was met and exceeded. This is as a result of interested entrepreneurs in acquiring the business knowledge.
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.	151 Entrepreneurs were referred to business incubation partners. 16 Entrepreneurs are fully incubated.	The target was achieved.
The provision of non-financial support and training for Black-owned businesses and entrepreneurs	Number of social facilitation sessions for the NEF's investees.	36 Social facilitation sessions.	36 social facilitation sessions were conducted.	Target was achieved. All deals in the pipeline that could possibly be facilitated have been facilitated.
Increase positive brand awareness of the nef.	Brand audit survey findings.	Increase brand awareness to 90%.	N/a	The target was achieved in the past financial year. The brand survey is conducted every two years. The 2018/19 survey will apply in 2019/20.

Output	Performance measure or indicator	Annual target 2019/20	YTD achievement	Reason for variance
Obtain an overall real return on fund investments through equity returns, interest on loans and interest on cash balances with minimised impairments and write-offs.	Percentage of portfolio impaired.	18%	27%	The target was not achieved. The YTD impairment is above target, because of loan book decreasing by R230m without increase on disbursement, transfer of contracts to legal (impaired at 100%) and settlements of R78m.
	Target roi before impairments (to be reviewed annually).	9-10%	9,04%	The target was achieved.
	Collections ratio.	80%	143.81%	The target was exceeded because of significant settlements (Ubumbano R140m and Matlosana R55m) within the financial year.

INVESTING IN HUMAN CAPITAL

Creating Value with Human Capital

The value that is created under human capital is obtained through employees and the intellectual assets they generate for the organisation. The availability of appropriate skills of suitably qualified talent that is committed to the performance and achievements of the organisation is critical as it ensures the attainment of short and long-term sustainability goals.

Human Capital Strategy

The Human Capital Strategy is governed through the Human Capital and Remuneration Committee. Its responsibilities are to ensure good corporate governance by having oversight over processes, policies, systems and procedures that govern human capital. It also has oversight over human capital strategy, training and development, performance and remuneration, as well as how the culture of the organisation is maintained.

The Human Capital Strategy is underpinned by the following pillars in order to deliver the required business results:

Attraction and Engagement:

Attracting high caliber and suitably qualified candidates who are fit for purpose. Provide a compelling employee value proposition that captivates the employment experience from entry to exit.

Performance Management, Talent Management and Succession Planning:

Facilitate the optimisation of performance through performance management systems and of capacity through succession planning and talent management.

Training and Development:

Provide training and development opportunities to enable employees to thrive in their roles.

Reward, Recognition and Retention:

Utilise a pay-for-performance remuneration structure which ensures that key and top talent is retained at the NEF.

Exit and Knowledge Management:

Applying exit and knowledge management tools to improve the NEF's human capital strategies.

Looking ahead 2020/21

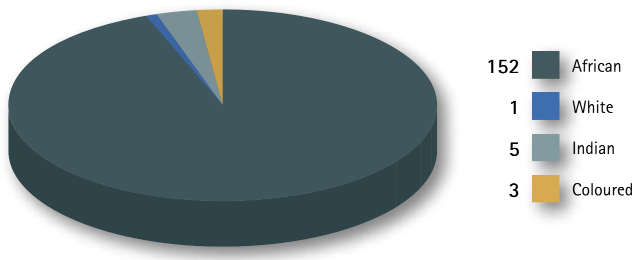
- Enhancing leadership capability.
- Consolidate employee initiative gains made in the previous year.
- Increase employee development initiatives.
- Provide an enabling environment to employees during these unprecedented times as we adopt to the new normal.
- In conjunction with the NEF's medical aid provider, implement COVID-19 business support that allows employees to self-screen using a cellphone application.
- Support the improvement of the health and wellness of our employees through the Employee Wellness Programme.
- Implement the Working from Home Policy during the lockdown period.
- Adapt our current policies and draft new ones in line with the new COVID-19 regulations in order to navigate the new working environment and ensure the safety of our employees.

Employee Overview

Diversity

The NEF is a high performing organisation which has set high performance standards for its employee and has managed to achieve these incredible results over the years through its high caliber and suitably qualified, best of the class professionals. The NEF prides itself with employees who come from diverse backgrounds who are committed and dedicated to the mandate of the NEF. The graph below shows the racial representation of the NEF's employees.

Racial demographics:



Women to the forefront: At the NEF, 62% of the employee complement are women, and 43% of members of the Management Committee are women (picture taken before the COVID-19 pandemic).

Gender equity:

	Male	Female	Total
Number of employees	64	97	161
Executive Management	3	2	5
Senior Management	24	17	41
Professional staff	26	38	64
Skilled	6	34	40
Semi - skilled/ Unskilled	5	6	11

Tenure breakdown (%)

The employees of the NEF have over time shown their commitment, support and passion for the NEF's mandate and this can be clearly demonstrated by the years of service they have dedicated to the NEF. The table demonstrates that 54% of the NEF's employees have been with the organisation for six years and longer, whilst 46% have been at the NEF for less than five years. Thus, showing that there is longevity at the NEF.

Years of service	No	%
0 - 3 years	46	28.6%
4 - 5 years	28	17.4%
6 - 10years	44	27.3%
11 years >	43	26.7%
Total	**161**	**100%**

Training and development

Learning and development programmes are an important element of ensuring employees engage in continuous self-development to enable them to thrive in their roles. During the financial year, an amount over **R793 182** was spent on training and development initiatives. The funds were spilt as shown below.

Gender	Number of Training Interventions	% of Training Cost	Training Expense
Male	67	34%	R266 658
Female	98	66%	R526 524
Total	**165**	**100%**	**R793 182**

Internal bursaries

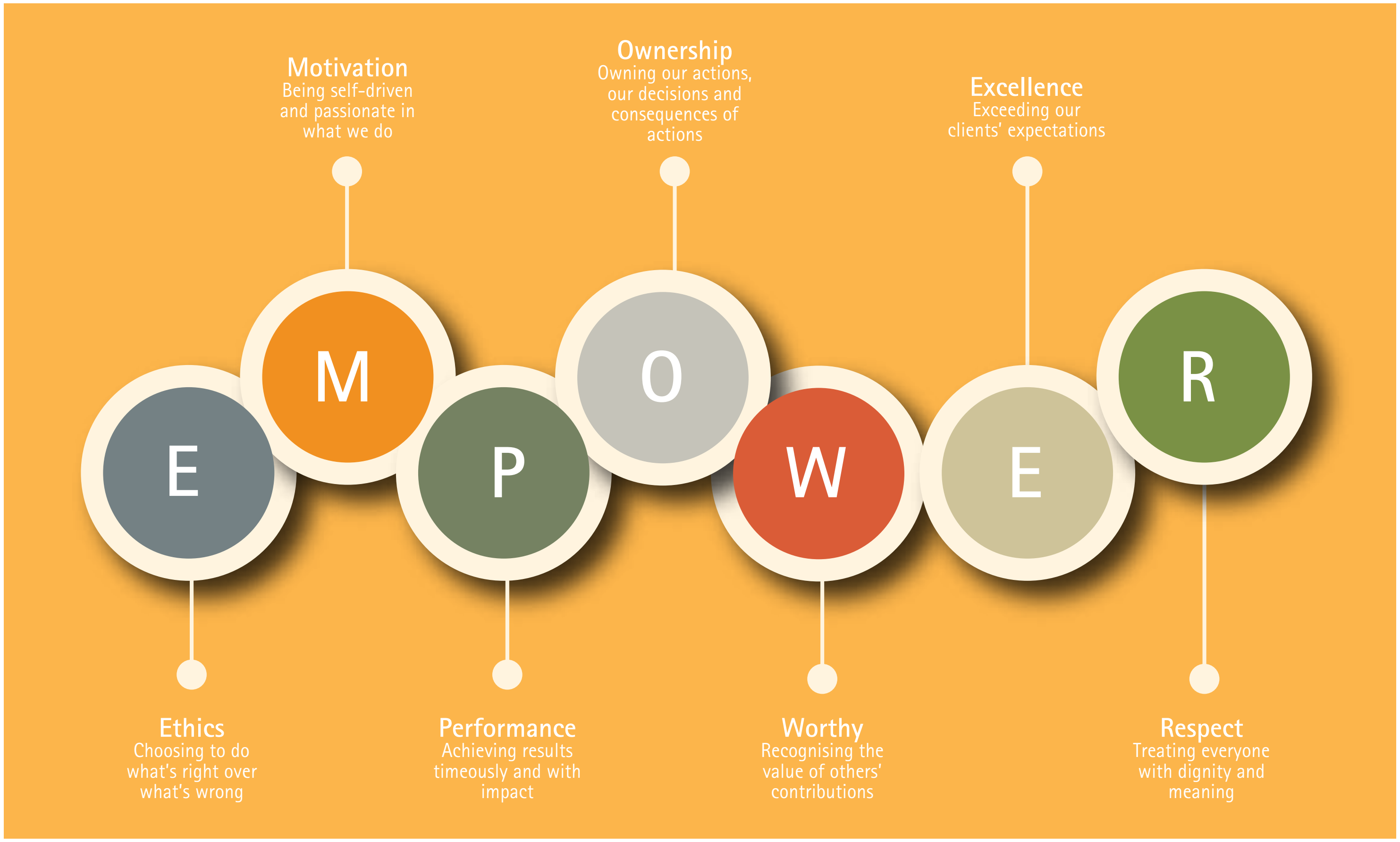
The NEF provides study assistance to its employees who would like to further their studies through tertiary institutions by awarding them with bursaries. In this financial year, 14 employees were supported to the tune of R195 467.

Bursaries				
Gender	**Number**	**%**	**Amount**	**%**
Male	5	42%	R47 716	25%
Female	7	58%	R147 761	75%
Total	**12**	**100%**	**R195 467**	**100%**

NEF 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 tenet that is inspired 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.

The values are denoted in the acronym EMPOWER and are further explained in the diagram below:



Trainees

The NEF has taken a keen interest to assist in the fight against the high unemployment rates of graduates in the country. Graduates can gain work experience by being in the employ of the NEF for a period of 12 months, where they are exposed to different functions to equip them with a variety of skillsets. These graduates, who mostly possess Bachelor of Commerce (BCom) degrees, are placed in various departments within the NEF. They are provided with practical work experience and are provided with work readiness tools. This programme has been in practice at the NEF since 2008. In an effort to combat the unemployment rate, the NEF has since employed 40 trainees to date. The NEF has successfully managed to place 16 trainees permanently within the organisation.

The NEF heeding the Presidents call for the Jerusalema Dance Challenge

CORPORATE SOCIAL INVESTMENT

The CSI is a function within the Socio Economic Development and Asset Management Unit (SEDU that focuses on projects and resources that improve the wellbeing of beneficiaries, without direct financial benefits to the NEF. This function takes various forms like gifts in kind and employee time.

In the financial year 2019/2020, the NEF spent over R2.1 million on CSI projects that positively impacted the lives of the needy South African households, schools and individuals respectively.

Among the initiatives, the NEF participated in the Mandela Day programmes across all nine provinces by visiting schools where employees took part in cleaning the yards, painting walls, doing landscaping and planting vegetables, plants and flowers as well as donating school shoes. Children and family care centre were also visited and the NEF donated items like nappies, baby formulas, sanitary towels, groceries and blankets.

The NEF also held a Women Empowerment Workshop involving women from the dtic's various agencies. As the title states, the workshop focused on women empowerment matters like women's rights, gender-based violence, personal challenges and leadership.

Another notable initiative was that of donating equipment to a Non-Profit Organisation (NPO) established by six people living with disabilities. The NPO was established to address the needs of people living with disabilities in the KwaZulu-Natal. The donated equipment was an electronic chair to one of the people living with disabilities and a document reader to assist the visually impaired students at the University of KwaZulu-Natal.

In March 2020, the NEF donated an initial amount of R10 000 towards the purchase of sanitisers, soaps and toilet papers for needy communities that were adversely impacted by the COVID-19 pandemic. This initial contribution was later increased by more contributions which saw a greater impact realised. The aim of NEF's contribution was to complement the support provided by the South African Government and the private sector in lending a helping hand to distressed households as well as provide humanitarian support to the most vulnerable households and ease the burden imposed by the COVID-19 effects.

The table below depicts the CSI initiatives undertaken by the NEF:

CSI	
Interventions	**Amount**
NEF External Bursary (National)	R1 689 954
Take-a-Girl Child-to-Work Programme (National)	R189 480
2019 NEF Mandela Day (National)	R178 274 (NEF CSI budget and R7 500 cash from NEF staff contributions towards sanitary towels) 4 schools in Gauteng and 8 in the other provinces
Siyalungisa Emthunzini Wokuphumula NPO (KZN)	R57 678
NEF/DTI Women Empowerment Session (National)	R54 100
COVID-19 Diepsloot contribution (GP)	R10 000
Total spending on CSI	**R2 179 486**

External bursaries: Case studies

The NEF is a Developmental Finance Institution (DFI) as such it has a legislative requirement 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 689 954**.

In the 2019 Academic year eight (08) students completed their qualifications and below is the qualifications name.

> The NEF is committed to supporting and partnering with both public and private sector entities that are sustainable, with long-term and measurable socio-economic impact in communities across the country. All our partnerships are designed to ensure that they have a deep, broad and sustainable impact in the identified communities.
>
> **Ms Nokuthula Nkomo, Head Social Economic Development Unit**

Eight students completed their qualifications in the 2019 academic year, and below we highlight some of their achievements.

i)	*In 2016, the NEF provided a bursary to a young lady who was enrolled for Bachelor of Science Communication (BSc) degree: Occupational Therapy at Sefako Makgatho Health Sciences University (Medunsa) for four years. She is a student from the rural areas – Madidi Village in North West. She was able to complete her qualification in record time in 2018. During her final year of studies in 2019, she received an award for best performing student in the physical field of Medical Surgery and Neurology in 2019. She is currently enrolled in an internship/community service programme as an Occupational Therapy at Canzibe Hospital in the Eastern Cape. The aim of her role is to provide exposure on all occupational therapy services. She, however, works under no supervision and does everything from inpatients, outpatients and even home visits in the community. Her work includes facilitating recovery of patients by using rehabilitation and remediation techniques after trauma, physical injuries, neurological conditions and psychiatric conditions. Her work also involves working with children with learning disabilities and intellectual disabilities, enabling the patient to still live a normal meaningful life with their conditions and preventing the development of complications.*
ii)	*In 2017, the NEF provided a bursary to another young lady who was enrolled for a Bachelor of Commerce (BCom) Accounting degree at the University of Cape Town. She is a student from uMulazi in KwaZulu-Natal who completed her qualification in record time in 2019. She is currently enrolled for Post Graduate Diploma in Accounting (CA stream) with the University of Cape Town.* *In 2019 December, she was given an opportunity at the NEF to enter the Vacation Work Programme within the Rural and Community Development Fund. She explains her experience at the NEF as follows: "Whilst at the NEF, I experienced first-hand what the NEF does and this helped me understand the fund better. I got to read business plans and participate in the process of assessing funding applications and pitching of business ideas to the management of the NEF. I had the opportunity of being in the same boardroom as the CEO of the NEF and got to interact with the management of the different funds through which the NEF operates. This was a great learning experience for me as I managed to apply some of the things I learned in class, to real life scenarios."*
iii)	*The NEF supported yet another young lady in 2016 to study a National Diploma: Metallurgical Engineering at the Vaal University of Technology in the past four years which included in-service training. She is a student from the rural areas – Sekhukhune District Apel Village in Limpopo and is currently enrolled for Bachelor of Technology (B-Tech) degree at Vaal University of Technology. In 2019, she completed her in-service training in Metallurgy doing steel making at Arcelor Mittal.*

The Take-a-Girl-Child-to-Work Programme

The Take-a-Girl-Child-to-Work Programme is one of the national initiatives running since 2003. This initiative was adopted by the NEF for a number of years, hosting and providing high-performing grade 11 and 12 girl learners an opportunity to experience the world of work. In the current year, learners were introduced to the mandate and the role of the NEF as a driver and thought leader in promoting and facilitating black economic participation. A total of 295 girls received career guidance by the NEF professionals into the different career opportunities available.

Additionally, in order to offer more tangible experience into opportunities available, the girls were taken to various businesses that operate in different industries around Gauteng, to receive first-hand exposure to how they operate and what career opportunities they present.

Below are the various site visits and activities the girls participated and gain tremendous exposure in.

- Eskom - Energy industry; operations at Lethabo power station in Sasolburg.
- Sasol Chemicals Company - Enterprise Development: exposed to the supplier incubation process at the Sasol plant in Sasolburg.
- Air Traffic Navigation Services (ATNS) - Aviation industry; demonstrations through simulation of aviation and aircraft handling activities.
- Tshwane University of Technology) - Fourth Industrial Revolution; demonstrations on how Artificial Intelligence, Robotics and Internet of Things (IoTs) work.

> "Educating a girl-child empowers lives and builds stronger families, communities and economies. An educated female population increases a country's productivity and fuels economic growth."
>
> **Mr Charles Jele Human Resources Manager**








NEF COVID-19 COMMUNITY SOLIDARITY FUND SPREADS HUMANITARIAN AID

The pandemic and the subsequent lockdown both imposed incalculable hardships on the poorest of the poor. Those without jobs, the vulnerable who are bereft of hope, the child-headed households across the villages and townships who have nowhere to run to. These are the people who were hardest hit, except where solidarity relief was provided.

Making a difference in Limpopo

That is why in response to the socioeconomic and humanitarian challenges caused by the pandemic, the NEF partnered with the Domba Trust, a shareholder of Meropa Gaming and Entertainment, along with Goseame Open Market, the fresh produce and retail outlet funded and temporarily managed by the NEF, to deliver 2000 food hampers to rural communities across Limpopo. 2000 families were assisted.

Taking hope to 4 provinces

Further, we are pleased to report that as part of the NEF COVID-19 Community Solidarity Fund, NEF Executives, managers and staff contributed R1.5 million to be able to buy food parcels for households across the country.

This was accomplished in partnership with the Telesure Group, which contributed just above R1.5 million towards the fund so that together we could distribute food parcels to 4000 households in the Eastern Cape, KwaZulu Natal, Mpumalanga and Northern Cape.

The households were identified in conjunction with the national and provincial Departments of Social Development.

Golden Dice Foods

Through Golden Dice Foods, an NEF investee, 1000 food parcels were distributed to vulnerable families across Gauteng, the resident province of the food manufacturing company.

Solidarity Fund

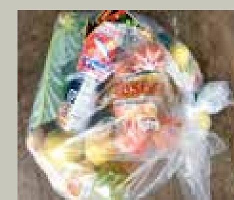
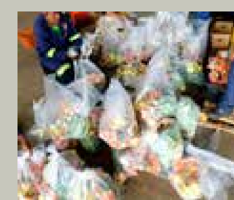
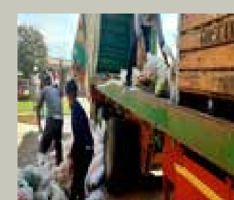
From its balance sheet the NEF made a contribution of R500 000 to the Solidarity Fund, which was created on 23 March 2020 by President Cyril Ramaphosa to respond to the COVID-19 crisis in South Africa. This is a platform for the general public, civil society, the public and private sectors to contribute to the consolidated effort to fund various community relief initiatives.

Ms Philisiwe Mthethwa, CEO of the NEF (Integrated Report 2020)







National Empowerment Fund
Growing Black Economic Participation

TELESURE INVESTMENT HOLDINGS

DOMBA TRUST IT 1662/09

Goseame FRESH PRODUCE OPEN MARKET Fresh "YOU WANT IT, WE GOT IT"

GOLDEN DICE

Solidarity Fund Unity in action

GOVERNANCE

The Board in 2019/20

The NEF Board is committed to sound corporate governance practices and maintains high standards of governance, ethics and integrity. The NEF has established corporate governance structures and processes with appropriate checks and balances that are reviewed regularly to enable the Board to ensure compliance with legislation and regulatory requirements in terms of corporate governance best practice.

Governance structures

The NEF's shareholder is the Government of the Republic of South Africa, represented by the Minister of Trade and Industry which serves as the NEF's executive authority in terms of the PFMA (1999, as amended). A Shareholder's Performance Compact (Shareholder's Compact) was concluded with the Minister of Trade and Industry for the year under review.

Board of Trustees

The Board of Trustees is appointed in terms of the NEF Act (2008). 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 of six independent non-executive Trustees and 1 executive Trustee.

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' term of office came to an end on 4 April 2020, as they were duly appointed for two years effective from 5 April 2018.

The IDC and the NEF have been identified by the Government as central in implementing broad based 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 the Government's policy to consolidate South Africa's DFIs 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.

The NEF approach to Politically Exposed Persons (PEPs)

The NEF has adopted a PEP Policy in order to mitigate reputational, operational and legal risk, based on internationally accepted best practice, standards and guidelines on the management of PEPs, while simultaneously meeting regulatory compliance standards as imposed by the FICA (2001). This policy applies to all PEPs who may have an interest in obtaining any form of financing from the NEF. The policy also applies to any employees of the NEF that are PEPs as well as prospective suppliers and/or service providers.

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 (1998) and the Shareholders Compact concluded between the Ministry of Trade Industry and Competition 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 2019/2020 the Board focused on:

- Capacitating and providing guidance on Board sub-committees.
- Continuing with efforts to recapitalise the NEF.
- Enhancing and reviewing the strategy of the organisation.
- Business Continuity Plans and the NEF's response to the COVID-19 pandemic.
- Board evaluations and continuous Board development.

Board of Trustees discussions

TOPIC	AREAS COVERED	COMMENTS
Investments	Assessment, evaluation, and approval (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 PEPs adjudicator providing oversight on investment recommendations involving PEP individuals in accordance with the corporate governance best practices.
Socio and 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 the Social and Ethics Committee.
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.
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's mandate.	The Board receives briefings from internal teams and external advisers on trends in relevant areas and likely scenarios, economic activity and the effect of these on the NEF, are noted and considered for strategy and planning purposes.
Board governance	Reports from committees, legislative and regulatory compliance.	Each of the committee chairpersons 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)

The Risk & Portfolio Monitoring Committee 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)

The Board Investment Committee 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)

The Social & Ethics Committee 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)

The Human Capital & Remuneration Committee 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.

Mr Rakesh Garach *(56)*

Chairman

Appointed in December 2009

QUALIFICATIONS AND DIRECTORSHIPS

- CA(SA)
- Destiny Seating (Pty) Ltd
- Telkom Foundation Trust
- KZN Tourism Authority
- Director at Grinrod Bank

Ms Philisiwe Mthethwa *(56)*

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 also has 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 Chairman.

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

Ms Mthethwa, through her role as the Chief Director - BEE in the Enterprise and Industry Development Division, played a pivotal role in the conceptualisation, formulation and the finalisation of the Government's B-BBEE Strategy, the B-BBEE Act (2003) and the various charters, including the Mining, ICT, Construction, Paper, Automotive and the Financial Services Charters. She has been extensively involved in the development of the Codes of Good Practice on B-BBEE.

Ms Mthethwa brought a diverse knowledge of banking, capital markets and international investment which grew 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
(53)

NEF RPMC Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

- MBA
- BA Hons Economics
- BA Economics

Mr Ernest Kwinda
(45)

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
(39)

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

Governance

"I would like to thank the NEF leadership (CEO Philisiwe Mthethwa and Board Chairperson Rakesh Garach) together with the board members and staff, for their work this past year and the progress set out in the Annual Report."

Mr Ebrahim Patel, Minister of Trade, Industry and Competition

Board Meeting Attendace

Trustee	Number of Meetings Held	Meetings Attended
Mr Rakesh Garach (Chairperson)	6	6
Ms Philisiwe Mthethwa (CEO)	6	6
*Mr Sipho Zikode	6	3
*Mr Ernest Kwinda	6	6
*Ms Lerato Molefe	6	6
*Ms Nonkqubela Maliza	6	4
*Dr Nthabiseng Moleko	6	4

** Term ended 04 April 2020*

Audit Committee Composition and Attendance

Member	Number of Meetings Held	Meetings Attended
*Mr Ernest Kwinda (Chairperson	6	6
*Ms Lerato Molefe	6	4
Mr Roy Harichunder	6	6
*** Ms Rene Van Wyk	6	2
** Ms Lebogang Ndadana	6	3
** Mr Tyrone Soondarjee	6	3

** Term ended 04 April 2020 ** Appointed 01 August 2019 *** Term ended 30 June 2019*

Risk & Portfolio Management Committee (RPMC):

Member	Number of Meetings Held	Meetings Attended
*Ms Nonkqubela Maliza (Chairperson)	4	4
*** Mr Simon Harford	4	1
*** Mr Zola Fihlani	4	1
Mr Roy Harichunder	4	4
** Mr Gerrit Van Wyk	4	2
Mr Rakesh Garach	4	3

** Term ended 04 April 2020 ** Appointed 01 August 2019 *** Term ended 30 June 2019*

Social & Ethics Committee

Member	Number of Meetings Held	Meetings Attended
* Mr Sipho Zikode (Chairperson)	3	1
Mr Rakesh Garach	3	3
Mr Setlakalane Molepo (Executive)	3	1
*** Ms Michelle Mbaco	3	0
Ms Philile Mbokazi	3	3
** Ms Noxolo Mtembu	3	2

** Term ended 04 April 2020   ** Appointed 01 August 2019   *** Term ended 30 June 2019*

Human Capital & Remuneration Committee (HCRC)

Member	Number of Meetings Held	Meetings Attended
* Ms Lerato Molefe (Chairperson)	4	4
* Dr Nthabiseng Moleko	4	4
*** Mr Buyani Zwane	4	2
** Mr Sifiso Cele	4	3
** Ms Getty Simelane	4	1
Ms Hlengiwe Makhathini	4	4
*** Ms S Stojanovic	4	0

** Term ended 04 April 2020   ** Appointed 01 August 2019   *** Term ended 30 June 2019*

Board Investment Committee (BIC)

Member	Number of Meetings Held	Meetings Attended
* Dr Nthabiseng Moleko (Chairperson)	6	6
Ms Philisiwe Mthethwa (CEO)	6	4
* Ms Nonkqubela Maliza	6	4
*** Ms Pani Tyalimpi	6	0
*** Ms Claire Busetti	6	1
*** Mr Zola Fihlani	6	1
** Ms Sawa Nakagawa	6	2
** Ms Cora Fernandez	6	4
** Mr Gerrit Van Wyk	6	4

** Term ended 04 April 2020   ** Appointed 01 August 2019   *** Term ended 30 June 2019*

Ms Philisiwe Mthethwa *(56)*

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 *(40)*

Executive Trustee (CFO)

Appointed in April 2019

QUALIFICATIONS

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

Ms Hlengiwe Makhathini *(41)*

Divisional Executive: Venture Capital & Corporate Finance

Appointed in April 2011

QUALIFICATIONS AND DIRECTORSHIPS

- CA(SA)
- Master of Commerce in Accounting
- Karsten Group Holding

Mr Mziwabantu Dayimani
(42)

General Counsel

Appointed in November 2015

QUALIFICATIONS

- Masters in Tax Law
- LLB degree
- An admitted attorney and Notary Public (South Africa)

Mr Setlakalane Molepo
(58)

Divisional Executive:
SME and Rural Development

Appointed in November 2010

QUALIFICATIONS

- MBL
- BSc Civil Engineering

* Seconded to SEFA

Mr Nhlanhla Nyembe
(49)

Acting Divisional Executive:
SME and Rural Development

Appointed in October 2018

QUALIFICATIONS

- 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 on 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.

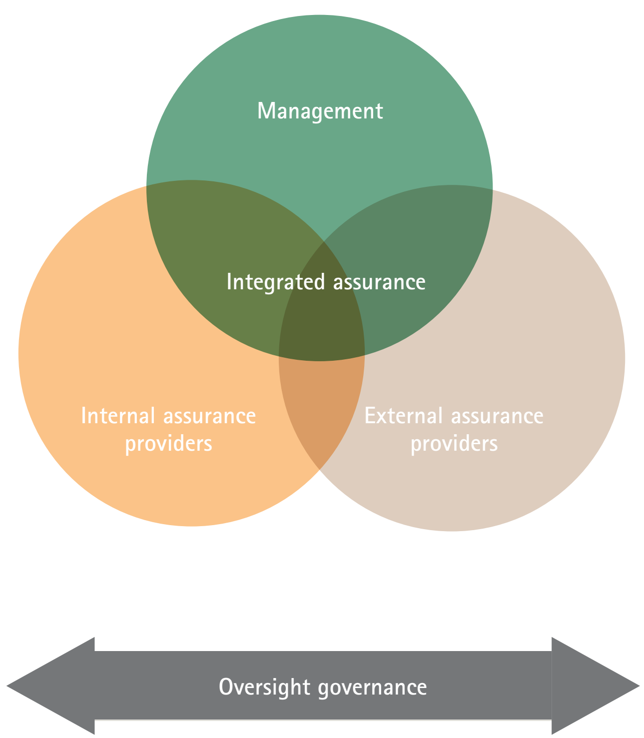
Not only does the Integrated Assurance Model provide for an effective control environment, it also supports the integrity of information for decision making by management, the Board and sub-committees, as well as external reporting such as annual financial statements, the Integrated Report, performance information, etc.

Integrated Assurance Model

The Integrated Assurance Model, which was arrived at after considering the following factors, provides four lines of defence.

- 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 the Board of Trustees.

Fig 1: The Integrated Assurance Model



Integrated Assurance Model	
Assurance Providers	**Focus Areas**
Line 1: Line management and managerial controls	Provides the Board with assurance that is has implemented effective measures to manage risk and performance.
Line 2: Functional areas like risk management, compliance and oversight.	Supports management in executing its duties and provides a layer of control over risk management.
Line 3: Internal and external audit (independent assurers)	Provides 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.

Key areas where assurance is provided are highlighted below:

Area of assurance	Assurance provider: Management	Assurance provider: Risk and Compliance	Assurance provider: Independent assurers
Strategic risks	Yes	Yes	Yes
Internal control environment	Yes	No	Yes
Annual financial statements	Yes	No	Yes
Performance information	Yes	No	Yes
Compliance with legislation	Yes	Yes	Yes
Internal controls, governance and risk management	Yes	Yes	Yes

Overview of 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	Annually
Internal controls, governance and risk management	Review of risk management, governance, operational and non-financial reporting processes	The Institute of Internal Auditors' (IIAs') 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
		ISAs	External audit	External audit opinion	Annually
Internal financial controls	Review of financial controls	The IIAs' 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
		ISAs	External audit	External audit report on the effectiveness of financial controls	Annually
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
		ISAs	External audit	External audit opinion	Annually
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 and	Ongoing
		ISAs	External audit	External audit opinion	Annually

TABLE OF CONTENTS

NATIONAL EMPOWERMENT FUND TRUST

CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS

31 MARCH 2020

TRUSTEES' STATEMENT OF RESPONSIBILITY

The Trustees are responsible for the preparation, integrity and fair presentations of the report on performance information and the consolidated financial statements of the National Empowerment Fund Trust. The consolidated 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 National Empowerment Fund Act and include amounts based on judgements and estimates made by management. The Trustees prepared the other information presented in the Annual 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 Trust and the consolidated financial statements. The Trustees have assessed COVID-19 impact on the NEF's ability to continue as a going concern, and are satistied that the NEF remains a going concern. 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 financial statements support the viability of the Trust and the Group.

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 97 to 164, has been approved by the Board of Trustees and are hereby signed on its behalf.

P Mthethwa

Ms Philisiwe Mthethwa
Chief Executive Officer

Mr Rakesh Garach
Chairman of the Board of Trustees

Date
Wednesday, 30 September 2020

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON 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 the National Empowerment Fund Trust and its subsidiaries (the Group), set out on pages 97 to 164, which comprise the consolidated and separate statement of financial position as at 31 March 2020, the consolidated and separate statement of financial performance , statements of changes in net assets, cash flow statements 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 2020, and their financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practices, the requirements of the Public Finance Management Act of South Africa and the National Empowerment Fund Act.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.

We are independent of the Group in accordance with the 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.

Emphasis of matter

Restatement of prior year figures

We draw attention to Note 45 to the consolidated and separate financial statements which indicates that the previously issued consolidated and separate financial statements for the years ended 31 March 2019, have been restated. As explained in Note 45, this is to reflect the correct treatment of interest earned on undisbursed portion of funds received from the Tourism Transformation Fund and investments that were incorrectly classified as associates. Our opinion is not modified in respect of this matter.

Responsibilities of the accounting authority for the financial statements

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 Public Finance Management Act of South Africa 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 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 responsibility for the audit of the 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.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON NATIONAL EMPOWERMENT FUND TRUST (continued)

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected objectives and on the Group's compliance with respect to the selected subject matters. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority;
- Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the National Empowerment Fund Trust and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a Group to cease operating as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Communication with those charged with governance

We communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (PAA) and the general notice issued in terms thereof we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

Our procedures address the usefulness and reliability of 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 included in the planning documents. Our procedures do not examine whether the actions taken by the National Empowerment Fund Trust enabled service delivery Our procedures also do 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.

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 objective presented in the annual performance report of the National Empowerment Fund Trust for the year ended 31 March 2020:

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON NATIONAL EMPOWERMENT FUND TRUST (continued)

Key performance area	Page no
Provide finance to business ventures established and managed by black people	66

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 usefulness and 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 selected objective.

Other matters

We draw attention to the matters below. Our opinions are not modified in respect of these matters.

Achievement of Planned Targets

Refer to the annual performance report on pages 66 to 68 for information on the achievement of planned targets for the year.

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 Group's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

We did not identify any material findings on compliance with the specific matter in key legislation set out in the general notice issued in terms of the PAA.

Other information

The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the report of the audit committee. 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 this auditor's report.

Our opinion of the 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 objective 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. We have nothing to report in this regard.

Internal control deficiencies

We considered internal control relevant to our audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it.

We did not identify any significant deficiencies in internal control.

Audit 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 8 years.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: *Darshen Govender*
Chartered Accountant (SA), Registered Auditor

30 September 2020
20 Morris East Street
Woodmead
2191

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is pleased to present this report and confirms that it has complied with its responsibilities arising from section 51(1)(a)(ii) of the Public Finance Management Act (1999, as amended) and Treasury Regulations 3.1.13 and 27(1). The terms of reference are set out in the Audit Committee Charter, which is approved by the Board of Trustees and is continuously reviewed and updated for changes in legislation, business circumstances and corporate governance practices. The Audit Committee has regulated its affairs in compliance with applicable laws and regulations and has discharged all responsibilities contained therein and has reported quarterly in this regard to the Board of Trustees.

Effectiveness of internal Control

A high-level review of the design, implementation and effectiveness of the NEF's internal financial controls was performed as per the Internal Audit Plan. The review is aimed at providing comfort on financial reporting controls that are relied on in preparing the Annual Financial Statements. Based on the information and explanations given by management, the internal auditors and discussions with the independent external auditors on the result of their audit, the Committee believes the system of internal control for the period under review was adequate, efficient and effective.

The Integrated Assurance Framework has been designed and implemented in the financial year and improvements are being continually effected. This will better assist Management to manage and adequately mitigate the organisation's key risk areas and the Audit Committee and the Board of Trustees to exercise oversight.

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 and reported on a quarterly basis to the Audit Committee through a tracking register.

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

The financial function at the NEF is adequately staffed by suitably experienced and qualified personnel under the executive management of the Chief Financial Officer. During the financial year under review, quarterly management reports were submitted to the dtic as required under the PFMA (1999, as amended) and Treasury Regulations, including performance information related to core business activities extracted out of the organisation's Annual Performance Plan. The Audit Committee is satisfied with the content and quality of quarterly management reports that are prepared by management and approved by the Board of Trustees.

Evaluation of Annual Financial Statements

The Audit Committee has:

- Reviewed and discussed with the External Auditors and Management the audited annual financial statements included in the integrated report.
- Reviewed the External Auditors' management letter and Management's responses thereto.
- Reviewed the appropriateness of accounting policies and practices.
- Reviewed the independence of the External Auditors.
- Reviewed the compliance with legal and regulatory provisions.
- Reviewed the information on predetermined objectives to be included in the integrated report.
- Reviewed adjustments resulting from the audit.

The AC has discussed the conclusions of the External Auditors on the annual financial statements, read together with the report of the External Auditors and recommended these to the Board of Trustees for approval.

The NEF has embarked on a fund management model that will improve and enhance the sustainability of our fund-raising initiatives to fund portfolio growth and extend the impact made through investment activity in black-owned businesses. The AC has considered the impact that the COVID-19 pandemic has had on the business of the NEF and is satisfied that management has taken appropriate measures to address this impact. There is 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.

Roy Harichunder

Acting Chairman of the Audit Committee

30 September 2020

STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

		Group		Trust	
		2020	* Restated 2019	2020	* Restated 2019
	Notes	R	R	R	R
ASSETS					
Non-current assets		**2 178 149 058**	**2 837 599 731**	**2 226 542 668**	**2 888 180 386**
Property plant and equipment	4	39 395 240	36 568 831	3 127 554	2 732 174
Investment property	5	-	-	-	-
Intangible assets	6	6 218 878	7 110 989	353 813	735 637
Goodwill	7	20 431 407	26 308 543	-	-
Deferred tax	8	1 577 275	3 097 756	-	-
Investments in associates	9	33 897 895	63 429 635	33 897 895	63 429 635
Investment in subsidiaries	10	-	-	19 876 554	19 876 554
Investments at fair value	11	863 100 499	1 251 283 367	863 100 499	1 251 283 367
Originated loans	12	1 097 857 941	1 337 390 493	1 190 516 430	1 437 712 902
Investment in preference shares	13	-	-	-	-
Finance lease receivables	14	115 669 923	112 410 117	115 669 923	112 410 117
Current assets		**1 936 757 095**	**1 626 991 496**	**1 894 013 528**	**1 575 494 147**
Current portion of originated loans	12	322 639 577	423 922 553	322 639 577	423 922 553
Current portion of finance lease receivables	14	89 721 189	53 689 028	89 721 189	53 689 028
Investments held-for-trade	15	8 795 032	28 288 283	8 795 032	28 288 283
Current asset held for sale	16	165 500	1 073 400	165 500	1 073 400
Inventories	17	9 927 258	9 421 873	-	-
Other current assets		-	8 031 628	-	-
Trade and other receivables	18	46 014 379	45 730 362	17 270 199	18 149 360
Dividends receivables		35 907 774	32 873 314	35 907 774	32 873 314
Cash and cash equivalents	20	1 423 586 386	1 023 961 055	1 419 514 257	1 017 498 209
TOTAL ASSETS		**4 114 906 153**	**4 464 591 227**	**4 120 556 196**	**4 463 674 533**

STATEMENT OF FINANCIAL POSITION

as at 31 March 2020 (continued)

		Group		Trust	
		2020	* Restated 2019	2020	* Restated 2019
	Notes	R	R	R	R
NET ASSETS AND LIABILITIES					
Net Assets		**3 633 128 284**	**4 208 126 540**	**3 649 164 010**	**4 216 734 506**
Trust capital	21	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472
Accumulated surplus		1 161 275 139	1 736 273 395	1 180 732 538	1 748 303 034
Revaluation reserve		3 421 673	3 421 673	-	-
Non-current liabilities		**763 808**	**564 817**	**9 249 151**	**9 249 151**
Instalment sale agreements	22	763 808	564 817	-	-
Other liabilities - investment in subsidiary	10	-	-	9 249 151	9 249 151
Current liabilities		**481 014 061**	**255 899 870**	**462 143 035**	**237 690 876**
Trade and other payables	23	40 267 009	82 567 322	21 862 801	66 209 325
Enterprise development fund	24	440 280 234	171 481 551	440 280 234	171 481 551
Instalment sale agreements	22	247 529	144 226	-	-
Other financial liabilities		175 789	1 663 271	-	-
VAT payable		43 500	43 500	-	-
Total Liabilities		**481 777 869**	**256 464 687**	**471 392 186**	**246 940 027**
TOTAL NET ASSETS AND LIABILITIES		**4 114 906 153**	**4 464 591 227**	**4 120 556 196**	**4 463 674 533**

**** Please refer to Note 45 for more details.***

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2020

		Group		Trust	
	Notes	2020 R	* Restated 2019 R	2020 R	* Restated 2019 R
Interest and dividend income	26	**312 011 437**	**368 834 864**	**320 100 026**	**382 388 433**
Net sundry income	27	**117 293 140**	**109 111 701**	**45 479 157**	**41 175 413**
Net revenue		**429 304 577**	**477 946 565**	**365 579 183**	**423 563 846**
Finance charges		(265 274)	(83 481)	-	-
Administration expenses	28	(289 607 758)	(334 234 611)	(219 590 182)	(257 477 011)
Net operating income		**139 431 545**	**143 628 473**	**145 989 001**	**166 086 835**
Impairment charge	30	(232 891 468)	(211 361 335)	(233 541 645)	(264 507 743)
Investment write-offs		(18 925 431)	(11 216 943)	(18 925 431)	(10 297 311)
Net loss before fair value adjustments		**(112 385 354)**	**(78 949 805)**	**(106 478 075)**	**(108 718 219)**
Fair value losses		**(461 092 421)**	**(396 643 928)**	**(461 092 421)**	**(396 643 928)**
- Investments in associates	9	(27 811 366)	(24 132 980)	(27 811 366)	(24 132 980)
- Investments at fair value - non associate equity investments	11.1.1	(409 156 075)	(368 985 087)	(409 156 075)	(368 985 087)
- Investments at fair value - unincorporated equity investments	11.2.1	(4 631 729)	(2 306 644)	(4 631 729)	(2 306 644)
- Investments held-for-trade	15	(19 493 251)	(1 219 217)	(19 493 251)	(1 219 217)
Deficit before taxation		**(573 477 775)**	**(475 593 733)**	**(567 570 496)**	**(505 362 147)**
Taxation	29	(1 520 481)	(145 300)	-	-
Deficit for the year		**(574 998 256)**	**(475 739 033)**	**(567 570 496)**	**(505 362 147)**

**** Please refer to Note 45 for more details.***

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2020

Group

	Note	Trust capital R	Accumulated surplus R	Revaluation reserve R	Total R
Balance 31 March 2018		**2 468 431 472**	**2 212 012 428**	**–**	**4 680 443 900**
Revaluation of assets		-	-	3 421 673	**3 421 673**
Restated deficit for the year		-	(475 739 033)	-	(475 739 033)
*** Restated balance at 31 March 2019**		**2 468 431 472**	**1 736 273 395**	**3 421 673**	**4 208 126 540**
Deficit for the year		-	(574 998 256)	-	(574 998 256)
Balance at 31 March 2020		**2 468 431 472**	**1 161 275 139**	**3 421 673**	3 633 128 284
		Note 21			

Trust

	Note	Trust capital R	Accumulated surplus R	Total R
Balance at 31 March 2018		**2 468 431 472**	**2 253 665 181**	**4 722 096 653**
Restated deficit for the year		-	(505 362 147)	**(505 362 147)**
*** Restated balance at 31 March 2019**		**2 468 431 472**	**1 748 303 034**	**4 216 734 506**
Deficit for the year		-	(567 570 496)	(567 570 496)
Balance at 31 March 2020		**2 468 431 472**	**1 180 732 538**	**3 649 164 010**
		Note 21		

**** Please refer to Note 45 for more details.***

CASH FLOW STATEMENT

for the year ended 31 March 2020

		Group		Trust	
		2020	2019	2020	2019
	Notes	R	R	R	R
Net cash generated from/(utilised by) operating activities	33	**55 561 449**	**(271 289 431)**	**45 740 546**	**(271 833 839)**
Cash received from customers		331 850 493	311 412 502	17 815 853	25 611 710
Proceeds for COVID-19 relief fund		200 000 000	-	200 000 000	-
Cash paid to suppliers and employees		(476 289 044)	(582 701 933)	(172 075 307)	(297 445 549)
Net cash generated from investing activities		**337 041 251**	**156 478 342**	**356 275 502**	**155 530 266**
Additions to property plant and equipment	4	(5 604 581)	(4 805 947)	(1 817 134)	(2 237 578)
Additions to intangible assets	6	(337 545)	-	-	-
Proceeds from disposal of property plant and equipment		-	420 000	-	-
Investment disbursements	34	(266 476 344)	(383 495 543)	(269 446 344)	(383 495 543)
Dividends received		59 118 967	71 691 321	59 118 967	71 691 321
Interest received		80 310 999	78 225 548	80 169 854	75 129 103
Repayments on originated loans leases and preference shares	35	465 489 755	379 442 963	483 710 159	379 442 963
Proceeds from sale of investments		4 540 000	15 000 000	4 540 000	15 000 000
Net cash generated from/(utilised by) financing activities		**7 022 630**	**(345 256)**	**-**	**-**
Repayment of instalment sale		(1 008 995)	(345 256)	-	-
Movement in other financial liabilities		8 031 625	-	-	-
Increase/(decrease) in cash and cash equivalents		**399 625 331**	**(115 156 345)**	**402 016 048**	**(116 303 573)**
Cash and cash equivalents at beginning of the year		**1 023 961 055**	**1 139 117 400**	**1 017 498 209**	**1 133 801 782**
Cash and cash equivalents at end of the year	20	**1 423 586 386**	**1 023 961 055**	**1 419 514 257**	**1 017 498 209**

Financials

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

for the year ended 31 March 2020

		Trust		
	Notes	Approved final budget R	Actual R	Variance R
Revenue	36.1	**328 648 080**	**320 100 026**	**(8 548 054)**
Sundry income	36.2	53 072 000	45 479 157	(7 592 843)
Total Income		**381 720 080**	**365 579 183**	**(16 140 897)**
Expenses				
Compensation of employees		(203 437 791)	(138 557 213)	64 880 578
Use of goods and services		(97 067 952)	(81 032 969)	16 034 983
Total expenses	36.3	**(300 505 743)**	**(219 590 182)**	**80 915 561**
Net operating income		**81 214 337**	**145 989 001**	**64 774 664**
Impairment charge	36.4	(80 681 533)	(233 541 645)	(152 860 112)
Write-offs		-	(18 925 431)	(18 925 431)
Net income/(loss) before fair value adjustments		**532 804**	**(106 478 075)**	**(107 010 879)**
Net fair value losses	36.5	-	(461 092 421)	(461 092 421)
Surplus/(deficit) for the year		**532 804**	**(567 570 496)**	**(568 103 300)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020

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 operations

The National Empowerment Fund Trust is a South African public entity (Schedule 3A) under the direction of the **Department of Trade Industry and Competition (dtic)**. 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).

The financial statements of the Trust and the Group have been prepared except for cash flow statement information, using the accrual basis of accounting.

The going concern basis has been adopted in preparing financial statements for the Trust and the Group. 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. The Group and Trust financial statements are presented in South African Rand, which is the functional currency, rounded-off to the nearest rand.

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 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 mainly comprises of bad debt received from investments written-off, conditional and unconditional enterprise suppliers development funds(ESD) and non-financial support grant.

Revenue for bad debt recovered is recognised to the extent of cash recovered during the financial year. Conditional ESD is recognised when disbursements are made to the beneficiaries of the relevant ESD fund. Unconditional ESD is recognised when transfer is received from ESD partner(s) while non-financial support is recognised to the extent of non-financial supported rendered to the relevant beneficiaries.

1.6 Property, plant and equipment

Property, plant and equipment are identifiable non-monetary assets which the Group holds for its own use and which are expected to be used for more than one year.

Property is recognised when:
– It is probable that expected future economic benefits attributable to the asset will flow to the entity; and
– The cost of the asset can be measured reliably."

All items of property, plant and equipment, are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. 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 surplus or deficit during the financial period in which they are incurred.

Where parts of an item of property, plant and equipment have significantly different useful lives, they are accounted for as separate items of property, plant and equipment.

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	10% - 16.67%
Motor vehicles	20% - 25%
Office equipment	20% - 40%
Leasehold improvements	10% - 20%
Audio Visual equipment	33.33%
Paintings	2%
Property	N/A
Plant and mechinery	16.67% - 20%
Trolleys and bins (Other assets)	50%
IT equipment	33%
Signage (Other assets)	20%

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 surplus or deficit, 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.

Goodwill is amortised at 10% rate per annum.

1.8 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which the Group holds for its own use, and which are expected to be used for more than one year.

An intangible asset is recognised when:
– It is probable that expected future economic benefits attributable to the asset will flow to the entity; and
– The cost of the asset can be measured reliably.

Intangible assets are initially measured at cost including transaction costs and directly attributable expenditure in preparing the asset for its intended use.

Acquired computer software is capitalised on the basis of cost incurred to acquire and bring to use the specific software purchased and is amortised on a straight-line basis over the expected useful lives of the assets. Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

Intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the date that the asset is derecognised. The amortisation method used shall reflect the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight line method shall be used. The residual values, amortisation period and the amortisation method for intangible assets are reviewed at each reporting date and adjusted if appropriate. The amortisation charge for each period shall be recognised in surplus or deficit.

An intangible asset shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be included in surplus or deficit.

Item	Rate p.a.
Computer software	33.33%
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.

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 instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets and financial liabilities at fair value are recognised on trade date, which is the date on which the Trust commits to purchase or sell the asset. The Trust recognises a financial asset and financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument, that is, when cash is advanced to the borrowers.

Financial assets or financial liabilies are initially recognised at fair value including transaction costs, except financial assets or financial liabilites 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 or financial liability 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. Financial liabilities are derecognised when, and only when, the obligations are discharged, cancelled, expire or are substantially modified. The difference between the carrying amount of the financial liability derecognised, and the consideration paid and payable shall be recognised in surplus or deficit.

1.12 Financial instruments (continued)

Classification

The Trust classifies financial assets in the following categories: investments at fair value, originated loans and preference shares (GRAP 7 category: loans and receivable) 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 surplus or deficit. 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 surplus or deficit 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.

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 surplus or deficit. 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 surplus or deficit. 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 surplus or deficit.

(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 surplus or deficit.

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 surplus or deficit 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. The Trust recognises a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

1.14 Enterprise development fund

Conditional Enterprise Development Funds are initially recognised at its fair value and classified as a liability until such time when conditions are met.

Unconditional Enterprise Development Funds are initially recognised at its fair value and classified as an income upon receipt.

1.15 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases and instalment sale agreements

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 leases and instalment sale agreements are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, the present value of the minimum lease payments. The corresponding liability to the lessee is included in the statement of financial position as a finance lease obligation. The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Operating 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 surplus or deficit on the straight line basis over the period of the lease.

1.16 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.

1.17 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. The provisions are mainly made up of performance bonuses as well as provision for leave pay. The contingencies are arise mainly emanates from litigations which are originated by clients.

1.18 Critical accounting estimates and judgements in applying accounting policies

Management has applied 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.

Judgements and assumptions in the valuations and impairments include determining the:

- Free cash flow of investees;
- Replacement values;
- Realisable value of assets;

– Net Asset Value model and other relevant valuation techniques

(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 surplus or deficit, 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) Fair value of equity investments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques (above-mentioned). The Trust uses its judgement to make assumptions that are mainly based on market conditions.

1.19 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.

1.20 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.

1.21 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

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 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.

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 follow:

	Credit Ratings*	2020 R	2019 R
Standard Bank	Ba1	292 882 083	152 533 969
First National Bank	Ba1	209 358 718	8 793 417
South Africa Reserve Bank	Ba1	915 316 625	854 331 726
Rand Merchant Bank	Ba1	1 956 583	1 838 200
Total Cash held with banks (Trust)		**1 419 514 009**	**1 017 497 312**
Zastrovest Investment (First National Bank)	Ba1	3 313 184	3 956 623
Surgetek (Pty) Ltd (Standard Bank)	Ba1	248 048	1 494 203
Delswa (Pty) Ltd (Standard Bank)	Ba1	104 437	359 027
National Empowerment Fund SOC Ltd (Standard Bank)	Ba1	191 678	652 993
Total balance for Group		**1 423 371 356**	**1 023 960 158**

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 2020 updates.***

The impairment methodology utilised by the Trust results in originated loans 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 2020 (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	
	2020	**2019**	**2020**	**2019**
	R	**R**	**R**	**R**
Originated Loans				
Normal monitoring and performing loans	1 201 065 817	1 550 797 688	1 347 520 891	1 704 266 505
Close monitoring	168 065 919	17 363 772	168 065 919	17 363 772
Partly/fully impaired	508 422 990	573 076 968	508 422 990	573 076 968
	1 877 554 726	**2 141 238 428**	**2 024 009 800**	**2 294 707 245**
Finance Leases				
Normal monitoring and performing leases	195 002 343	134 206 473	195 002 343	134 206 473
Close monitoring	33 408 586	-	33 408 586	-
Partly/fully impaired	34 660 004	75 307 153	34 660 004	75 307 153
	263 070 933	**209 513 626**	**263 070 933**	**209 513 626**

Any fair value of such collateral is considered against collectible debt at outstanding amounts, including accrued interest. The book value of collateral represents the original collateral value discounted for loss of asset value over time. The fair value of collateral represents the book values further discounted for costs estimated to be incurred by the Trust in liquidating/ collecting on the collateral.

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.

3 RISK MANAGEMENT (continued)

3.2.1 *Interest rate risk* (continued)

A significant part (2020 - 85%: 2019 – 85%) of the Trust's investment portfolio is advanced in the form of originated loans. These loans are advanced at interest rates which linked to the prime lending rates as well as others that are fixed rates. The terms usually range from 5 to 15 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 2020, the portfolio was assessed from this risk rating approach as follows:

Trust

	2020		**2019**	
Category	% by number	% by value	% by number	% by value
Performing	54%	67%	66%	73%
Impaired	42%	24%	33%	26%
Close Monitoring	4%	9%	1%	1%

Group

	2020		**2019**	
Category	% by number	% by value	% by number	% by value
Performing	54%	68%	66%	73%
Impaired	42%	24%	33%	26%
Close Monitoring	4%	9%	1%	1%

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

3 RISK MANAGEMENT (continued)

3.2.1 Interest rate risk (continued)

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:

Trust

	2020			2019		
	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment
	R	R	R	R	R	R
Originated loans	1 513 156 007	163 327 621	15 131 560	1 861 635 455	230 469 831	18 616 355
Cash and cash equivalents	1 419 514 257	75 103 921	14 195 143	1 017 498 209	71 902 578	10 174 982
Total effect on Profit/Loss	**2 932 670 264**	**238 431 542**	**29 326 703**	**2 879 133 664**	**302 372 409**	**28 791 337**

Group

	2020			2019		
	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment
	R	R	R	R	R	R
Originated loans	1 420 497 518	155 097 887	14 204 975	1 761 313 046	216 910 966	17 613 130
Cash and cash equivalents	1 423 586 386	75 245 066	14 235 864	1 023 961 055	71 907 874	10 239 611
Total effect on Profit/Loss	**2 844 083 904**	**230 342 953**	**28 440 839**	**2 785 274 101**	**288 818 840**	**27 852 741**

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.

Listed Investments	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
		R	R	R	R
Hospitality Property Fund B	2 883 617	3.05	8 795 032	9 674 535	7 915 529
MTN Ltd	10 114 866	48.39	489 458 366	538 404 202	440 512 529
Total			**498 253 398**	**548 078 737**	**448 428 058**

3.3 Liquidity risk

The Trust was historically capitalized 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

3 RISK MANAGEMENT (continued)

3.4 Capital Risk Management

Trust Capital primarily comprises funds transferred from the dtic for the purposes of granting funding to eligible black empowered businesses through its fund management products. To date cash funds received from **the dtic** for these purposes totals R2 297 431 472 (2019:R2 297 431 472 - note 21). Historically funding for operations was also advanced by the dtic 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 dtic** 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 dtic** and/or National Treasury.

4 PROPERTY, PLANT AND EQUIPMENT (TRUST)

2020	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Office Equipment R	Furniture & Fittings R	Leasehold Improvements R	Paintings R	Total R
Opening 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**	**2 732 173**
Movement for the year								
* Additions	857 849	1 035 460	-	-	63 825	-	-	1 957 134
Net Disposal	-	(21 882)	-	-	-	-	-	(21 882)
Disposals/ Derecognition at cost	(498 900)	(85 769)	-	-	-	-	-	(584 669)
Depreciation on disposed/derecognised assets	498 900	63 888	-	-	-	-	-	562 788
Reclassification		-						-
Depreciation	(344 608)	(974 406)	(92 005)	(20 380)	(29 176)	(76 373)	(2 924)	(1 539 872)
	513 241	**39 172**	**(92 005)**	**(20 380)**	**34 649**	**(76 373)**	**(2 924)**	**395 380**
Closing Balance								
Cost	1 620 867	5 605 046	315 811	359 613	632 987	821 002	149 790	9 505 116
Accumulated depreciation	(515 255)	(4 072 080)	(199 169)	(324 155)	(482 573)	(731 141)	(53 189)	(6 377 562)
Net Book Value	**1 105 612**	**1 532 965**	**116 642**	**35 458**	**150 414**	**89 861**	**96 601**	**3 127 554**
*** The acquisition cost is different from cash flow due to trade-in of vehicle.**								
Cash flow acquisition Trade-in value	**R1 817 134**							
Trade-in value	**R140 000**							
	R1 957 134							
Gross carrying amount of fully depreciated assets still in use	**-**	**2 854 738**	**40 298**	**259 331**	**423 408**	**439 973**	**5 000**	**4 022 749**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (TRUST) (continued)

2019	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Office Equipment R	Furniture & Fittings R	Leasehold Improvements R	Paintings R	Total R
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
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**

4 PROPERTY, PLANT AND EQUIPMENT (GROUP)

2020	Land and Buildings R	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Plant and Machinery R	Office Equipment R	Furniture & Fittings R	Leasehold Improve-ments R	Paintings R	Other assets R	Total R
Opening 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**
Movement for the year											
* Additions	-	3 514 381	1 370 476	-	764 123	74 899	158 671	257 913	-	139 344	6 279 807
Change in accounting estimate	-	-	-	-	-	-	-	-	-	-	-
Net Disposal	-	(1)	(22 037)	-	-	(36)	(2 502)	-	-	45 605	21 029
Disposals/ Derecognition at cost	-	(498 901)	(124 650)	-	(7 399)	(32 990)	(8 066)	-	-	(39 798)	(711 804)
Depreciation on disposed/derecognised assets	-	498 900	102 614	-	7 399	32 954	5 564	-	-	85 403	732 834
Depreciation	-	(1 473 022)	(1 119 826)	(92 005)	(183 109)	(163 770)	(152 773)	(261 733)	(2 924)	(25 266)	(3 474 428)
	-	**2 041 358**	**228 613**	**(92 005)**	**581 014**	**(88 907)**	**3 396**	**(3 820)**	**(2 924)**	**159 683**	**2 826 409**
Closing Balance											
Cost	27 095 556	12 949 109	7 016 781	315 811	3 413 348	1 485 443	1 379 041	2 772 768	149 790	983 177	57 560 825
Accumulated depreciation	(1 187 812)	(5 549 469)	(5 119 046)	(199 169)	(1 923 124)	(980 661)	(954 116)	(1 785 594)	(53 189)	(413 404)	(18 165 584)
Net Book Value	**25 907 744**	**7 399 640**	**1 897 735**	**116 642**	**1 490 224**	**504 782**	**424 925**	**987 174**	**96 601**	**569 773**	**39 395 240**

**** The acquisition cost is different from cash flow due to trade-in of vehicle as well as some vehicles purchased through hire purchase agreement.***

Cash flow acquisition	*R5 604 581*
Trade-in value	*R140 000*
Hire purchase agreement value	*R535 226*
	R6 279 807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (GROUP) (continued)

2019	Land and Buildings R	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Plant and Machinery R	Office Equipment R	Furniture & Fittings R	Leasehold Improve-ments R	Paintings R	Other assets R	Total R
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**	**1 657 506**	**2**	**820 316**	**170 889**	**370 693**	**1 069 883**	**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**	**11 616**	**208 645**	**88 894**	**422 800**	**50 836**	**(78 890)**	**(2 916)**	**(95 295)**	**5 095 638**
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**

		Group		Trust	
		2020	2019	2020	2019
		R	R	R	R
5	**INVESTMENT PROPERTY**				
	Opening balance	-	15 700 000	-	-
	* Disposal	-	(15 700 000)	-	-
	Closing balance	-	-	-	-

**** Disposal of Delswa Property, however awaiting for a condition to be met which is rezoning and the rezoning certificate in order for the transfer to be effective.***

		Group		Trust	
		2020	2019	2020	2019
		R	R	R	R
6	**INTANGIBLE ASSETS**				
	Computer software				
	Opening 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**
	Movement for the year:				
	Additions	337 545	-	-	-
	Disposal/Reclassification - cost	(2 017)	-	-	-
	Accumulated amortisation on disposed asset	2 014	-	-	-
	Amortisation	(1 229 653)	(1 301 074)	(381 824)	(405 833)
		(892 111)	(1 301 074)	(381 824)	(405 833)
	Closing balance				
	Cost	9 412 802	9 077 274	1 379 242	1 379 242
	Accumulated amortisation	(3 193 924)	(1 966 285)	(1 025 429)	(643 605)
	Net book value	**6 218 878**	**7 110 989**	**353 813**	**735 637**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

		Group		Trust	
		2020	2019	**2020**	2019
		R	R	**R**	R
7	**GOODWILL**				
	Opening balance				
	Cost	58 771 359	58 771 359	-	-
	Accumulated impairment	(32 462 816)	(26 585 680)	-	-
	Carrying value	**26 308 543**	**32 185 679**	**-**	**-**
	Movement for the year:				
	Impairment for the year	(5 877 136)	(5 877 136)		-
	Closing balance				
	Cost	58 771 359	58 771 359	-	-
	Accumulated impairment	(38 339 952)	(32 462 816)	-	-
	Net book value	**20 431 407**	**26 308 543**	**-**	**-**
8	**DEFERRED TAX**				
	Deferred tax asset				
	Accelerated capital allowances for tax purposes	(1 309 289)	(415 852)	-	-
	Allowance for credit losses	590 788	540 724	-	-
	Employee benefits	266 069	267 304	-	-
	Tax losses available for set off against future taxable income	2 029 707	2 705 580	-	-
	Closing balance	**1 577 275**	**3 097 756**	**-**	**-**
	Reconciliation of deferred tax asset				
	At beginning of the year	3 097 756	3 243 056	-	-
	Originating temporary difference on tangible fixed assets	(893 438)	(4 985)	-	-
	Decrease in tax loss available for set off against future taxable income	(675 872)	-	-	-
	Originating temporary difference on employee benefits	(1 235)	(8 142)	-	-
	Originating temporary difference on allowance for credit losses	50 064	(132 173)	-	-
		1 577 275	3 097 756	-	-

	Group		Trust	
	2020	2019	2020	2019
	R	R	R	R
9 INVESTMENTS IN ASSOCIATES				
Investments at cost	**246 910 949**	**246 910 531**	**246 910 949**	**246 910 531**
- Opening balance	246 910 531	272 585 048	246 910 531	272 585 048
- Additions	500	3 472 192	500	3 472 192
- Reclassification	-	(6 543 080)	-	(6 543 080)
- Transfers to non-associate equity investments	(15)	-	(15)	-
- Transfer from originated loans	-	2 327 605	-	2 327 605
- Write off	-	(24 931 234)	-	(24 931 234)
- Disposal	(67)	-	(67)	-
Fair value adjustments	(213 013 054)	(183 480 896)	(213 013 054)	(183 480 896)
- Opening balance	(183 480 896)	(187 822 724)	(183 480 896)	(187 822 724)
- Re-classification	-	6 543 080	-	6 543 080
- Transfers to non-associate equity investments	(1 720 792)	-	(1 720 792)	-
- Write-off fair value adjustments	-	21 931 728	-	21 931 728
- Fair value loss	(27 811 366)	(24 132 980)	(27 811 366)	(24 132 980)
Net investment in associates	**33 897 895**	**63 429 635**	**33 897 895**	**63 429 635**

9 INVESTMENT IN ASSOCIATES (continued)

The Trust's associates are all incorporated in the Republic of South Africa and have been listed below:

Name	Principal activity	Voting power 2020 Interest held (%)	Voting power 2019 Interest held (%)	2020 R	2019 R
Unlisted:					
125 Village Hub (Pty) Ltd/ Muma Investments	Property	20%	20%	200	200
Africa People Mover (Pty) Ltd	Transportation	25%	0%	100	-
Allimor Footwear (Pty) Ltd	Manufacturing	30%	30%	1 300 888	1 097 032
Amazin Hotels (Pty) Ltd	Tourism & Entertainment	20%	20%	1	1
Business Venture Investments (Pty) Ltd	Healthcare	30%	30%	1	1
Colliery Dust Control (Pty) Ltd	Agro Processing	44.6%	40.1%	8 799 710	16 169 537
Crowie Holdings (Pty) Ltd	Mining	25.1%	25.1%	2 872 444	15 679 769
False Bay Bricks (Pty) Ltd	Manufacturing	30%	30%	1 289 575	2 922 316
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	Construction	30%	30%	300	300
Global Wheel (Pty) Ltd	Manufacturing	0%	32%	-	1 280 859
Golden Dice Foods (Pty) Ltd	Agro Processing	49%	49%	49	49
Gradoscope (Pty) Ltd	Tourism & Entertainment	49%	26%	26	1
Graskop Gorge Lift Company (Pty) Ltd	Tourism & Entertainment	26%	26%	2 321 739	3 147 682
Imbaza Mussel (Pty) Ltd	Agro Processing	25%	25%	492 585	458 208
Joy House Academy (Pty) Ltd	Education	45%	45%	1 000	1 395 490
Magoveni Pharmaceuticals (Pty) Ltd	Pharmaceuticals	25%	25%	1	-
M-Care Management Company (Pty) Ltd	Healthcare	30%	30%	1	300
M-Care Operating Company (Pty) Ltd	Healthcare	25%	25%	1	214 306
M-Care Property Company (Pty) Ltd	Healthcare	22.5%	22.5%	1	2 250
Middelsdrift Dairy (Pty) Ltd	Agro Processing	40%	40%	1	2 192 359
Mohale (Pty) Ltd	Agro Processing	45%	45%	450	450
Mopadi Molamu (Pty) Ltd	Agro Processing	20%	20%	30	200
Okubabayo (Pty) Ltd	Manufacturing	30%	30%	2 817 878	2 817 968
Petrocom (Pty) Ltd	Energy	30%	30%	30	490
Pyratrade (Pty) Ltd	Agro Processing	30%	30%	1	1
Rapid Purple Waters Trading (Pty) Ltd	Agro Processing	25%	25%	2 483 457	250
Rhino Ridge Lodge (Pty) Ltd	Tourism & Entertainment	33%	33%	333	333
Royal Thonga Safari Lodge (Pty) Ltd	Tourism & Entertainment	36%	36%	36	36
Sehwai Exploration Drilling (Pty) Ltd	Mining	45%	45%	112	112
Stutt Brick Company (Pty) Ltd	Construction	49%	49%	1	1
Super Grand Agric (Pty) Ltd	Agro Processing	30%	30%	45	45
Tshellaine Holdings	Property	30%	30%	30	30
Umnotho Maize (Pty) Ltd	Services	40%	0%	400	-
Unique Engineering (Pty) Ltd	Engineering	49%	49%	8 841 709	12 640 002
Value Cement (Pty) Ltd	Construction	26%	26%	1	1
Willowvale (Pty) Ltd	Property	45%	45%	2 674 559	3 408 856
YG Property Investments (Pty) Ltd	Property	20%	20%	200	200
				33 897 895	**63 429 635**

	Group		Trust	
	2020	2019	2020	2019
	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	13 698 349
Investment in subsidiaries	-	-	19 876 554	19 876 554

		Group		Trust	
		2020	2019	**2020**	2019
		R	R	**R**	R
11	**INVESTMENTS AT FAIR VALUE**				
11.1	**Non-associate equity investments (Excluding Strategic Project Fund transactions)**				
	Opening Balance	**1 251 265 368**	**1 615 300 455**	**1 251 265 368**	**1 615 300 455**
	Movements	**(388 182 265)**	**(364 035 087)**	**(388 182 265)**	**(364 035 087)**
11.1.1	MTN shares - fair value adjustments	(406 921 059)	(307 491 925)	(406 921 059)	(307 491 925)
	Transfers from associates	1 720 307	-	1 720 307	-
	Transfers from originated loans	50 000	-	50 000	-
	Additions	23 743 503	4 950 000	23 743 503	4 950 000
11.1.1	Unlisted securities - fair value adjustments and write-offs	(2 235 015)	(61 322 653)	(2 235 015)	(61 322 653)
11.1.1	Write-off at cost	(30 000)	(2 579 643)	(30 000)	(2 579 643)
11.1.1	Write-off of FV	29 999	2 409 134	29 999	2 409 134
	Disposal at cost	(3 007 000)	-	(3 007 000)	-
	Disposal at FV	(1 533 000)	-	(1 533 000)	-
	Fair value balance as at end of the year	**863 083 103**	**1 251 265 368**	**863 083 103**	**1 251 265 368**

		Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
11	**INVESTMENTS AT FAIR VALUE** (continued)				
	Non- associate investments include:				
	Listed securities:				
	- Equity securities : RSA (MTN Shares)	489 458 366	896 379 425	489 458 366	896 379 425
	Unlisted securities:				
	Securities not traded on an active market	373 624 133	354 885 942	373 624 133	354 885 942
	Beat FM	196	196	196	196
	Busamed (Pty) Ltd	359 422 560	334 523 500	359 422 560	334 523 500
	Connex (Pty) Ltd	-	6 185 556	-	6 185 556
	Elgin Engineering (Pty)	1	2 895 622	1	2 895 622
	Global Wheel (Pty) Ltd	1 218 673	-	1 218 673	-
	Liciatron (Pty) Ltd	1	1	1	1
	Mayborn Investments (Pty) Ltd	3 133 295	800 943	3 133 295	800 943
	Motseng Investment Holdings (Pty) Ltd	1	5	1	5
	MSG Africa Broadcasting (Pty) Ltd	178	174	178	174
	Nyonende Investments (Pty) Ltd	1	1	1	1
	On Digital Media (Pty) Ltd	1	1	1	1
	Ordicode	600	-	600	-
	Rhythm FM	196	196	196	196
	Rikatec (Pty) Ltd	5 000 000	4 950 000	5 000 000	4 950 000
	Sky Rink Studios (Pty) Ltd	130	130	130	130
	Ubumbano Rail (Pty) Ltd	-	1	-	1
	Western Breeze Trading 297 (Pty) Ltd	51	51	51	51
	Zulimar Trading (Pty) Ltd	4 848 249	5 529 565	4 848 249	5 529 565
		863 082 499	**1 251 265 367**	**863 082 499**	**1 251 265 367**

		Group		Trust	
		2020	**2019**	**2020**	**2019**
		R	**R**	**R**	**R**
11	**INVESTMENTS AT FAIR VALUE** (continued)				
11.2	**Unincorporated joint ventures and investments (Strategic Project Fund Transactions)**				
	Unincorporated equity investment fair value through profit and loss	**106 412 245**	**103 758 683**	**106 412 245**	**103 758 683**
	Opening Balance	103 758 683	101 452 039	103 758 683	101 452 039
	Additions	4 632 729	2 306 644	4 632 729	2 306 644
	Re-classification	(1 979 167)	-	(1 979 167)	-
	Fair value movements	**(106 394 245)**	**(103 740 683)**	**(106 394 245)**	**(103 740 683)**
	- Balance brought forward from prior year	(103 740 683)	(101 434 039)	(103 740 683)	(101 434 039)
11.2.1	- Fair value (losses)	(4 631 729)	(2 306 644)	(4 631 729)	(2 306 644)
	- Re-classification	1 978 167	-	1 978 167	-
	Net investment in fair value through profit & loss financial assets	**18 000**	**18 000**	**18 000**	**18 000**
11.1 & 11.2	**Total investments at fair value**	**863 100 499**	**1 251 283 367**	**863 100 499**	**1 251 283 367**

11 INVESTMENTS AT FAIR VALUE

(continued)

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 below:

2020

Investment	Investment at cost	Fair value	Interest in project/joint venture	Effective voting on Joint Steering Committee
	R	R	%	%
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%
Jalo Enterprise	7 478 360	1 000	50%	50%
Travallo (Pty) Ltd	539 826	1 000	49%	49%
Gemilatex (Pty) Ltd	-	-	0%	0%
iVac Bio (Pty) Ltd	3 066 000	1 000	45%	45%
Mendi Rail and Engineering (Pty) Ltd	9 762 500	1 000	49%	49%
Techteledata (Pty) Ltd	300 000	1 000	25%	25%
Nyamane Agro-foods Holdings (Pty) Ltd	6 129 683	1 000	50%	50%
Cape Town Creative studios	535 226	1 000	49%	49%
Van Der Tlale (Pty) Ltd	428 571	1 000	30%	30%
Lebombo Agricultural Secondary Co-Operative Ltd	6 524 938	1 000	49%	49%
	108 061 876	**18 000**		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

11 INVESTMENTS AT FAIR VALUE

(continued)

2019

Investment	**Investment at cost** R	**Fair value** R	**Interest in project/joint venture** %	**Effective voting on Joint Steering Committee** %
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**		

***** *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.***

	2020	2019	2020	2019
	R	R	R	R
	Group		Trust	
12 ORIGINATED LOANS				
Opening balance	**2 141 238 428**	**2 143 940 740**	**2 294 707 245**	**2 295 087 905**
Net movement for the year	**(263 683 702)**	**(2 702 312)**	**(270 697 445)**	**(380 660)**
Loans disbursed	172 904 844	360 530 343	175 874 844	360 530 343
Interest capitalised	155 097 887	216 910 966	163 304 548	230 469 831
Loan repayments	(441 327 206)	(334 569 969)	(459 547 610)	(334 569 969)
Write-offs	(153 108 508)	(233 713 285)	(153 108 508)	(244 950 498)
Transfer to subsidiary	-	(13 156 643)	-	(13 156 643)
Transfer to investment in associates	-	(2 327 605)	-	(2 327 605)
Capital raising fees	2 749 281	3 623 881	2 779 281	3 623 881
Closing balance	**1 877 554 726**	**2 141 238 428**	**2 024 009 800**	**2 294 707 245**
Provision for impairment	**(457 057 208)**	**(379 925 382)**	**(510 853 793)**	**(433 071 790)**
- Opening balance	(379 925 382)	(423 107 311)	(433 071 790)	(423 107 311)
- Impairments for the year	(211 198 266)	(194 585 299)	(211 848 443)	(247 731 707)
- Write-offs	134 066 440	237 767 228	134 066 440	237 767 228
	1 420 497 518	**1 761 313 046**	**1 513 156 007**	**1 861 635 455**
Net originated loan balance	**1 420 497 518**	**1 761 313 046**	**1 513 156 007**	**1 861 635 455**
Current portion	322 639 577	423 922 553	322 639 577	423 922 553
Long term portion	1 097 857 941	1 337 390 493	1 190 516 430	1 437 712 902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

	2020 R	2019 R	2020 R	2019 R
	Group		Trust	
13 INVESTMENT IN PREFERENCE SHARES				
Opening balance	-	13 000 000	-	13 000 000
Net movement for the year	**-**	**(13 000 000)**	**-**	**(13 000 000)**
Repayments	-	(5 000 000)	-	(5 000 000)
Write-off	-	(8 000 000)	-	(8 000 000)
Closing balance	-	-	-	-
Provision for impairment	-	-	-	-
- Opening balance	-	(8 000 000)	-	(8 000 000)
- Write-offs	-	8 000 000	-	8 000 000
Net preference shares balance	-	-	-	-

	2020 R	2019 R	2020 R	2019 R
	Group		Trust	
14 FINANCE LEASE RECEIVABLES				
Opening balance	209 513 626	233 146 951	209 513 626	233 146 951
Net movement for the year	**53 557 307**	**(23 633 325)**	**53 557 307**	**(23 633 325)**
Additions	65 194 768	12 236 364	65 194 768	12 236 364
Interest capitalised	19 652 466	20 968 286	19 652 466	20 968 286
Repayments	(24 162 549)	(39 872 994)	(24 162 549)	(39 872 994)
Capital raising fee	383 847	-	383 847	-
Write-offs	(7 511 225)	(16 964 981)	(7 511 225)	(16 964 981)
Closing balance	**263 070 933**	**209 513 626**	**263 070 933**	**209 513 626**
Provision for impairment	**(57 679 821)**	**(43 414 481)**	**(57 679 821)**	**(43 414 481)**
- Opening balance	(43 414 481)	(43 603 426)	(43 414 481)	(43 603 426)
- Impairments for the year	(21 693 202)	(16 776 036)	(21 693 202)	(16 776 036)
- Write-offs	7 427 862	16 964 981	7 427 862	16 964 981
Net finance lease receivable balance	**205 391 112**	**166 099 145**	**205 391 112**	**166 099 145**
Gross investment in leases due				
	301 668 215	**185 327 779**	**301 668 215**	**185 327 779**
- Within one year	107 483 977	64 036 484	107 483 977	64 036 484
- In second to fifth year inclusive	194 184 238	121 291 295	194 184 238	121 291 295
Less: unearned finance income	(38 597 281)	(23 608 759)	(38 597 281)	(23 608 759)
Gross value of minimum lease payments receivable	263 070 933	161 719 020	263 070 933	161 719 020
Less: allowance for uncollectable minimum lease payments	(57 679 821)	(43 414 481)	(57 679 821)	(43 414 481)
Gross value	**205 391 112**	**118 304 539**	**205 391 112**	**118 304 539**
Present value of minimum lease payments due				
- within one year	89 721 189	53 689 028	89 721 189	53 689 028
- in second to fifth year inclusive	173 349 744	108 029 992	173 349 744	108 029 992
	263 070 933	161 719 020	263 070 933	161 719 020
Less: allowance for uncollectable minimum lease payments	(57 679 821)	(23 598 176)	(57 679 821)	(23 598 176)
Carrying amount of minimum lease payments	**205 391 112**	**138 120 844**	**205 391 112**	**138 120 844**
Net finance lease receivable balance	**205 391 112**	**166 099 145**	**205 391 112**	**166 099 145**
Current portion	89 721 189	53 689 028	89 721 189	53 689 028
Long term portion	115 669 923	112 410 117	115 669 923	112 410 117

The average lease term is 5 years (2019: 5 years) and the average effective lending rate is 7.45% (2019: 7.88%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

	2020 R	2019 R	2020 R	2019 R
	Group		Trust	
15 INVESTMENTS HELD FOR TRADE				
Fair value balance at beginning of year	28 288 283	44 507 500	28 288 283	44 507 500
Disposals	-	(15 000 000)	-	(15 000 000)
	28 288 283	**29 507 500**	**28 288 283**	**29 507 500**
Fair value (losses)/gains	(19 493 251)	(1 219 217)	(19 493 251)	(1 219 217)
Fair value balance at end of year	**8 795 032**	**28 288 283**	**8 795 032**	**28 288 283**
Investments held for trade				
Listed securities				
Hospitality Fund B	8 795 032	28 288 283	8 795 032	28 288 283
	8 795 032	**28 288 283**	**8 795 032**	**28 288 283**

16 CURRENT ASSET HELD FOR SALE

Opening balance	1 073 400	-	1 073 400	-
Additions	-	1 404 400	-	1 404 400
Disposal	(907 900)	(331 000)	(907 900)	(331 000)
Closing balance	**165 500**	**1 073 400**	**165 500**	**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.

	2020 R	2019 R	2020 R	2019 R
	Group		Trust	
17 INVENTORIES				
Finished goods	6 720 296	5 700 068	-	-
Pallets trolleys and bins	854 919	773 718	-	-
Lightning and surge protection goods	2 394 624	2 798 169	-	-
Lightning and surge protection goods in transit	(42 581)	149 918	-	-
	9 927 258	**9 421 873**	**-**	**-**

18 TRADE AND OTHER RECEIVABLES

	2020 R	2019 R	2020 R	2019 R
Trade receivables	14 809 043	16 975 662	-	-
Deposits	1 821 845	1 850 161	1 845 161	1 845 161
VAT	-	56 186	-	-
Other receivables	29 383 491	26 848 353	15 425 038	16 304 199
Total	**46 014 379**	**45 730 362**	**17 270 199**	**18 149 360**

Other receivables includes R12 million receivable for sale of Delswa property and R11 million admin fees charged on Department of Rural Development and Land Reform.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

19 FINANCIAL ASSETS

	Group			
	2020		2019	
	Carrying amount R	Fair value R	Carrying amount R	Fair Value R
Loans and receivables	**1 671 903 009**	**1 671 903 009**	**1 973 142 553**	**1 973 142 553**
- Originated loans	1 420 497 518	1 420 497 518	1 761 313 046	1 761 313 046
- Preference shares	-	-	-	-
- Finance leases	205 391 112	205 391 112	166 099 145	166 099 145
- Trade and other receivables	46 014 379	46 014 379	45 730 362	45 730 362
Investments held at fair value	**863 100 499**	**863 100 499**	**1 251 283 367**	**1 251 283 367**
- Unlisted non-associate equity investments	373 624 133	373 624 133	354 885 942	354 885 942
- Listed non associate equity investments	489 458 366	489 458 366	896 379 425	896 379 425
- Unincorporated equity investments	18 000	18 000	18 000	18 000
Investment in associates	**33 897 895**	**33 897 895**	**63 429 635**	**63 429 635**
Investments held for trade	**8 795 032**	**8 795 032**	**28 288 283**	**28 288 283**
- Listed equity	8 795 032	8 795 032	28 288 283	28 288 283
Total	**2 577 696 435**	**2 577 696 435**	**3 316 143 838**	**3 316 143 838**

19 FINANCIAL ASSETS (continued)

	Trust			
	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair Value
	R	R	R	R
Loans and receivables	**1 735 817 318**	**1 735 817 318**	**2 045 883 960**	**2 045 883 960**
- Originated loans (Refer to note 12)	1 513 156 007	1 513 156 007	1 861 635 455	1 861 635 455
- Finance leases (Refer to note 14)	205 391 112	205 391 112	166 099 145	166 099 145
- Trade and other receivables (Refer to note 18)	17 270 199	17 270 199	18 149 360	18 149 360
Investments held at fair value	**863 100 499**	**863 100 499**	**1 251 283 367**	**1 251 283 367**
- Unlisted non associate equity investments (Refer to note 11.1)	373 624 133	373 624 133	354 885 942	354 885 942
- Listed non associate equity investments (Refer to note 11.1)	489 458 366	489 458 366	896 379 425	896 379 425
- Unincorporated equity investments (Refer to note 11.2)	18 000	18 000	18 000	18 000
Investment in associates (Refer to note 9)	**33 897 895**	**33 897 895**	**63 429 635**	**63 429 635**
Investments held for trade	**8 795 032**	**8 795 032**	**28 288 283**	**28 288 283**
- Listed equity (Refer to note 15)	8 795 032	8 795 032	28 288 283	28 288 283
Total	**2 641 610 744**	**2 641 610 744**	**3 388 885 245**	**3 388 885 245**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

19 FINANCIAL ASSETS (continued)

Fair value hierarchy

The following table details the fair value hierarchy as defined in GRAP 104 for the investments carried at fair value in the financial statements:

	2020			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
Financial assets at fair value through profit and loss	**8 795 032**	**–**	**33 915 895**	**42 710 926**
Associates	-	-	33 897 895	33 897 895
Unincorporated equity investments	-	-	18 000	18 000
Investments held for trade	8 795 032	-	-	8 795 032
Non-associate equity investments	**489 458 366**	**–**	**373 624 133**	**863 082 499**
Listed equities	489 458 366	-	-	489 458 366
Unlisted equities	-	-	373 624 133	373 624 133
Total	**498 253 398**	**–**	**407 540 028**	**905 793 425**

	2019			
	Level 1	Level 2	Level 3	Total
	R	R	R	R
Financial assets at fair value through profit and loss	**28 288 283**	**–**	**63 447 635**	**91 735 918**
Associates	-	-	63 429 635	63 429 635
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**	**–**	**418 333 577**	**1 343 001 285**

19 FINANCIAL ASSETS (continued)

Reconciliation of financial assets held at fair value

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	R	**R**	**R**	**R**
Opening balance for the year	924 667 708	-	418 333 577	1 343 001 285
Additions - Cost	-	-	28 373 952	28 373 952
Sales/Transfers	-	-	(4 490 000)	(4 490 000)
Fair value adjustments recognised in profit and loss	(426 414 310)	-	(34 677 501)	(461 091 812)
Closing balance	**498 253 398**	**-**	**407 540 028**	**905 793 425**

Reconciliation of financial assets held at fair value

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	R	**R**	**R**	**R**
Opening balance for the year	1 248 378 851	-	496 209 428	1 744 588 279
Additions - Cost	-	-	11 219 199	11 219 199
Sales/Transfers	(15 000 000)	-	(671 935)	(15 671 935)
Fair value adjustments recognised in profit and loss	(308 711 143)	-	(88 423 114)	(397 134 257)
Closing balance	**924 667 708**	**-**	**418 333 578**	**1 343 001 285**

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 on-going basis.

This category comprises active listed equities.

19 FINANCIAL ASSETS (continued)

Valuations based on observable inputs

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.

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.

19 FINANCIAL ASSETS (continued)

Valuations based on observable inputs

Sensitivity Analysis

Level 3 Contributors	2020 Carrying Amount R	2020 Effect of 1% Sensitivity adjustment R	2020 Effect of 10% Sensitivity adjustment R
Associates	33 897 895	338 979	3 389 789
Unincorporated equity investments	18 000	180	1 800
Unlisted equities	373 624 133	3 736 241	37 362 413
	407 540 028	**4 075 400**	**40 754 002**

Level 3 Contributors	2019 Carrying Amount R	2019 Effect of 1% Sensitivity adjustment R	2019 Effect of 10% Sensitivity adjustment R
Associates	63 429 635	634 296	6 342 964
Unincorporated equity investments	18 000	180	1 800
Unlisted equities	354 885 942	3 548 859	35 488 594
	418 333 577	**4 183 335**	**41 833 358**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

	Notes	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
20 CASH AND CASH EQUIVALENTS					
In relation to the cash flow statement, cash and cash equivalents comprise the following:					
Bank balances					
- Current accounts		261 566 947	22 072 560	260 340 825	17 008 930
- Short-term bank deposits		1 161 804 409	1 001 685 443	1 159 173 184	1 000 488 382
- Cash on hand		215 030	203 052	248	897
Total		**1 423 586 386**	**1 023 961 055**	**1 419 514 257**	**1 017 498 209**

The effective interest rate on short term deposits was 6.00% (2019 - 6.16%). Cash reserves includes commitments and third party contributions as per below table.

	Notes	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
UNENCUMBERED CASH - TRUST					
- Cash as per bank balance				1 419 514 257	1 017 498 209
- Less Commitments	31.2			(699 274 469)	(554 384 817)
- Less external contributions	31.4			(453 081 226)	(195 042 837)
Total				**267 158 562**	**268 070 555**
21 TRUST CAPITAL					
Investment in listed shares					
- At cost				171 000 000	171 000 000
Cash funds received from **the dtic:**				**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**

	Notes	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
22 INSTALMENT SALE AGREEMENT					
Wesbank		1 011 337	709 043	-	-
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		763 808	564 817	-	-
Current liabilities					
At amortised cost		247 529	144 226	-	-

23 TRADE AND OTHER PAYABLES

	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
Trade payables	15 716 406	23 824 217	2 744 155	9 168 855
Lease accrual	316 740	520 424	316 740	520 424
Income received in advance	328 717	-	-	-
Accruals	23 905 146	58 222 681	18 801 906	56 520 046
- Performance awards	-	41 459 474	-	41 459 474
- Supplier accruals	14 058 449	7 006 094	10 141 867	6 258 115
- Leave pay	9 846 698	9 757 113	8 660 039	8 802 457
Total	**40 267 009**	**82 567 322**	**21 862 801**	**66 209 325**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

23 TRADE AND OTHER PAYABLES (continued)

Provisions (Trust)

Reconciliation of provisions 2020	**Opening balance R**	**Raised during the year R**	**Utilised during the year R**	**Total R**
Performance rewards	41 459 474	-	(41 459 474)	-
Leave pay	8 802 457	3 011 541	(3 153 958)	8 660 039
	50 261 931	3 011 541	(44 613 432)	8 660 039

Provisions (Trust)

Reconciliation of provisions 2019	**Opening balance R**	**Raised during the year R**	**Utilised during the year R**	**Total R**
Performance rewards	40 719 849	41 459 474	(40 719 849)	41 459 474
Leave pay	7 531 672	5 252 949	(3 982 164)	8 802 457
	48 251 521	46 712 423	(44 702 013)	50 261 931

Provisions (Group)

Reconciliation of provisions 2020	**Opening balance R**	**Raised during the year R**	**Utilised during the year R**	**Total R**
Performance rewards	41 459 474	-	(41 459 474)	-
Leave pay	9 757 113	3 247 955	(3 158 369)	9 846 698
	51 216 587	3 247 955	(44 617 843)	9 846 698

Provisions (Group)

Reconciliation of provisions 2019	**Opening balance R**	**Raised during the year R**	**Utilised during the year R**	**Total R**
Performance rewards	40 719 849	41 459 474	(40 719 849)	41 459 474
Leave pay	8 515 406	5 252 949	(4 011 242)	9 757 113
	49 235 255	46 712 423	(44 731 091)	51 216 587

	Notes	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
24 ENTERPRISE DEVELOPMENT FUNDS					
External contributions					
- Opening balance		168 347 569	160 056 097	168 347 569	160 056 097
- Interest capitalised		5 065 933	6 317 673	5 065 933	6 317 673
- Funds received		91 750 000	-	91 750 000	-
- Disbursement		(30 066 933)	-	(30 066 933)	-
- Reclassification		-	5 723 799	-	5 723 799
- Provision - Orange Farm		(446 913)	-	(446 913)	-
- Proceeds for COVID-19 relief fund		200 000 000	-	200 000 000	-
- Transferred to deferred income		-	(3 750 000)	-	(3 750 000)
- Closing balance		**434 649 656**	**168 347 569**	**434 649 656**	**168 347 569**
Deferred Income					
- Opening balance		3 133 982	-	3 133 982	-
- Transferred from external contributions		-	3 750 000	-	3 750 000
- Addition		3 000 000	-	3 000 000	-
- Unconditional ESD to be recognised as sundry (other) income		(503 404)	(616 018)	(503 404)	(616 018)
		5 630 578	**3 133 982**	**5 630 578**	**3 133 982**
Total	31.4	**440 280 234**	**171 481 551**	**440 280 234**	**171 481 551**

Financials

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

25 RELATED PARTY TRANSACTIONS

		Undisbursed balances		Admin fee income	
		2020 R	2019 R	2020 R	2019 R
Entities	Department of Trade Industry and Competition	200 000 000	-	-	-
	Department of Arts and Culture	53 358 450	59 501 451	-	2 750 000
	Department of Rural Development and Land Reform	36 672 783	36 672 783	-	24 659 981
	Department of Economic Development - Western Cape	10 695 683	10 361 774	-	-
	Department of Tourism	101 110 635	62 803 571	2 000 000	2 000 000
	Transnet	12 199 596	-	450 000	-
	City of Ekurhuleni	23 850 000	-	1 650 000	-
		437 887 147	**169 339 579**	**4 100 000**	**29 409 981**

Other related parties Board of Trustees (refer Note 32)
Investments in associates
Investments in subsidiaries

Related party balances in respect of Investments in Associates and Subsidiaries

	% 2020 Holding	Loans receivable before impairment 2020 R	Loans receivable before impairment 2019 R	Investments at cost 2020 R	Investments at cost 2019 R
125 Village Hub (Pty) Ltd/ Muma Investments	**20.0%**	47 023 242	-	200	-
Africa People Mover (Pty) Ltd	**25.0%**	25 376 039	-	100	-
Allimor Footwear (Pty) Ltd	**30.0%**	5 974 843	8 454 395	30	30
Amazin Hotels (Pty) Ltd	**20.0%**	48 315 645	45 243 910	12 350 000	12 350 000
Business Venture Investments (Pty) Ltd	**30.0%**	19 631 760	19 631 760	30	30
Colliery Dust Control (Pty) Ltd	**44.6%**	-	-	401	401
Crowie Holdings (Pty) Ltd	**25.1%**	-	-	25 000 000	25 000 000
Delswa Trading (Pty) Ltd (Subsidiary)	**100.0%**	-	-	1	1
False Bay Bricks (Pty) Ltd	**30.0%**	1 800 000	-	350	300
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	**30.0%**	6 791 757	6 177 055	300	300
Global Wheel (Pty) Ltd	**0.0%**	32 368 292	44 325 481	-	32
Golden Dice Foods (Pty) Ltd	**49.0%**	25 306 501	18 478 750	49	49
Gradoscope (Pty) Ltd	**49.0%**	13 370 904	14 735 304	26	26
Graskop Gorge Lift Company (Pty) Ltd	**26.1%**	33 311 044	33 788 105	2 200 000	2 200 000
Hoogland Farm (Pty) Ltd	**0.0%**	-	-	-	50
Imbaza Mussel (Pty) Ltd	**25.0%**	2 882 858	3 782 858	250	300
Jaff and Company (Pty) Ltd	**0.0%**	-	-	-	18 000

25 RELATED PARTY TRANSACTIONS (continued)

		Loans receivable before impairment		Investments at cost	
	% 2020 Holding	2020 R	2019 R	2020 R	2019 R
Joy House Academy (Pty) Ltd	**45.0%**	15 261 094	-	2 000 000	8 543 080
Karbochem Co-generation (Pty) Ltd	**0.0%**	-	-	-	12 000 000
Kenako (Pty) Ltd	**49.0%**	-	-	-	6 071 189
Mabele Fuels (Pty) Ltd	**20.1%**	-	-	-	62 356 475
Magoveni Pharmaceuticals (Pty) Ltd	**25.0%**	16 769 050	16 889 050	333	333
M-Care Operating Company (Pty) Ltd	**25.1%**	30 681 212	30 681 212	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%**	3 100 000	4 300 000	4 500 040	4 500 000
Mohale Agricultural Co-operative	**45.0%**	14 019 133	14 333 741	450	450
Mopadi Molamu (Pty) Ltd	**20.0%**	10 041 021	10 193 703	200	200
National Empowerment Fund Corporation SOC Ltd (Subsidiary)	**100.0%**	24 700 440	24 477 664	100	100
Okubabayo (Pty) Ltd	**30.0%**	3 844 273	-	2 817 878	-
Petrocom (Pty) Ltd	**30.0%**	20 410 066	18 300 566	30	30
Pyratrade (Pty) Ltd	**30.0%**	18 010 026	18 010 026	30	30
Rapid Purple Waters Trading (Pty) Ltd	**25.0%**	26 701 977	25 061 131	450	450
Rhino Ridge Lodge (Pty) Ltd	**33.3%**	17 377 537	23 220 166	333	333
Royal Thonga Safari Lodge (Pty) Ltd	**36.0%**	11 456 218	10 862 689	36	36
Salamax (Pty) Ltd	**0.0%**	1 345 129	1 345 129	-	3 153 417
Sehwai Exploration Drilling (Pty) Ltd	**45.0%**	5 962 148	2 763 684	112	112
Stutt Brick Company (Pty) Ltd	**49.0%**	14 012 950	13 433 547	30 499 181	30 499 181
Super Grand Agric (Pty) Ltd	**30.0%**	9 787 468	8 857 951	45	45
Surgetek (Pty) Ltd (Subsidiary)	**100.0%**	12 300 608	20 423 576	13 698 349	13 271 178
Tshellaine Holdings	**30.0%**	40 750 748	-	30	-
Unique Engineering (Pty) Ltd	**49.0%**	-	2 444 227	490	490
Umnotho Maize (Pty) Ltd	**40.0%**	6 070 440	-	400	-
Value Cement (Pty) Ltd	**25.8%**	-	12 543 300	31	31
Willowvale (Pty) Ltd	**45.0%**	13 827 754	15 984 644	450	450
YG Property Investments (Pty) Ltd	**20.0%**	37 499 430	-	200	-
Zastrovect Investments (Pty) Ltd (Subsidiary)	**100.0%**	67 407 827	67 470 033	6 178 104	6 178 104
Total		**683 489 433**	**536 213 658**	**99 253 808**	**186 150 032**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

		Note	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
26	**INTEREST AND DIVIDEND INCOME**					
	Interest - cash		72 924 998	71 907 874	72 783 853	71 902 578
	Interest - originated loans		155 097 887	216 910 966	163 327 621	230 469 831
	Interest -finance leases		19 515 057	20 968 286	19 515 057	20 968 286
	Interest - other		2 320 068	-	2 320 068	-
	Dividends		62 153 427	59 047 738	62 153 427	59 047 738
			312 011 437	**368 834 864**	**320 100 026**	**382 388 433**
27	**NET SUNDRY INCOME**					
	Sales		356 373 059	304 986 784	-	-
	Cost of sales		(284 138 645)	(238 347 727)	-	-
	Bad debts recovered		3 846 184	5 737 151	3 846 184	5 737 151
	Capital raising fee		3 253 905	3 623 881	3 283 905	3 623 881
	* Admin fee		-	24 659 981	-	24 659 981
	Enterprise development admin fees		4 250 000	5 750 000	4 250 000	5 750 000
	** Other income		33 708 637	1 297 231	34 099 068	-
	External contributions		-	1 404 400	-	1 404 400
			117 293 140	**109 111 701**	**45 479 157**	**41 175 413**

**** Admin fee relates to fees expected from DRDLR.***

***** Other income significantly comprises of (unconditional Enterprise Development income as well as Secondment fees).***

	Note	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
28 ADMINISTRATION EXPENSES (TRUST)					
Net operating income is arrived at after taking into account:					
Auditors' remuneration				**3 064 315**	**3 269 038**
- For external audit fees				1 777 463	1 956 644
- Internal audit - outsourced fees				1 286 852	1 312 394
Professional fees				**18 393 873**	**21 491 947**
- Human resources				375 705	415 989
- Information technology				4 272 892	1 908 209
- Legal fees				8 885 623	15 276 571
- Finance				426 870	135 364
- Risk management				565 884	323 200
- Strategy				690 013	320 686
- Investments				3 176 886	3 111 928
Depreciation	4			**1 539 872**	**1 260 907**
- Motor vehicles				344 608	171 490
- Computer equipment				974 406	906 085
- Audio visual equipment				92 005	66 867
- Office equipment				20 380	16 678
- Furniture and fittings				29 176	16 846
- Other assets				2 924	2 916
- Leasehold improvements				76 373	80 025
Amortisation of intangible assets	6			**381 824**	**405 833**
Repairs and maintenance				**830 117**	**1 264 926**
Operating lease rentals				**12 774 002**	**10 550 776**
- Property rental				11 618 286	10 187 459
- Equipment rental				1 155 716	363 317
Total staff costs				**138 557 213**	**171 942 216**
- Salaries and other benefits				125 279 259	159 641 273
- Provident fund contributions				13 277 954	12 300 943
Other operating expenses				**44 048 966**	**47 291 368**
				219 590 182	**257 477 011**
Trustees and senior management emoluments	32			**16 488 435**	**19 464 158**
Headcount at year end				161	168

Financials

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

		Group		Trust	
		2020	**2019**	**2020**	**2019**
	Note	**R**	**R**	**R**	**R**
29 TAXATION					
Deferred tax					
- Opening balance		2 440 138	2 585 438	-	-
- Current year		(1 520 481)	(145 300)	-	-
		919 657	**2 440 138**	**-**	**-**

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.

30 IMPAIRMENT CHARGE

Originated loans	211 198 266	194 585 299	211 848 443	247 731 707
Finance leases	21 693 202	16 776 036	21 693 202	16 776 036
Impairment for the year	**232 891 468**	**211 361 335**	**233 541 645**	**264 507 743**

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

	Note	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
31 COMMITMENTS - TRUST					
31.1 Operating lease commitments - property rentals					
The future minimum lease payments on office premises rentals under operating leases are as follows:					
Not later than 1 year				9 807 946	6 425 955
Later than 1 year but not later than 5 years				14 255 546	3 737 039
				24 063 492	**10 162 994**
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.					
31.2 Undrawn loans and investments					
Not later than 1 year				**699 274 469**	**554 384 817**
Payment will be made out of cash reserves.					
31.3 Loans and investments approved and committed, but not yet contracted					
Not later than 1 year				**392 548 134**	**461 303 932**
Payment will be made out of cash reserves.					

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

	Note	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
31 COMMITMENTS – TRUST (continued)					
31.4 External Contributions					
Unconditional contributions (recognised in sundry income)					
Undisbursed opening balance (contribution available for investment)				23 561 286	142 215 785
Total income				(10 760 294)	(118 654 499)
- Contributions received				49 686 059	-
- Funds disbursed				(60 446 353)	(118 654 499)
- Contributions available for investment				12 800 992	23 561 286
Conditional Funding					
Other conditional contributions (recognised in current liabilities)					
Opening Balance				171 481 551	220 403 193
- Contributions received				291 750 000	102 446 914
- Interest capitalised				18 221 673	13 183 445
- Funds disbursed				(36 922 990)	(152 819 747)
- Admin fee				(4 250 000)	(11 732 254)
				440 280 234	171 481 551
* Total Liability				440 280 234	171 481 551
Total contributions available for future disbursements				**453 081 226**	**195 042 837**

**** Note that these balances are included in values in note 24.***

32 TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

	Basic	Bonuses & performance payments	Acting allowance	Long term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees Other	Total
	R	R	R	R	R	R	R	R
Year ended 31 March 2020								
Executive trustees:								
P Mthethwa (CEO)	3 459 860	-	-	-	640 577	171 209	-	4 271 646
L Serithi (CFO)	2 230 440	-	-	-	251 202	193 276	-	2 674 918
	5 690 300	**–**	**–**	**–**	**891 779**	**364 485**	**–**	**6 946 564**
Senior Management:								
* S Molepo (Divisional Executive)	2 205 145	-	529 440	-	317 384	214 381	-	3 266 350
H Makhathini (Divisional Executive)	1 893 341	-	-	-	278 171	231 001	-	2 402 513
M Dayimani (General Counsel)	1 904 176	-	-	-	281 135	158 093	-	2 343 404
	6 002 662	**–**	**529 440**	**–**	**876 690**	**603 475**	**–**	**8 012 267**
Non-executive trustees:								
R Garach (Chairman)	-	-	-	-	-	-	313 444	313 444
** Mr Ernest Kwinda	-	-	-	-	-	-	330 826	330 826
** Ms Lerato Cynthia Molefe	-	-	-	-	-	-	249 479	249 479
** Dr Nthabiseng Moleko	-	-	-	-	-	-	270 094	270 094
** Ms Nonkqubela Maliza	-	-	-	-	-	-	365 762	365 762
	–	**–**	**–**	**–**	**–**	**–**	**1 529 604**	**1 529 604**
Total	**11 692 962**	**–**	**529 440**	**–**	**1 768 470**	**967 960**	**1 529 604**	**16 488 435**

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

***** Term ended 04 April 2020.***

Financials

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

32 TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS (continued)

	Basic*	Bonuses & performance payments	Acting allowance**	Long term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees Other	Total
	R	R	R	R	R	R	R	R
Year ended 31 March 2019								
Executive trustees:								
P Mthethwa (CEO)	3 465 172	1 993 828	-	-	641 640	162 853	-	6 263 493
I Pule (CFO)	647 187	-	-	-	76 417	53 951	-	777 555
	4 112 359	**1 993 828**	**-**	**-**	**718 057**	**216 804**	**-**	**7 041 048**
Senior Management:								
* S Molepo (Divisional Executive)	2 262 774	579 078	176 480	-	324 122	161 964	-	3 504 418
H Makhathini (Divisional Executive)	1 907 222	1 152 706	-	-	280 253	214 397	-	3 554 578
M Dayimani (General Counsel)	1 914 623	1 127 869	-	-	282 212	148 910	-	3 473 614
	6 084 619	**2 859 653**	**176 480**	**-**	**886 587**	**525 271**	**-**	**10 532 610**
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
Dr Nthabiseng Moleko	-	-	-	-	-	-	298 246	298 246
Ms Nonkqubela Maliza	-	-	-	-	-	-	341 600	341 600
	-	**-**	**-**	**-**	**-**	**-**	**1 890 500**	**1 890 500**
Total	**10 196 978**	**4 853 481**	**176 480**	**-**	**1 604 644**	**742 075**	**1 890 500**	**19 464 158**

***** Basic salary was adjusted to include travel allowance.***

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

	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
33 NOTES TO THE CASH FLOW STATEMENT				
Reconciliation of net deficit to cash flows from operating activities:				
Deficit for the year	**(574 998 256)**	**(475 739 033)**	**(567 570 496)**	**(505 362 147)**
Adjustment for:	**405 745 899**	**264 965 509**	**387 979 722**	**286 083 353**
Depreciation & amortisation	10 621 578	10 125 545	1 921 696	1 666 740
Interest received on cash and cash equivalents	(75 245 066)	(71 907 874)	(75 103 921)	(71 902 578)
Interest accrued on investments	(174 612 944)	(237 879 252)	(182 842 678)	(251 438 117)
Loss/(Profit) on disposal of fixed assets	(108 219)	(436 853)	(118 118)	(33 618)
Other non-cash items	(3 931 919)	9 772 456	(3 999 422)	417 963
Capital raising fee	(3 253 905)	(3 623 881)	(3 283 905)	(3 623 881)
Write-offs	18 925 431	11 216 943	18 925 431	10 297 311
Dividends received	(62 153 427)	(59 047 738)	(62 153 427)	(59 047 738)
Impairment of investments	232 891 468	211 361 335	233 541 645	264 507 743
Fair value adjustments	461 092 421	396 643 928	461 092 421	396 643 928
Enterprise development allocation	-	(1 404 400)	-	(1 404 400)
Taxation	1 520 481	145 300	-	-
Operating deficit before working capital changes	**(169 252 357)**	**(210 773 524)**	**(179 590 774)**	**(219 278 794)**
Working capital changes	**224 813 806**	**(60 515 907)**	**225 331 320**	**(52 555 045)**
Increase in inventories	(505 385)	(493 143)	-	-
(Increase)/Decrease in trade and other receivables	(284 017)	(25 373 405)	879 161	(15 643 203)
Proceeds for COVID-19 relief fund	200 000 000	-	200 000 000	-
(Decrease)/Increase in trade and other payables	25 603 209	(34 649 359)	24 452 159	(36 911 842)
Net cash inflows/(outflows) from operating activities	**55 561 449**	**(271 289 431)**	**45 740 546**	**(271 833 839)**
34 INVESTMENT DISBURSEMENTS				
Originated loans	172 904 844	360 530 343	175 874 844	360 530 343
Investments in associates	500	3 472 192	500	3 472 192
Non associate equity investments	23 743 503	4 950 000	23 743 503	4 950 000
Unincorporated equity investments	4 632 729	2 306 644	4 632 729	2 306 644
Finance leases	65 194 768	12 236 364	65 194 768	12 236 364
Total disbursements	**266 476 344**	**383 495 543**	**269 446 344**	**383 495 543**

35 REPAYMENTS ON ORIGINATED LOANS, LEASES AND PREFERENCE SHARES

	Group		Trust	
	2020 R	2019 R	2020 R	2019 R
Originated loans	441 327 206	334 569 969	459 547 610	334 569 969
Preference shares	-	5 000 000	-	5 000 000
Finance leases	24 162 549	39 872 994	24 162 549	39 872 994
	465 489 755	**379 442 963**	**483 710 159**	**379 442 963**

36 RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE TO BUDGET

36.1 Revenue

Revenue received declined due to settlement of investment contracts which were yielding more than 5% of total interest revenue from investment.

36.2 Sundry income

The unfavourable variance is as a result of external unconditional contributions that were anticipated to be received in the current financial year and some agreements with national government are conditional. Hence revenue can only be rendered when all conditions are met, which is the disbursement to clients.

36.3 Total expenses

R80.9 million of the saving on total expenses is mainly on compensation of employees due to performance bonus provisions not provided and also implementation of cost containment measures.

36.4 Impairments and write-offs

The impairment and write-offs charge for the year is R171.8 million above budget, mainly due to settlement of Ubumbano (R140 million) had a negative impact on the impairment figures as a provision of R78 million had to be made for the remainder of the balance. As a result of the above settlement, the loan book decreased by R230 million without any commensurate increase in disbursements.

The impact of the COVID-19 Pandemic caused nationwide lockdown which has adversely affected a significant part of the NEF's portfolio.

36.5 Fair value losses

The unbudgeted net fair value loss of R462 million comprises of fair value loss in non associate equity investments of R410.3 million, significantly affected by listed equities (mainly MTN which declined by R407 million), investments in associates had a fair value loss of R27.8 million and investments held for trade had a fair value loss of R19.5 million.

37 FRUITLESS AND WASTEFUL EXPENDITURE

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

38 UNAUTHORISED, IRREGULAR EXPENDITURE

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

39 INCOME TAX EXEMPTION

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

40 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.

41 CONTINGENT LIABILITIES

41.1 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.

41.2 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.

42 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. Funding activities and decisions take place at Head Office (Gauteng). 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	125 300 610	1 186 524	1 489 996	1 742 515	2 122 804	2 518 959	1 373 722	1 541 048	1 281 034	138 557 213
Other operating expenses	76 275 930	600 987	305 792	419 473	472 779	1 291 873	366 533	710 654	588 947	81 032 969
Total base costs	**201 576 540**	**1 787 511**	**1 795 789**	**2 161 988**	**2 595 583**	**3 810 833**	**1 740 256**	**2 251 703**	**1 869 981**	**219 590 182**

Non-current assets per region

Property and equipment at cost	10 127 389	60 683	60 930	39 022	34 429	35 811	31 159	18 010	478 887	10 886 320
Accumulated depreciation	(6 787 348)	(60 683)	(60 930)	(27 052)	(34 429)	(24 680)	(19 189)	(18 010)	(371 943)	(7 404 266)
Net carrying amount	**3 340 041**	**-**	**-**	**11 970**	**-**	**11 131**	**11 970**	**-**	**106 943**	**3 482 054**

43 EVENTS AFTER REPORTING DATE

43.1 Impact of COVID-19

Since February 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, business are being forced to cease or limit operations for long or indefinite periods of time. The following measures have been taken to contain the spread of the virus;

- imposing travel bans,
- quarantines, social distancing, and
- closures of non-essential services.

These measures have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The South African Government meanwhile declared, on the 15th of March 2020, a National State of Disaster, in terms of the Disaster Management Act of 2002.

As a result of this, the South African Government has adopted a risk adjusted strategy, with different risk levels, in order to address the COVID-19 pandemic. In terms of this approach, restrictions on certain non-essential economic and social activities are being lifted in order to flatten the country's infection curve.

In order to alleviate the plight of the clients funded by the NEF, the NEF has agreed to institute the following measures:

- A 3 month interest and capital moratorium on clients whose businesses have been impacted by the Government initiated lock downs,
- The DTI has partnered with both the IDC and the NEF, by allocating R200 million to the NEF in order to enable the NEF to finance products which are critical in the fight against COVID-19,
- The NEF has approved a R20 million critical needs funds for its affected clients.

The NEF has made the following adjustments to cater for the impact of COVID-19 on its clients and business:

Impairments:

- For sectors which were adversely affected by National Lockdown, NEF has grated clients a notional moratorium of 90 days, which led to 2% adjustment on impairment ratio.

Fair values:

To consider the impact of COVID-19 various equity exposures, the NEF has added a 2% to an existing discount factor which was considered to be appropriate.

As a result of the lockdown, the following possible risks have been highlighted for the NEF:

- Cash flow pressures on clients which could lead to late or non-payment of loan commitments,
- An increase in provisions on the loans and advances portfolio due to inability of clients to meet debt obligations and security values being compromised,
- Fair value write-downs on the loan portfolio classified at fair value; and
- Increased liquidity risk.

43.2 Other events after reporting date

Management is not aware of any adjusting or non-adjusting post balance events other than the above mentioned COVID-19 events.

44 GOING CONCERN

Management performed detailed scenarios to demonstrate that it is fully within the Board's discretion to preserve the capital of the NEF by giving a directive on the level of approvals to be made in any given year until a longer term funding solution is reached for the organization. Scenarios included forecast analysis of impact of COVID-19 on the NEF's ability to continue as a going concern. Management is satisfied that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. It expects that COVID-19 might have some impact, though not significant, for example, in relation to impairments on investment activities and as well as fair values.

In conclusion Management is of the view that the NEF is remaining a going concern and the application of this principle in the preparation of its financial statements as at 31 March 2020 is appropriate.

45 PRIOR PERIOD ERRORS & RE-CLASSIFICATIONS

Total revenue which comprises of interest income and sundry income as well as fair value losses were reclassified on the 2019 financial statements.

The financial statements of 2019 have been restated to account this classification. The effect of the restatement on those financial statements is summarised below.

There is no effect in 2020 Financial year.

		2019 – Group			
		As previously reported	**Correction of error**	**Re-classification**	**Restated**
	Statement of financial performance				
*	Decrease in interest and dividend income	375 152 538	(6 317 673)	-	368 834 865
*	Decrease in sundry income	47 580 424	(5 107 781)	-	42 472 643
**	Increase in fair value losses	(393 662 528)	(2 981 400)	-	(396 643 928)
	Increase in deficit for the year	**29 070 434**	**(14 406 854)**	**-**	**14 663 580**
	Deficit for the year	**(461 332 178)**	**(14 406 854)**	**-**	**(475 739 032)**
	Change in retained earnings	**1 750 680 249**	**(14 406 854)**	**-**	**1 736 273 395**
	Statement of financial position				
**	Decrease in investment in associates	66 411 035	(2 981 400)	-	63 429 635
*	Increase in enterprise development fund	(160 056 097)	(12 041 472)	3 750 000	(168 347 569)
	Increase in deferred income	-	616 018	(3 750 000)	(3 133 982)
	Decrease in net assets	**(93 645 062)**	**(14 406 854)**	**-**	**(108 051 916)**

45 PRIOR PERIOD ERRORS & RE-CLASSIFICATIONS (continued)

		2019 - Trust			
		As previously reported	Correction of error	Re-classification	Restated
	Statement of financial performance				
*	Decrease in interest and dividend income	388 706 107	(6 317 673)	-	382 388 434
*	Decrease in sundry income	46 283 194	(5 107 781)	-	41 175 413
**	Increase in fair value losses	(393 662 528)	(2 981 400)	-	(396 643 928)
	Increase in deficit for the year	**41 326 773**	**(14 406 854)**	**-**	**26 919 919**
	Deficit for the year	**(490 955 292)**	**(14 406 854)**	**-**	**(505 362 146)**
	Change in retained earnings	**1 762 709 889**	**(14 406 854)**	**-**	**1 748 303 035**
	Statement of financial position				
**	Decrease in investment in associates	66 411 035	(2 981 400)	-	63 429 635
*	Increase in enterprise development fund	(160 056 097)	(12 041 472)	3 750 000	(168 347 569)
	Increase in deferred income	-	616 018	(3 750 000)	(3 133 982)
	Decrease in net assets	**(93 645 062)**	**(14 406 854)**	**-**	**(108 051 916)**

* ***Cash interest earned on undisbursed portion of funds received from tourism transformation fund (TTF) was erroneously recognised as part of NEF's own revenue – interest from the bank, which was later found not to be inline with corporation agreement signed between the NEF and TTF.***

In addition, balance of DRDLR was understated due to incorrect rate applied when capitalising interest earned on undisbursed portion of funds.

Correction has resulted in the restatement of previous financial year balance.

** ***Two unincorporated investment contracts (SPF) were incorrectly recognised as investment in associates. Correction of error was also done retrospective.***

ADMINISTRATION

31 March 2020

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

**** Term ended 04 April 2020***

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	Rand Merchant Bank
	South African Reserve Bank
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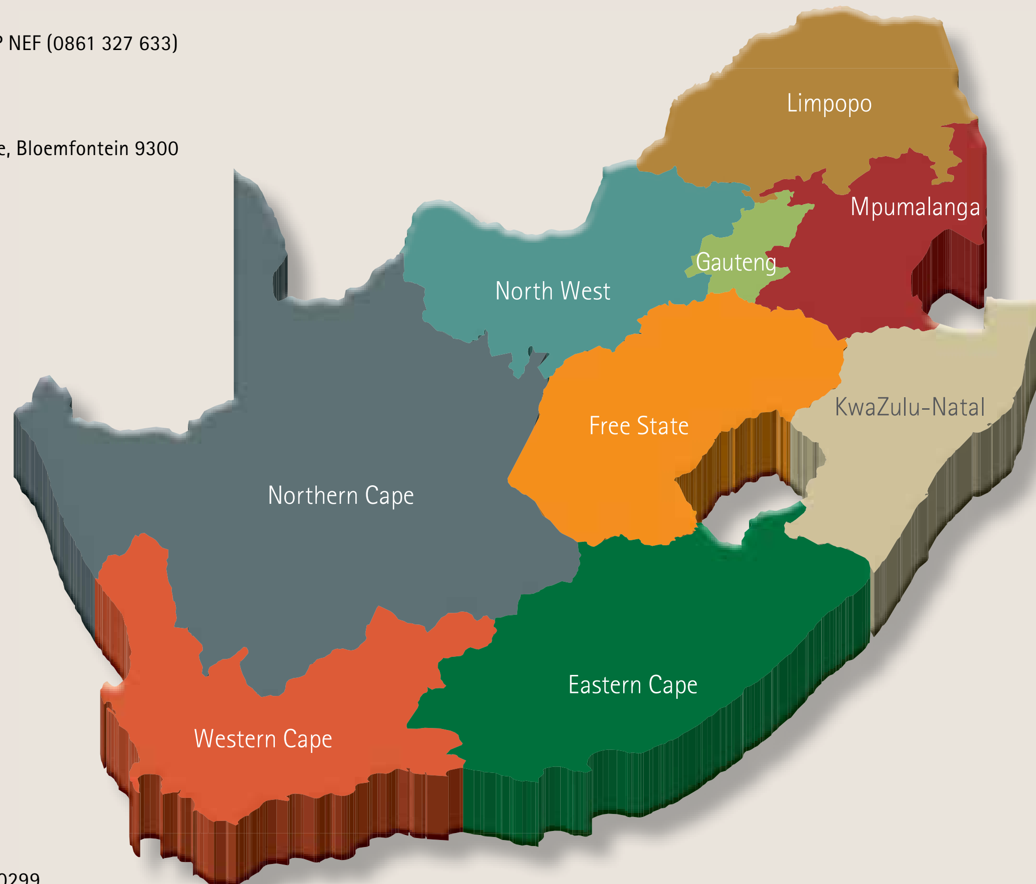

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