NATIONAL EMPOWERMENT FUND
INTEGRATED REPORT 2021

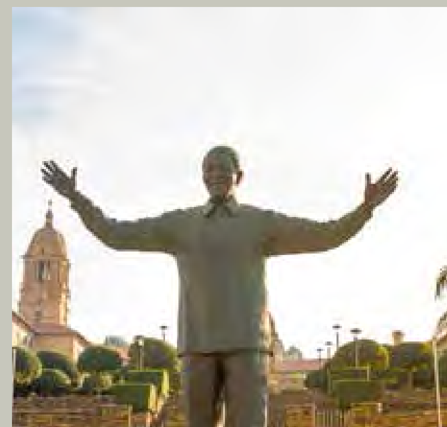
Funding Black Business to Drive Economic Recovery

National Empowerment Fund
Growing Black Economic Participation



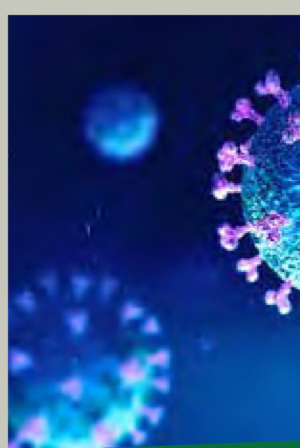










Explaining the cover of the Integrated Report 2021

The cover of the NEF **Integrated Report 2021** depicts the building blocks of a national economy in peril, but determined to recover. Adorned in protective gear, the uniform of industry, the woman in the image is a metaphor for a unified army of workers, management and entrepreneurs hard at work to lift the economy out of the abyss precipitated by a devastating pandemic and a global economy in distress. Not only does the woman on the cover balance the pillar to achieve stability and growth, her resolve is buoyed by the assurance that the NEF, the funder with a soul that is symbolised by the resplendent glow of the rising sun, is the source of hope and resilience, determined in its mission to support black business for economic recovery.

NATIONAL EMPOWERMENT FUND (NEF)

INTEGRATED REPORT 2021

31 MARCH 2021

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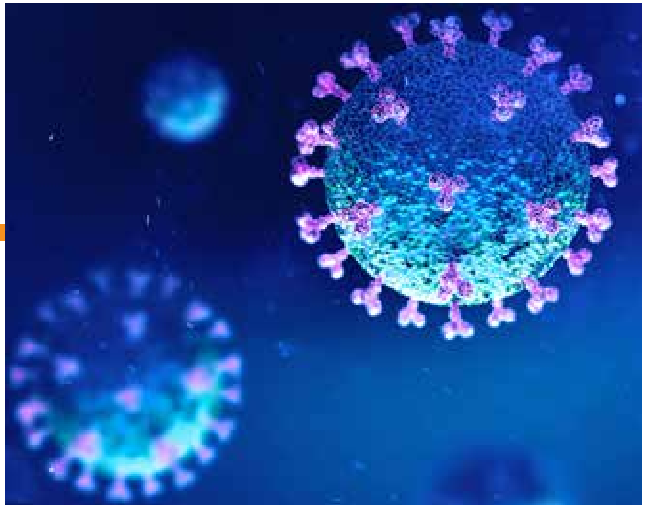
REPORTING ON THE NEF'S RESPONSE TO THE COVID-19 PANDEMIC



On 6 March 2020 South Africa confirmed its first Covid-19 case and on 12 March 2020 the World Health Organisation (WHO) declared Covid-19 a global pandemic. President Cyril Ramaphosa declared Covid-19 a national disaster in terms of the Disaster Management Act 57 of 2002 and on 23 March 2020, the President announced a National Lockdown starting on 27 March 2020. This resulted in significant changes in the social and working lives of all individuals in South Africa.

At the onset of Covid-19 in South Africa, the NEF prepared a Covid-19 Response Plan and established a Covid-19 Response Team to assist the NEF with dealing with challenges relating to Covid-19. A Covid-19 Risk assessment was completed and the NEF Compliance Officer fulfilled the role of Covid-19 Compliance Officer to ensure all requirements relating to the Disaster Management Act and the Occupational Health & Safety Act were adhered to.

Various Covid-19 Protocols were implemented to ensure the safety of staff which included cleaning protocols, safety protocols and screening protocols. Staff with relevant co-morbidities were also identified to ensure that they were adequately protected.

The NEF implemented its Business Continuity Plans and staff were allowed to work from home from 19 March 2020. A Work From Home policy was implemented to ensure that staff were productive and all deliverables were being achieved. Various technological tools were used to engage with staff and clients during this time. The risk levels relating to Covid-19 were closely monitored and recommendations were made to the Executive Committee (Exco) regarding the number of people permitted to work in the office at a particular point in time. The number of staff in the office were managed based on the risk levels relating to Covid-19 infection and the needs of the organisation.

Various training sessions, via hosting webinars were held with staff to ensure that staff were:

- aware of risk of the relevant Covid-19 protocols
- aware of risks as result of new way of working (i.e. fraud risk etc)
- managing mental health issues, and
- dealing with grief

The Human Resource function also implemented certain measures such as assisting staff who required counseling via Kaelo, the NEF's wellness specialist. Staff who had Covid-19 and experienced "long covid symptoms" were also allowed extended sick leave.

Staff have adapted to the new way of working and have been productive during this period by achieving all deliverables.

From a portfolio perspective the following interventions were made to address the Covid 19 crisis:

1. The entire portfolio under Post Investment Unit (POIU) and Turnaround, Workout and Restructuring (TWR) were reviewed to ascertain the level of distress of the investees and the impact of Covid on their businesses;
2. The POIU and TWR adopted a close monitoring approach, by being in regular contact with investees to pre-empt any difficulties in their Moratoriums;
3. Moratoriums were granted to all investees who could not afford to meet their loan repayment obligations;
4. Reduced payment terms were granted in instances where investees were able to make partial payments;
5. The Critical Needs Fund was approved, allowing NEF investees to access small loans to meet their immediate operating costs in order to keep their businesses operational. These included costs such as rental, utilities and other immediate needs. A total of 13 investees received critical needs funding, totalling R20 million;
6. The NEF provided assistance to investees in accessing the Temporary Employer/Employee Relief Scheme (TERS) grants from the Department of Labour. Over 20 investees successfully received TERS grants totalling R25 million;
7. Where loans required restructuring, this was taken to the relevant committees for approval;
8. Once the Economic Distress Funding was advanced by **the dtic**, the NEF commenced the roll-out of the funding. A total of 8 investees were funded by the end of the financial year, in a cumulative amount of R42 million;
9. The vast majority of the NEF clients are still trading despite the challenges of Covid, and as a result of the support received from the NEF, thus the NEF efforts have continued to ensure that businesses are commercially viable and jobs were saved.

FOREWORD BY THE MINISTER OF TRADE, INDUSTRY AND COMPETITION

Mr Ebrahim Patel
Minister of Trade, Industry and Competition

It is my pleasure to table this *Integrated Report 2021* of the NEF, which sets out how the development financier approved in excess of R500 million for black-owned and managed businesses in a year when the South African economy absorbed the shocks of Covid-19.

The funding has benefited 89 black-owned businesses countrywide, and of significance, approximately 35% of these have active and direct black women shareholding and operational involvement. The economic empowerment of black women in particular is a key part of addressing discrimination and also enabling the entrepreneurial energy of more South Africans to be brought into the economic mainstream, help expand the economy and create more jobs.

The NEF reports the creation of over 2 400 jobs through these efforts, in a year when severe damage was caused to many small businesses.

The Report covers a number of areas of work undertaken, including the activities within the

- COVID19 Black Business Fund
- Economic Distress Relief Fund
- Women Empowerment Fund and
- Black Business Manufacturing Fund.

Government is determined to implement bold measures to drive greater worker ownership in the economy, strive for higher levels of local industrialisation, a roadmap for producing electric vehicles and working on green hydrogen opportunities, boosting investment levels, and building and strengthening export platforms through the AfCFTA, and other measures. In this regard the role of development finance institutions is fundamental not only in terms of providing innovative financial support, but also in respect of providing essential non-financial interventions.

A Practice Note has been published to provide guidance to regulators and clarity in the market on the treatment of broad-based empowerment vehicles, so that worker ownership schemes, community trusts and union investment vehicles are properly recognised for BEE-purposes. Aside from worker representation, there are other significant steps that must be taken to achieve greater fairness, more opportunity, and deeper transformation in the economy.

Though the country has made progress with B-BBEE, it is clear that we need to bring greater rigour and credibility to BEE statistics and practices and ensure that claims made by firms in their BEE reports are verified. This may require adjustments to the reporting requirements. In this regard the department will review the current BEE Framework in order to address these legitimate public concerns.

The COVID-19 pandemic has exposed structural weaknesses in economic institutions as well as the wide and deep social divide that has seen the benefits of the global economy flowing inequitably.

As the society recovered from the first waves of Covid-19, the focus has shifted to economic recovery, in line with the Economic Reconstruction and Recovery Plan (ERRP). In the new financial year ending March 2022, every agency of **the dtic** has been requested to report on its contribution to South Africa's national development goals, with a focus on seven key areas, which are termed 'joint indicators'. In this way, the combined efforts of all public entities will begin to be aligned to the national priorities in a more explicit manner.

These cover the following areas:

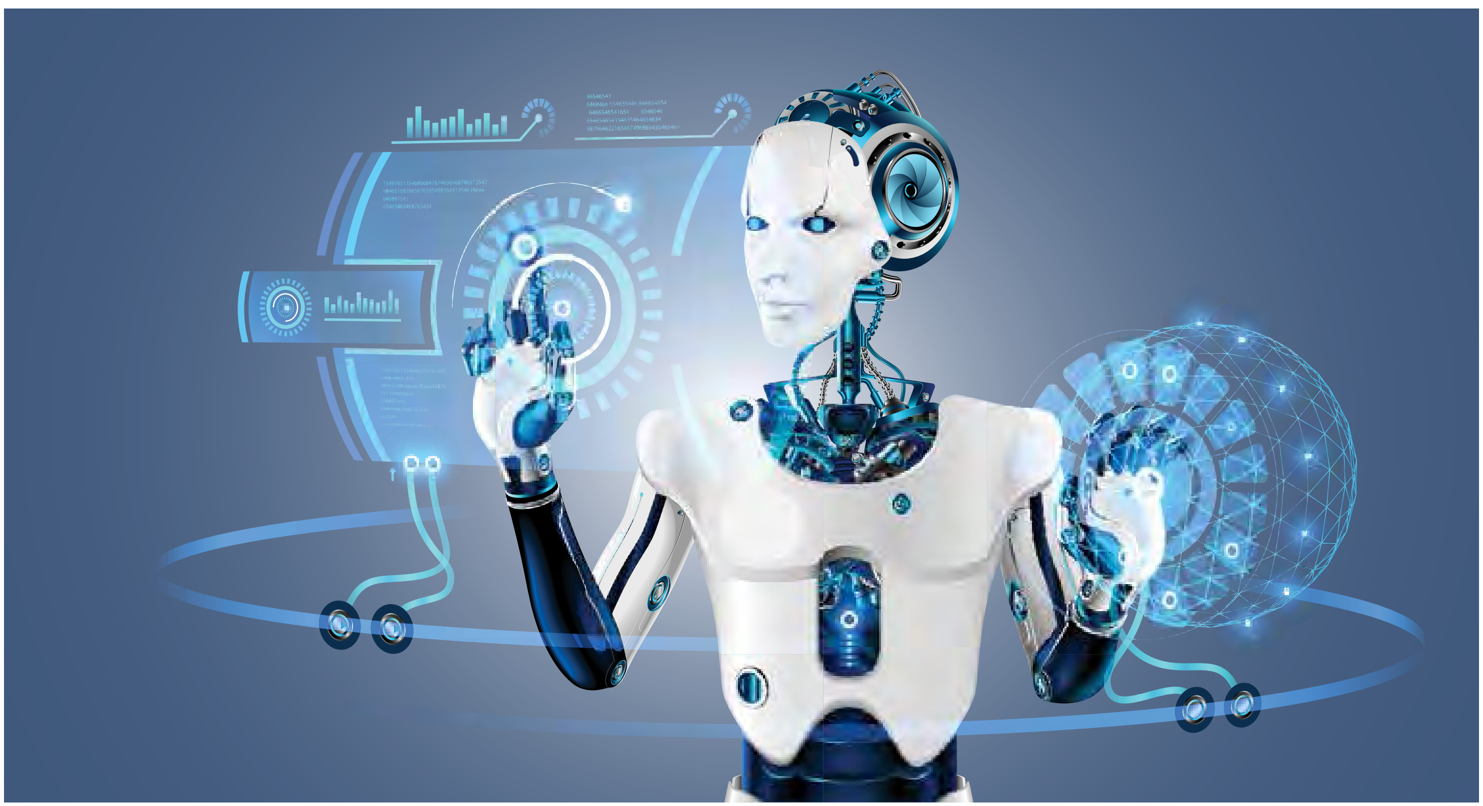
- Joint Indicator 1: Integrated Support to Drive Industrialisation (which includes the work on localisation and sector master plans as well as efforts to support beneficiation)
- Joint Indicator 2: Contribution to the development of an AfCFTA Export Plan
- Joint Indicator 3: Investment Facilitation and Growth
- Joint Indicator 4: Development Model and Spatial Equity to enable the impact of all public sector work to be measured and integrated at district level
- Joint Indicator 5: Actions to Promote Transformation
- Joint Indicator 6: The Green Economy and Greening the Economy
- Joint Indicator 7: Strengthening and Building a Capable State

In respect of building a capable state, for example, all public entities will be required to review their procedures, timeframes for delivery, forms to be filled in and public communication of services to simplify these, make processes expeditious where possible, remove unnecessary red-tape where these exist and make it easier for users to access services.

To achieve our national goals, township and rural enterprises must be scaled up with skills development, entrepreneurship, ownership, management and control in areas where the majority of the population resides.

I wish to express my appreciation to the Chairperson, the CEO and staff of the NEF for the work done; and I welcome the new Trustees of the NEF. I extend condolences to all who lost loved ones during the past year.

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



ABOUT THIS REPORT

This report is prepared in accordance with the International Integrated Reporting Council's (IIRC's) Integrated Reporting (IR) Framework, its fundamental concepts, guiding principles, content elements and presentation guidance.

This is the seventh year the NEF is presenting the Integrated Report, applying good corporate governance guidelines.

The NEF's Integrated Report provides material information relating to its strategy, business model, operating context, material risks, stakeholder interests, performance, risks and opportunities as well as governance in relation to the reporting period ended 31 March 2021. The report covers the activities of the NEF Trust as well as its subsidiaries. A high-level overview of the four subsidiaries in the Group is provided on page 23.

The aim of this report is to provide stakeholders with an account of the usage of capital 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.

The NEF's mandate places it as a significant entity through which economic transformation is being facilitated. We hope that, through this report, our stakeholders will be provided with a sufficiently informed view of the organisation and the value it creates for them.

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. These financial statements are included in full in this report as part of our regulatory reporting obligations in accordance with the PFMA.

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

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

“*The NEF's mandate places it as a significant entity through which economic transformation is being facilitated.*”

The financial, as well as key performance information, in this report has been independently assured by our external auditor, 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 to: **info@nefcorp.co.za**.

Approval of the Integrated Report

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

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

The Board approved this report.

Rakesh Garach
Chairman

Philisiwe Mthethwa
Chief Executive Officer

PERFORMANCE HIGHLIGHTS

89 TRANSACTIONS APPROVED

R520 million

TOTAL COMMITMENTS

R520 million

TOTAL DISBURSEMENTS

R425 million

JOBS SUPPORTED

2 488 Jobs

INVESTOR EDUCATION

95 Sessions

ENTREPRENEURIAL TRAINING

141 Sessions

BUSINESS INCUBATION AND REFERRALS

440 Referrals

124 Incubated

SOCIAL FACILITATION

28 Sessions

RETURN ON INVESTMENT

7.33%

PARTNERSHIPS

R541 million

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 R2.003 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

The duty to set the bar high

Among the many imperatives that the National Empowerment Fund (NEF) holds dear, commitment to good corporate governance ranks supreme. As a development finance institution, the NEF has the duty to set a bar for its investees and indeed for society, inclusive of its stakeholders, with the equivalent obligation being the responsibility to respect and value the public resources entrusted to its care.

It is for this reason that yet another clean external audit, for the 18th year running, was achieved, this time under difficult circumstances as the organisation worked digitally for the first time in its history. It is a moment to be proud of because like the writer, C. S. Lewis, states, "integrity is doing the right thing, even when no one is watching".

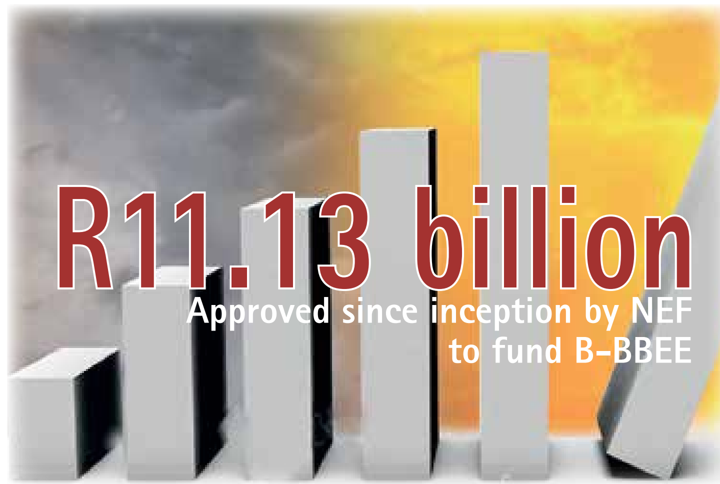
Even though ethical, operational and financial rectitude have become second nature to the ethos of the NEF, we continue to celebrate this important constant because governance, perhaps more than any other national imperative, is a fundamental pillar that guarantees the maintenance of our country's constitutional order.

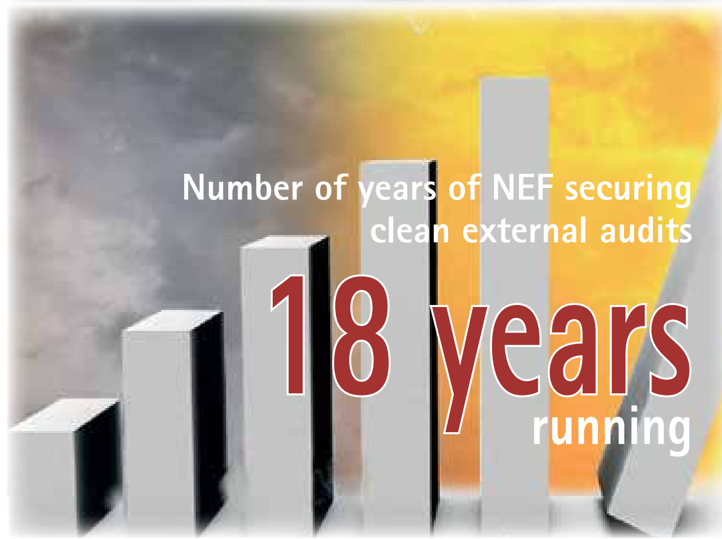
The failure of governance, whether in the private or public sectors, or both, is a significant threat on various levels because it constitutes the betrayal of public trust and the promise of freedom; siphons resources from human, economic and national development, and corrodes societal and human mores.

Given our country's overwhelming developmental deficit and our crises of inequality along racial, gender and geographic lines, corporate governance is a mainstay that cannot be allowed to fail and must be entrenched and protected at all costs. The NEF can be trusted as a bastion in that compact.

Economic Overview

Outlook for the global economy remains uncertain due to the persistent mutation of the virus and weak vaccination coverage in some countries. Global economic growth is now projected to rebound strongly in 2021 to 6.0%, a level not seen in decades following a difficult 2020. Growth recovery in advanced economies is driven largely by fiscal packages and widespread vaccine coverage while resurgence of the manufacturing industry is a key driver of growth in China and India, among others.





The spill-over effects of improvement in advanced and emerging economies are beginning to be felt in Sub-Saharan Africa and South Africa. Albeit at a slower pace, South Africa's growth projection for 2021 has also increased by 0.3 percentage point to 3.1%, buoyed by global demand of mineral commodities emanating from steel, cement and automotive industries. The year 2020 has caused severe damage to the domestic economy, resulting in a widening budget deficit and rising unemployment. Unemployment in South Africa increased to 32.6% at the end of quarter one of 2021 from 32.5% in quarter four of 2020. This reality manifests especially amongst black people and affirms the importance of the mandate of the NEF to grow black economic participation.

The financial year 2020/21 was marked by the devastating effects of the coronavirus which culminated in a hostile operating environment for households and businesses. The NEF together with its investees were not spared. This Integrated Report is a catalogue of the severe impacts of COVID-19 on the operation of the NEF and its investees, as well as the gallant responses crafted over the period to ensure sustainability of the institution and its funded portfolio.

Despite the challenging year which led to significant reduction in household consumption and gross fixed capital formation, the NEF managed to make notable impact on the lives of ordinary South Africans by continuing its funding operations, and significantly, supporting the country's efforts to create jobs while responding to the pandemic.

The NEF swiftly introduced a number of measures such as repayment holidays to ensure that businesses owned and managed by black people, women and youth in particular continued to operate, demonstrating unwavering commitment towards economic transformation and inclusive growth.

Board of Trustees

The Board of Trustees of the NEF is appointed in terms of the National Empowerment Fund Act No. 105 of 1998. In accordance with legislative injunction, the Board is required, among others, to act as the focal point and custodian of corporate governance by providing ethical and effective leadership; formulate, monitor and review corporate strategy, major plans of action, risk policy, annual budgets and business plans, and maintain the highest standard of integrity, responsibility and accountability, ensuring that it finds a fair balance between conforming to corporate governance principles and the performance of the NEF.

The NEF reports to **the dtic**, which during the period under review was among the clusters that were at the forefront of Government's efforts to fight the pandemic. It is because of this herculean task that when the term of office of the previous trustees of the NEF Board expired in April 2020, save for the Chairperson and the Chief Executive Officer, **the dtic** could not immediately appoint new trustees to serve on the Board.

During this period, therefore, the only trustees on the Board were the Chairperson of the Board and the CEO in her ex officio capacity.

Following continuous interaction with **the dtic** as the parent ministry, the NEF is assured that appointment of new Trustees will be completed early in the next financial year. In the tradition of the NEF, we are confident that once again, the next Board will possess the appropriate balance of knowledge, skills, experience and independence required to objectively and effectively discharge its governance role in meeting the NEF's strategic objectives.

Once completed, this will enable the reconstitution of Board Sub-Committees, whose responsibilities include adopting strategic plans, monitoring operational performance, determining the integrity of policy processes, risk management and internal controls.

Deployment of Trust Capital

An enduring challenge facing the NEF over the past decade has been uncertainty regarding the recapitalisation of the NEF to ensure that the organisation meets the historic mission of supporting black entrepreneurs and communities to become integral to the economic mainstream.

In this narrative, what has continued to confound many is the fact that the entity was last funded by the fiscus in 2010 to the cumulative tune of R2.47 billion, yet at year-end the NEF had approved funding in excess of R11 billion for black companies and disbursed more than R7.4 billion into the real economy.

The reasons are not hard to find. Over the years the NEF has leveraged over R9 billion in third party funding for the benefit of black entrepreneurs.

Well over R3.9 billion has been repaid by investees since operational inception in 2004 to date, and this continues even though as a patient-capital lender the NEF's investment horizons are typically up to 8 years for regular transactions and up to 10 years for rural and industrial funding.

103 299 jobs have been supported, which is a significant contribution towards a key national priority.

Over R3.4 billion has been approved for the empowerment of black women entrepreneurs.

In terms of supporting black industrialists, the NEF can point to 24 strategic industrial projects valued at R13.2 billion, that have been developed together with local and international partners, with potential to support 52 000 additional jobs.

> **"In reaching out to the NEF for the partnerships such as the COVID-19 Black Business Fund, the Economic Distress Fund and the Women Empowerment Fund, the Minister of Trade, Industry and Competition, Mr Ebrahim Patel, our Deputy Ministers, the DG and the dtic have reaffirmed Government's abiding commitment to the historic importance of economic transformation. The NEF is grateful for this affirmation and support, as well as for the privilege to account to Parliament as the guarantor of our democracy."**
>
> *Mr Rakesh Garach, Chairman, NEF Board of Trustees, 2021 Integrated Report*

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. This public share offer yielded the NEF over R1 billion, which, together with the loan repayments, was invested into the business funding imperative.

The net result of these strategic breakthroughs has been that following the R2.4 billion cumulative capitalisation, the NEF has more than doubled its initial capital and delivered key socio-economic benefits, in the process building a viable and durable institution whose net asset value exceeds R5 billion.

Strategic partnerships as the fuel for inclusive growth

Necessity is the fountain of invention and renewal. One of the outcomes of unrealised recapitalisation has been the gradual repositioning of the NEF as a partner of choice for government and private sector entities wishing to invest their resources for enterprise and supplier development purposes for beneficiaries within their areas of operation.

In 2011 the NEF established the Enterprise and Supplier Development Fund, fashioning a new and unique value proposition to attract revenue that would help the NEF fulfil its mandate of providing financial and non-financial support to black businesses and communities. Whereas in the beginning the attraction was the incentive of earning points for their empowerment scorecards, many corporates began to see value in partnering with the NEF to assist in the development and growth of sustainable small and medium enterprises that are black-owned.

These entities saw value in the NEF's institutional fund management infrastructure, investment expertise, mentorship support and corporate governance track-record, as well as the benefit of ensuring that investments would be appropriately targeted, with a high probability for success and sustainability for investees.

The results have been phenomenal, and these partnerships include oil companies, retail giants such as Pick 'n Pay, with whom the NEF has turned spaza shops into mini supermarkets, as well as a leading automotive manufacturer, Nissan. Others are the Transnet Ports Authority, Government departments such as Tourism, Arts and Culture, the Western Cape Department of Finance, Tourism and Economic Development, the Northern Cape Department of Finance, Tourism and Economic Development, the Ekurhuleni Municipality, among various others.

In recent times, **the dtic** has entrusted the NEF with no less R461 million for priorities that are discussed in various sections of this Integrated Report.

Gratitude

The NEF is deeply grateful to **the dtic** and the gallery of partners who have entrusted their resources in the ability of the NEF to help bring hope, resources and support to localities where the market failures that confront small businesses, are most severe in the case of black enterprises.

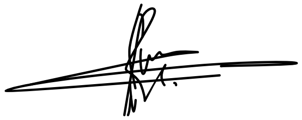
In reaching out to the NEF for the partnerships such as the COVID-19 Black Business Fund, the Economic Distress Fund and the Women Empowerment Fund, the Minister of Trade, Industry and Competition, Mr Ebrahim Patel, our Deputy Ministers, the DG and **the dtic** have reaffirmed Government's abiding commitment to the historic importance of economic transformation. The NEF is grateful for this affirmation and support, as well as for the privilege to account to Parliament as the guarantor of our democracy.

Congratulations are also due to the CEO, her Executive Committee, the Management Committee and staff of the NEF, for delivering yet another sterling set of performance results in a year that has left the world in shock and disbelief.

Thank you for upholding the empowerment dividend and for your day-to-day commitment in advancing the socio-economic development of the historically marginalised.

Perhaps William Ernest Henley had the NEF in mind when he told posterity through Invictus:

"Beyond this place of wrath and tears
Looms but the Horror of the shade,
And yet the menace of the years
Finds and shall find me unafraid.
It matters not how strait the gate,
How charged with punishments the scroll,
I am the master of my fate,
I am the captain of my soul".



Mr Rakesh Garach
Chairman
Board of Trustees

OVERVIEW OF THE OPERATING ENVIRONMENT

Macro-economic environment

Global

Just over a year since the beginning of the COVID-19 pandemic, livelihoods around the world continue to be plagued by it despite widespread vaccination efforts. Looking back, 2020 was certainly the most challenging year of the 21st century for mankind to date. Following universal lockdown rules which hindered economic activities in nearly all countries worldwide, the global economy is projected to have contracted by -3.3% in 2020 – an unprecedented level since 1961.

Given this setback, most countries abandoned their usual conventional approach to macroeconomic policies and embark on extraordinary monetary and fiscal policy support to households and firms. Those steps are beginning to yield some positive results as aggregate demand around the world is gaining momentum to the upside. The International Monetary Fund (IMF) is now expecting the world economy to rebound strongly by 6% in 2021 before subsiding at 4.4% in the following year. The strong growth forecasts can be attributed to largely to successful vaccine rollout mainly in developed countries, the approval by the U.S. Congress of $1.9 trillion stimulus package in March 2021 as well as the 750 Euros fiscal stimulus package for countries within the European Union. These are improved projections relative to January and appear to be bold as the number of daily cases reported in countries such as Brazil and India have recently reported record numbers while Germany and France are also experiencing rapid rise in the daily number of recorded case – highlighting the persistent uncertainty. In addition numerous questions raised over the effectiveness of some vaccines and the suspension of Johnson and Johnson vaccine by the United States is expected to weigh on the recovery.

Although the global economic outlook has improved, there is huge divergence amongst regions, countries and sectors. For advanced economies, the United States is expected to lead the recovery road with a growth of 6.4% this year which surpasses the pre-pandemic growth level. This is owing to the recent fiscal package of $1.9 trillion as well as the successful vaccination drive. Given the size of the US economy, we expect the spill-over effect of the fiscal package and recovery to be widespread for the benefits of the global economy. India and China are expected to lead the recovery for the emerging market economies while most countries in sub-Saharan Africa are anticipated to also surpass pre-pandemic growth levels.

Sub-Saharan Africa are anticipated to also surpass the pre-pandemic growth (3.4%) levels in 2021. The region is expected to continue on this upward trajectory to reach 4.0% in 2022. The improvement in growth projections can be attributed to the African Continental Free Trade Area (AfCFTA) which is vital in easing trade between African countries as well as rising commodity demand particularly in the mining industry. In addition, the Fiscal stimulus packages in developed countries are expected to generate spill-over effects that would increase demand in Sub-Saharan Africa.

South Africa

As the South African economy was also ravaged by the pandemic, the domestic environment has a similar downward path of the global environment in the last twelve months. However, it was worse for the local economy due to pre-pandemic challenges that hampered growth in recent years. These challenges include load-shedding, poor confidence levels, low investment, policy uncertainty and weak demand for goods and service, amongst others. The amassing of the aforementioned challenges — together with COVID-19 — has brought the country's economy to its knees in 2020, after recording an unparalleled contraction of -7%.

Economic outlook for 2021 appears to have improved relative to the prior year's outputs as the management of the pandemic also improved. In addition, the effects of monetary and fiscal policy actions have provided a significant impetus in activities and are being felt across the economy. Consequently, South Africa's economy is forecast to grow by 3.8% in 2021 before stabilising at 2.4% in 2022. It is also important to note that much of this optimism hinges to a large extent on the path of the pandemic and the ability of policymakers to re-imagine the economy and take bold steps to put it on a sustainable upward trajectory.

A look at the recent gross domestic product (GDP) report shows that the majority of industries posted positive growth at the end of quarter four (Q4) of 2020 except finance, real estate and business services as well as mining and quarrying industries. The decrease in finance, real estate and business services can be attributed to the weak office market as the vacancy rate was at levels last witnessed in 2003. In addition, the finance section was troubled throughout 2020 as businesses and homes struggled to keep up with their monthly loan obligations. The NEF was not immune. On a positive note, growth in the manufacturing sector was largely due to the sustained bounce back in outputs of key sub-sectors such as motor vehicles, steel, machinery and wood products.

On the fiscal front, main budget revenue was projected to be approximately R1.20 trillion at the end of 2020/21 tax year, 10.7% lower relative to the prior financial year (R1.34 trillion) while the main budget expenditure is expected to be approximately R1.804 trillion at the end of 2020/21 tax year, 6.7% higher than the prior financial year (R1.69 trillion). For the 2021/22 financial year, revenue collection is projected to increase to R1.35 trillion whilst expenditure is projected to increase to R1.83 trillion.

The monetary policy committee has managed to keep inflation within the target range (3%-6%) as headline inflation averaged 3.3% in 2020 and it is also expected to remain within this range in 2021 at 4.3%. This rise in inflation expectation is largely due to sharp increases in domestic fuel, electricity and other administered prices as the state moved to hike the respective levies for 2021. The current repo rate remains at historic levels (3.5%) as of the end of March 2021 following the aggressive reduction in the prior year – a move that has eased the financial burden on households and businesses. However, this has put a tremendous strain on the commercial and development financial institutions like the NEF whose revenue is dependent on interest income.

For the majority of South Africans, the devastating impact of COVID-19 is felt through rising unemployment, escalating poverty levels and widening inequality. These are reflected in the official (strict) definition unemployment rate in South

Africa which increased by 1.7 percentage points 32.5% at the end of quarter four of 2020 relative to the prior quarter. The figure above depicts a diverging picture of unemployment rates for different race group – reflecting largely the effects of apartheid policies which discriminate against some races. Nearly three decades into the democratically elected government, the legacy of apartheid policies remains firmly entrenched in our society and black people remain largely side-lined in economic activities. Unemployment in amongst black people increased by 1.9 percentage points at the end of quarter four 2020 to 36.5%. For women, unemployment rate was also high at 34.3% relative to that of men, an indication that women are still finding it harder to get jobs. More worryingly, it is the races with highest levels of unemployment rate that accounts for the large share of increases in the overall unemployment rate.

More than ever before, it is apparently clear that the South African government is facing an uphill battle against the scourge of unemployment, poverty and inequality. And it is unfortunate that youth and women are at the receiving end of this socio-economic brutality – they don't have access to adequate economic opportunities and finance, they are hopeless. Although nearly all countries across the globe are faced with the challenge of retaining jobs in the midst of low economic activities, South Africa always needed to re-think its labour dynamics and reskill some of the labour force to fit in the rapidly changing world of technology and innovation. We owe it to ourselves to intensify investments in industries with enormous potentials to create jobs in township and rural economies were majority of our youth and women live in dire conditions.

National Empowerment Fund Impact

In the context of the difficult operating environment for the business fraternity in its entirety, the NEF as a development finance institution was immensely challenged as indicated above. Nonetheless, the undying spirit and unwavering commitment of our leadership and staff towards the empowerment goal has shone throughout the year under review. Unlike many others, the NEF had to speedily re-invent its operations. Consequently, it did not lose a single working day due to COVID-19 as its management moved swiftly to introduce a work from home policy well before the President announced lockdown restrictions. In addition, we have also moved to supplement our financial position through the facilitation of third-party partnerships in a quest to support black entrepreneurs.

The NEF has managed to secure approximately R1.763 billion through its Enterprise and Supplier Development (ESD) fund. This fund, together with the existing capital, has kept the light burning for most black business owners.

- To date, the NEF has disbursed a total capital of R7.445 billion since inception to the designated group.
- This has led to the creation of 103 299 jobs over the same period.
- The sectoral assessment shows that the service sector accounted for about 13.31 percent (R913 million) of the NEF total disbursement to businesses owned by black people.
- It was followed by construction and material industry at about 12.74 percent (R873 million) as well as the energy and retail industry at around R596 million and R443 million respectively since inception.

Although these are unprecedented times and the effects of COVID-19 are still with us, the actions of the NEF have impacted thousands of black South Africans directly or indirectly in a positive way.

No	Output	Achievements
1	Approvals	• Approved **1 146 transactions** worth more than **R11.133 billion** across the country.
2	Disbursement	• Over **R7.445 billion** has been disbursed to investees since inception.
3	Integrity	• Secured **clean external audit** opinions for 17 years running.
4	Supporting jobs	• Since inception, the number of job opportunities supported is **103 299** of which **69 384** were new.
5	Industrialisation	• 24 strategic and industrial projects worth **R13.2 billion**, with the potential to support over **52 000** jobs. Of these transactions, 75% are at an advanced development stage. • Since its inception **3 600** job opportunities have been created.
6	A culture of savings& investment	• In a transaction worth over R1 billion the NEF Asonge Share Scheme made available more than 12 million MTN shares to over 87 000 investors comprising Black individuals and groups. 49% of investors were women.
7	Investor education	• Reached approximately **2 933 784** people in villages and townships through **576** community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets.
8	Entrepreneurship training / incubation	• Business skills training provided over **4 459 potential entrepreneurs** who attended **475** seminars from 2012 to date.
9	National footprint	• Approximately 72% of the number (76% by value) of approved transactions emanated from the regional offices and Pre-Investment Unit.
10	Collections	• Over **R3.7 billion** has been repaid by investees.

CEO'S REPORT

Ms Philisiwe Mthethwa
Chief Executive Officer

On the frontlines of battle

The period under review will go down in memory as one of the most devastating periods since the dawn of democracy in South Africa, and this is an indictment shared by people, governments, businesses and organisations globally.

It was a year of human and economic carnage, when more than 4 million lives were lost globally, businesses closed down and societies were ravaged by grief, unemployment, hunger and untold anguish.

But this too is the story of survival, of the will to triumph, whatever the odds, and that is the very spirit that pulsates throughout the Integrated Report 2021 of the National Empowerment Fund (NEF), one of the organisations that stood on the frontlines of battle in South Africa's resolve to flatten the curve of the impact of the coronavirus pandemic, since its arrival in our country in March of 2020.

The courage to strive for the impossible

Every epoch has its golden moment. In 1706, an African by the name Onesimus, while subjected to slavery in the United States of America, introduced his enslaver to the principle and procedure of inoculation to prevent diseases, a practice he had learnt back home in Africa, and in this way he helped lay the foundation for the development of vaccines. After the smallpox outbreak began in Boston in 1721, this knowledge and expertise was utilised successfully to treat the epidemic.

Among the many businesses that have been funded by the NEF is a black woman-owned enterprise that is in the advanced stages of manufacturing dialyser machines locally for the treatment of kidney disease.

As the world continues the quest to find a cure for the COVID-19 pandemic, there is no reason why Africa, with her formidable indigenous and contemporary knowledge, cannot once again be the home of such a cure.

In the words of the founding father of South Africa's democracy, Dr Nelson Mandela, "it always seems impossible until it's done". It is this very courage to strive for the impossible that has inspired the work of the NEF over the past year.

Economic overview

The financial year 2020-21 presented daunting hurdles for economies around the world and South Africa owing to the COVID-19 pandemic.. Despite the global economy crashing to growth levels comparable to the Great Depression of the 1930s, it is now projected to rebound strongly to approximately 6% in 2021 following an unprecedented decline of 3.3%.

The battle to counter the effects of COVID-19 is expected to persist for years to come. For the financial industry and in particular Development Finance Institutions like the NEF, the pandemic during the 2020/21 year impacted balance sheets significantly. The challenge of clients to service their loan obligations in the face of reduced demand, payment holidays and closure of some businesses affected the financial position of many businesses across the spectrum of private and public investment firms. But economic data flowing from most countries around the world, shows signs of sustainable recovery. Similarly, South Africa experienced improvements in consumer demand, inflation and investment amongst other indicators. Business unusual, stemming from a response to the pandemic, offers an opportunity for the NEF to be at the forefront supporting black businesses in reshaping our economics.

The domestic economic growth rate remained in positive territory at 4.6% in quarter 1 of 2021 following a much higher growth rate of 5.8% in the last quarter of 2020. The country previously recorded quarterly growth rates of over 4% during 2010 calendar year – these are desired and encouraging levels of growth. This growth is backed by the higher than budgeted revenue collection by 12.6%. This trend reflects to some extent the importance of finance in stimulating economic growth after Government introduces an accommodative monetary policy accompanied by supportive fiscal policy.

The much-improved domestic growth was driven by the mining industry after recording a growth rate of approximately 18.1% at the end of the first quarter of 2021. Mining production volumes increased significantly during the same period, boosted by chrome, platinum group metals, iron ore, manganese ore and gold – global demand for platinum continues to outstrip supply due to strong recoveries in the industrial, automotive and jewellery sectors. The finance, real estate and business services sector recorded the second largest growth rate at 7.4%. Growth in this sector could be attributed to the deliberate actions of injecting money in the economy through lowering of interest rate and financing of businesses that were affected by COVID-19. Other positive indicators in quarter 1 of 2021 were green shoots in the manufacturing sector, led by transport equipment and textile, clothing and footwear. This demonstrated the opportunities ceased in crisis (COVID-19) for further localisation of content.

The number of unemployed and economically inactive population rose slightly to 7.243 million and 17 218 million respectively at the end of the 1st quarter of 2021, resulting in escalating unemployment, poverty and inequality levels especially amongst black people, women and youth.

It is for this reason that job creation ranks as one of the key criteria the NEF uses to assess applications for funding black entrepreneurs, and no effort is spared to work with entrepreneurs to maximise employment-creation capacity in their businesses, as an imperative to growth. Significant efforts are also made in unlocking funds through partnerships to drive more inclusive growth.

The growth that was gaining traction in quarter 4 of 2020 and quarter 1 of 2021 was interrupted by the social unrest at the beginning of quarter 2 of 2021, which also offers an opportunity to transform our economy through reconstruction and drive inclusive growth in rebuilding affected communities and the country as a whole.

A vote of confidence in the NEF's fund management vocation

Among the various milestones that are the subject of this Integrated Report, the year under review will be remembered as the period when third-party trust in the NEF's fund management track-record brought unparalleled and historic benefit to black entrepreneurs across the various sectors of the economy.

Over the years the NEF has steadily built its capacity to negotiate enterprise and supplier development partnerships with both the private and public sectors, identifying and supporting eligible beneficiaries, driving growth and delivering on stakeholder expectations and obligations.

It is because of the maturity of this vocation, supported by requisite technical and investment skills, that the NEF secured in excess of R1.7 billion from the Department of Trade, Industry and Competition (**the dtic**) and the Department of Transport. A total R491 million of this allocation was received in the year under review, for the national economic imperatives outlined below:

R200 million for the COVID-19 Black Business Fund

When the pandemic was first reported in South Africa in March 2020, **the dtic** entrusted the NEF with an allocation of R200 million to support businesses that would help the country flatten the curve. The funding was disbursed among 33 black-owned and managed businesses that manufacture and supply a broad variety of products including disinfectants, medical gloves, face shields, safety goggles, shoe covers and non-contact thermometers. Related products included plastic moulds, bottles, dispensers, hand sanitizers, detergents, soap, hospital beds, frail care facilities, stretchers, trolleys, surgical masks, personal protective clothing such as body suits and isolation gowns.

R141 million for the Women Empowerment Fund

The commitment of the NEF to empowering businesses owned and managed by black women entrepreneurs was given a major boost towards the end of the reporting period, following an allocation of R141 million by **the dtic**, for investment across the key sectors of the economy.

This is an important development that will see the NEF Women Empowerment Fund (WEF) doing more to place black women at the forefront of the economy. This is aimed at enhancing the participation of black women-owned businesses to accelerate job creation and increase the productive capacity of the South African economy.

The concessionary funding will be provided from R250 000 up to R10 million for each transaction, and the loans will not accrue interest for the first 6 months. After the interest-free period, the funding will accrue interest at a fixed rate of 1.5% for the remainder of the term. The NEF will provide pre-investment and post-investment support through monitoring the progress of the businesses and will provide free mentorship to improve the chances of business success.

The WEF will provide funding for businesses across various sectors including agro-processing, beneficiation, construction, franchising, manufacturing, property, renewable energy, services, tourism, transportation, among others. The NEF will blend the concessionary funds available under the WEF with its regular loan funding. This means no transaction may be solely funded from **the dtic** portion of the WEF. It is therefore a condition for accessing WEF funding that there be a loan portion from the NEF. Funding will be assessed in accordance with the following criteria:

- Majority ownership, control and management by black women;
- Must be registered and recognised under South African law (company, close corporation, co-operative, collective investment scheme, NPO's and community trusts);
- Be involved in primary, secondary and tertiary sectors of the economy (with the exclusion of purely alcohol businesses, purely tobacco businesses, arms and ammunitions and related sectors);
- be located in rural areas and/or townships;
- Sustain and create employment;
- Have a viable business case; and
- The funding will be for start-ups, existing businesses seeking expansionary capital, and for acquisition finance.

R150 million for the Economic Distress Fund

The purpose of the Economic Distress Fund, for which **the dtic** allocated the sum of R150 million to the NEF, was to provide concessionary business loans to black-owned and managed enterprises that came under financial distress as a result of the COVID-19 pandemic, to aid their recovery, sustain existing jobs and improve productive capacity.

Black businesses, which historically have been constrained by the lack of access to affordable capital, have been dealt a particularly heavy blow by the ongoing pandemic. To access support of between R250 000 and a maximum R10 million under this Fund, eligible black businesses had to provide proof of commercial viability and to demonstrate the need for economic relief as a result of distress from COVID-19. Funding was provided in the form of loan and equity at a maximum interest rate of 2.5%.

Further, applicants had to prove that the business was financially distressed by demonstrating the following:

- The business was unlikely to pay all its debts as they become due and payable for the upcoming six months;
- The business was unable to fund its operating activities within the immediate ensuing six months;
- With the support provided, the company had to prove that it had a fair chance of recovery and job retention;
- The business had to have been in existence for at least 3 years at application date with proper historical financial records demonstrating a track-record of honouring debt obligations, except during the period since the COVID-19 pandemic began; and
- The business had to employ at least 10 employees.

The Economic Distress Fund supported a total of 22 businesses across the following sectors: manufacturing, agro-processing, mining, logistics, media, retail, property and construction.

R150 million for the Black Business Manufacturing Programme

Towards the end of the financial year, **the dtic** allocated R150 million for the NEF to establish the Black Business Manufacturing Programme (BBMP) to support black entrepreneurs in manufacturing various products locally across all key sectors of the economy.

> **In the words of the founding father of South Africa's democracy, Dr Nelson Mandela, "it always seems impossible until it's done".**

This Fund is a strategic fit for the NEF and Government's objective of increasing the country's manufacturing capacity which is necessary to achieve inclusive economic growth. The Fund is purposed to support companies involved in the manufacturing value chain, focusing on value addition. These include processing of raw materials into inputs for finished goods, conversion of raw materials into finished goods and adding value into semi-finished and finished goods including processing products for consumption.

The ultimate mission is to drive the production of quality products at competitive prices for local and export markets while nurturing manufacturing businesses in the right direction with mentorship support where required.

Among other criteria, to qualify for BBMP funding, companies must be:

- Majority owned by black people – minimum of 51% black ownership;
- Registered for tax and in good standing with SARS, and have a valid tax clearance certificate;
- Involved in the manufacturing value chain (including making and processing of goods with a degree of value-add to products;
- Require funding for the acquisition of plant, equipment and machinery; improvement and upgrading of manufacturing processes; raw materials working capital; costs associated with delivering under export contracts;
- Require funding for the importation of plant and equipment (provided that the business can demonstrate that such plant and equipment cannot be sourced locally); and
- Require funding for the importation of raw materials provided such raw materials cannot be sourced locally.

Having been disbursed to the NEF at the end of the financial year, the Fund will achieve its full traction in the course of the next financial year.

R20 million Critical Needs Fund

The Critical Needs Fund of R20 million was approved and allocated by the NEF to allow its existing investees access to small loans. These loans would assist them to meet their immediate operating costs in order to keep their businesses operational following the Covid-19 lockdown in March 2020. These included costs such as rental, utilities and other working capital requirements.

R1.1 billion from the Department of Transport

- As the financial year drew to a close, through **the dtic** the NEF began discussions with the Department of Transport, resulting in a Memorandum of Understanding that would see the NEF receive an allocation of over R1.1 billion for disbursement to the taxi industry, as part of Government's strong commitment to providing relief for businesses that have been affected by the pandemic. The Taxi Relief Fund will be rolled out in the new financial year.

R250 million to rebuild businesses damaged in civil unrest

As the NEF finalised this Integrated Report 2021 in the month of June South Africa was engulfed by a spate of civil unrest that resulted in the damage of businesses operating in the Gauteng and KwaZulu Natal provinces.

Consequently, Minister Ebrahim Patel announced a relief package that entrusted the NEF with an allocation of R250 million to provide support for rebuilding these businesses in order to restore trade, drive growth, save jobs and ensure the provision of goods and services to communities.

NEF Financial Performance during the year under review

Businesses, big and small, were affected by the need to adjust to the impact of COVID-19. The NEF could not be spared from this impact as investees could not trade and as a result, the NEF granted them moratoriums, which in turn had a negative impact on cash collection estimated at R30 million. The reductions in the prime rate and interest freeze saw interest income decline by R100 million. Expected dividends of R41 million were not received. Collectively, the net effect of the impact of COVID-19 on the statement of profit or loss and other comprehensive indicators, was negative by R141 million.

In response to the impact of COVID-19 on the NEF in the financial year under review, the entity put in place strategic measures to counter the said impact. Whereas some responses were financial in nature, others were non-financial. With respect to financial responses, the NEF revised its operating budget downward by almost R100 million and implemented austere expenditure discipline. Non-financial responses included the use of work webinars to boost group morale during the lockdown. We had to ensure rapid organisational adaption to the "new normal" by, among others, shortening the turnaround time between approvals and disbursements.

The financial outcome of the above responses resulted in the NEF posting an overall surplus of R244 million for the first time in more than six financial years, attributable mainly to COVID-19 related non-exchange revenue, dividend received from unlisted investments, cost containment and fair value gains from listed investments.

Total operating revenue for the period was R396 million - up by R30 million from R366 million reported in the prior year, while the operating expenditure of R252 million was well within the budget by R8 million. The growth in operating revenue and the contained operating expenditure have resulted in the cost-to-income ratio of 64%, a deterioration from 60% reported in the comparative period a year earlier. The ratio was outside the long-term targeted range of 54% - 58%. The Jaws ratio was found to be 2% (2020 FY: -4%).

NEF Operational Performance against targets during the year under review

- We are pleased to report that performance for the period saw **approvals** of 89 transactions worth R520 million against a target of 42 deals worth R500 million.

  In this output we exceeded target following 24 uMnotho Fund approvals (medium-sized businesses), 10 from the Strategic Projects Fund (black industrialists), 45 from iMbewu Fund (SME funding) and 10 transactions from the Rural and Community Development Fund.

  Historically, the Rural and Community Development Fund represents the most marginalised sections of South Africa's population, and it is in these localities where the NEF prioritises provision of non-financial support interventions in order to inculcate and grow a culture of entrepreneurship.
- We are pleased with the scorecard on commitments, where the NEF achieved R520 million against a target of R375 million.
- In terms of actual investment into the economy, disbursements had a strong showing at R425 million against a target of R300 million.
- Against the backdrop of a global economy that shed jobs, the NEF supported generation of 2 488 job opportunities against a target of 1 846, representing an important achievement of a key national priority.
- Of the total disbursed, 35% supported businesses that have black women ownership against a target of 40%. The NEF will continue to promote entrepreneurship among black women, in partnership with a variety of representative bodies.
- Despite a year of subdued economic activity nationally, a total R76.2 million was invested in economically underdeveloped provinces, namely the Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and the North West, representing 18% of annual disbursements against a target of 25%.
- The NEF's ongoing Investor Education drive seeks to empower rural and township communities with knowledge on how to save and invest, personal financial discipline, shares, dividends and a range of other asset classes. On this front the NEF hosted 95 sessions against a target of 45.
- The provision of entrepreneurial training continues to benefit rural, peri-urban and township communities, with 141 sessions having been held across the country against a target of 35.

- The Business Incubation service has taken firm root, with 440 entrepreneurs having been referred for incubation against a target of 130. A total 124 entrepreneurs were fully incubated against a target of 20. Through this intervention the NEF hopes to help start-up enterprises to develop their businesses by providing a wide range of services inclusive of management training and premises, with the possibility for funding.
- A total 28 social facilitation sessions were held during the period against a target of 20.
- In line with global trends where businesses and jobs struggled to survive in the face of the unprecedented onslaught of the COVID-19 pandemic and ubiquitous economic decline that predates the outbreak of the virus, impairments rose to 29% against a target of 18%. The NEF remains focused on saving businesses through a range of measures inclusive of distress funding; supporting rural and township-based businesses; interest and capital repayment holidays and mentorship support.
- The constrained business environment confronting the funded portfolio and the wider business milieu, saw collections closing the year at 74.7% against a target of 80%.
- Despite this difficult background, Return on Investment peaked at 7.33% against a target of 7%.
- Because the NEF continues to be an attractive co-financier of economic empowerment, partnerships to the value of R541 million were concluded against a target of R50 million, unlocking meaningful value for the businesses that constitute the NEF's legislated target market.

NEF Staff – the pillars of the mandate for economic liberation

As an instrument birthed for the purpose of bridging the economic divide of race, gender and geography that continues to afflict our country, the NEF is the antithesis of apartheid and colonial injustice.

It is for this reason that when the NEF recruits, it seeks not only technical merit, but integrity and the willingness to serve, the readiness to forgo the allures and comforts of the city, to go into the heartland of South Africa, because it is also in the villages and townships that hope must reign supreme.

It is in the face of adversity that the resilience of the human spirit, is revealed, emblazoned by the will not only to survive, but to triumph. This is the sprit that has carried the NEF as teams of Executives, managers and staff worked virtually round the clock to find and fund the entrepreneurs who are determined to help South Africa grow. These are the Chartered Accountants, engineers, corporate lawyers and investment professionals who are ably flanked by specialists across the spectrum of human endeavour, who have held up the light in the NEF's and the country's hardest year yet.

Among these we salute Mr Emmanuel Mohlamme, the NEF's Deputy Manager of Marketing and Communications, the seasoned communications practitioner who succumbed to COVID-19 related health complications in January 2021. Deeply etched in our memories are Mr Thabiso Tlelai, former NEF Trustee & Board Investment Committee Chairman, as well as former employees, Mr Mduduzi

Dlamini, a young and gifted engineer, and Ms Meryl Moses, former Legal Advisor, who breathed their last breath in the financial year under review.

Having suffered considerable anguish as an organisation, wellness and grief recovery sessions will continue into the new financial year, to comfort and heal the many who have lost their loved ones to the pandemic and other vagaries. This we will do because it is in the nature of the NEF to care.

Appreciation

When the NEF went to market in February 2021 to promote public awareness of the Economic Distress Fund, this elicited a degree of disquiet among a section of society, concerned over our emphasis that the Fund would "provide concessionary business loans to black-owned and managed enterprises that came under financial distress as a result of the COVID-19 pandemic".

The NEF shares a vision of transformation for growth with many across society, including the Black Business Council, the National African Federated Chamber of Commerce and Industry, Businesswomen's Association of South Africa, Association of Black Securities and Investment Professionals, African Women Chartered Accountants Association, the mass media and many other fraternal strands.

The NEF owes a profound debt of gratitude to the Minister of Trade, Industry and Competition, Mr Ebrahim Patel, for his wisdom and leadership and for having unlocked meaningful resources within a very short space of time to enable the NEF to pursue its mandate. We also value the support and endorsement of Deputy Ministers Fikile Majola and Nomalungelo Gina, as well as the counsel of the former Director General (DG), Mr Lionel October, and the prized guidance of the Acting DG Ms Malebo Mabitjie-Thomson, as well as the broader dtic family. The Portfolio, Select and Standing Committees of Parliament continue to provide invaluable oversight that inspires us to seek continuous improvement.

The unsung pillar of the NEF is our Chairman, Mr Rakesh Garach, who has been a dependable torchbearer through the NEF's toughest years. Together we reserve our uppermost gratitude to the investees and communities who entrust their dreams and aspirations in our care. Against whatever adversity, the human spirit shall triumph.

Ms Philisiwe Mthethwa
Chief Executive Officer

> **"Because the NEF continues to be an attractive co-financier of economic empowerment, partnerships to the value of R541 million were concluded against a target of R50 million, unlocking meaningful value for the businesses that constitute the NEF's legislated target market."**
>
> *Ms Philisiwe Mthethwa, CEO of the NEF, 2021 Integrated Report*

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

In order to guide the process of crafting a growing, inclusive and employment-generating economy, Parliament passed the Broad-Based Economic Empowerment Act (B-BEE Act, Act 53 of 2003, as amended by Act 46 of 2013).

OUR POLICY REGULATORY FRAMEWEROK

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 (B-BBEE Act, 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. Protocol on Corporate Governance in the Public Sector, 2002
g. Preferential Procurement Policy Framework Act (Act 5 of 2000)
h. Basic Conditions of Employment Act (BCEA, Act 75 of 1997)
i. Employment Equity Act (EE Act, 55 of 1998)
j. Financial Intelligence Centre Act (FICA, Act 38 of 2001, as amended)
k. Labour Relations Act (LRA, Act 66 of 1995, as amended)
l. Occupational Health and Safety Act (OHSA, Act 85 of 1993)
m. Promotion of Access to Information Act (PAIA, Act 2 of 2000)
n. Protected Disclosures Act (Act 26 of 2000, as amended)
o. Protection of Personal Information Act (POPI, Act 4 of 2013)
p. Companies Act (Act 71 of 2008)
q. Integrated Small Business Strategy 2004.

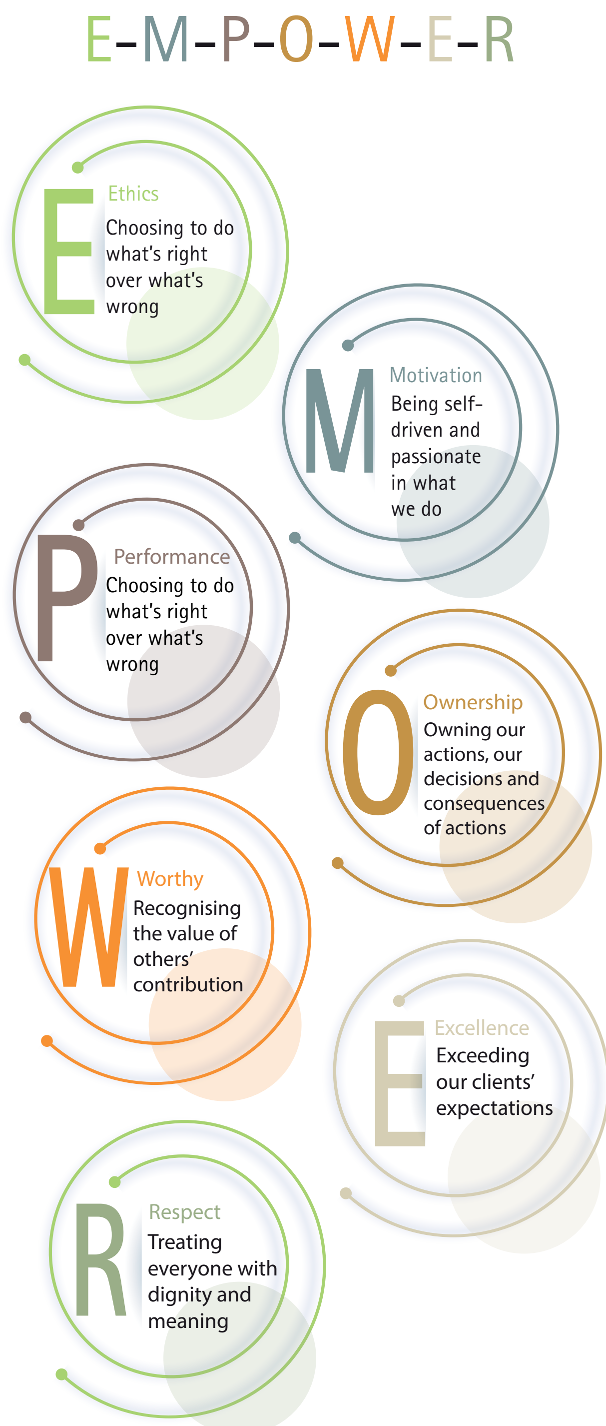
In its quest to achieve inclusive economic growth, and to discharge its mandate as outlined in the NEF Act (1998), the Executive Committee and Board of Trustees have translated these policy objectives into strategic objectives, which represent the NEF's priorities for the future. The strategic objectives 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 tenets inspired by 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 on the right-hand side:

> *The NEF is deeply grateful to **the dtic** and the gallery of partners who have entrusted their resources in the ability of the NEF to help bring hope, resources and support to localities where the market failures that confront small businesses, are most severe in the case of black enterprises.*
>
> *Mr Rakesh Garach, Chairman, NEF Board of Trustees, 2021 Integrated Report*



Group Structure

NATIONAL EMPOWERMENT FUND TRUST

NEFCorp SOC Ltd (NEFCorp)

100%

NEFCorp is an investment holding company 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.

Surgetek (Pty) Ltd

100%

Surge Technologies (Pty) Ltd (Surgetek) is a leading manufacturer and distributor of earthing, lighting and over-voltage 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.

Zastrovect Investment (Pty) Ltd (Trading as Goseame)

100%

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.

Delswa (Pty) Ltd

100%

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.

Golden Dice (Pty) Ltd

49%

Golden Dice is a manufacturer and distributor of maize meal and packaged dry goods. The business operates out of a factory situated in Nigel, Gauteng. The business fell into distress in November 2017 and this resulted in its closure. The business was subsequently placed into business rescue. The NEF elected to take the lead in the turnaround of the business and is currently has management control. The business has since increased its product lines and capacity, as well as acquired a strong pipeline of orders and is in the process of a successful turnaround.

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:

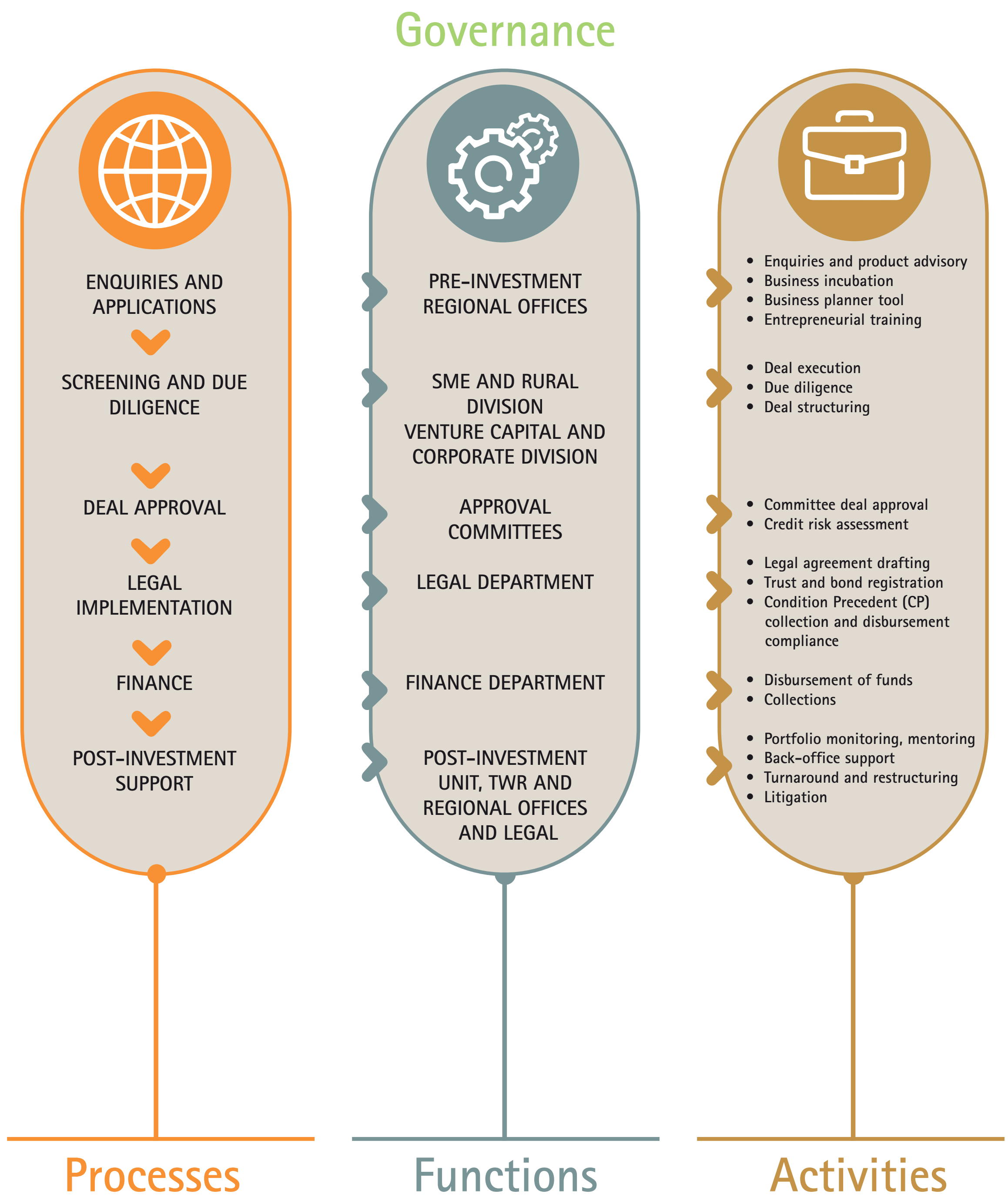
Strategic objectives	Advancing B-BBEE	Maximising empowerment dividend	Establish the NEF as a financially sustainable DFI	Optimising non-financial support
Key outputs	• Provide finance to business ventures established and managed by Black people.	• Invest in Black-empowered businesses that have high employment-creating 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 investments 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 referred and successfully completed business incubation. • Number of social facilitation sessions for NEF investees. • Number of investor education sessions held across the country. • Number of ED partnership agreements concluded and amounts raised

"Over the years the NEF has steadily built its capacity to negotiate enterprise and supplier development partnerships with both the private and public sectors, identifying and supporting eligible beneficiaries, driving growth and delivering on stakeholder expectations and obligations. It is because of the maturity of this vocation, supported by requisite technical and investment skills, that the NEF secured in excess of R1.7 billion from the Department of Trade, Industry and Competition (the dtic) and the Department of Transport."

Ms Philisiwe Mthethwa, CEO of the NEF, 2021 Integrated Report

Our Business Model

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



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 arrangements 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. • Provide start-up and expansion capital for SMEs.	• Provides capital for expansion of businesses, acquisition of businesses by black people or funding new ventures.	• Supports businesses that are owned by communities and entrepreneurs that are located in rural and peri-urban areas to stimulate rural and township economies.	• 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 funding. • Procurement/contract funding. • Entrepreneurship funding.	• Acquisitions funding. • New ventures funding. • Expansion funding. • Capital markets funding. • Liquidity and warehousing funding.	• New ventures funding. • Business acquisition funding. • Expansion funding.	• 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.

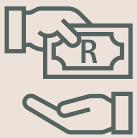
NEF Non-Core Business

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 Services Department	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 **R520 million**. • Committed deals valued at **R520 million**. • Disbursement of deals to the value of **R425 million**.	• Advancing B-BBEE. • Creating and sustaining jobs. • 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. • Remuneration and incentive structures that are fair. • Trainee programmes. • HR policies and systems.	• 152 employees (2020:161), 62% of employee complement is female, and 41% of Manco is female. • Employee turnover at 8,55%. • Value of training spent on employees R359 474 and R224 684 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. • Supporting Black entrepreneurs in our value chain. • Bursary scheme and other CSI programmes. • Socio-economic development and investor education seminars. • Activities to increase brand reputation.	• **35%** of disbursements to Black women-owned investments. • **27** deals worth approximately **R76.2 million** (18% of disbursements) have been invested in targeted provinces. • **2 488** supported job opportunities of which **485** are new. • **74%** of total procurement spend was on Black companies of >50% shareholding. • **28** social facilitation and **141** and entrepreneurial training sessions held respectively. • **95** investor education seminars, impacting over **2 million** people. • The media advertising value equivalent was valued at **R47 million** against the target of **R65 million**; the coverage target was 90% while the NEF achieved 100%, results show that positive coverage has increased by 212 clippings, with 19 negative and balanced/neutral at 67% coverage.	• 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. • Two weeks deal approval process. • Technical skills and expertise.	• Assisted clients to implement innovative funding strategies and models. • Tests and improvements made, including network vulnerability tests, to secure IT systems. • Improved approval turnaround times and business. • Retained skills in critical areas of the business.	• Innovative funding solutions (blended finance). • Increased (Information Technology) IT security over our systems. • Sustained businesses

OUR STAKEHOLDERS AND STRATEGIC PARTNERS

Stakeholder engagement

The NEF plays a critical role required for businesses to develop and for the economy to grow. It does this by proving funding and non-financial support to grow black economic participation across a range of sectors. And one of the critical success factors in carrying out this mandate is a consistent and effective stakeholder engagement programme.

As a development finance institution, the organisation's accountability extends beyond Government. We have a public duty and responsibility to manage and invest public funds responsibly. Our investments must derive value for the economy and ultimately the citizens.

Our broad stakeholders - with varying expectations - are an important component both to our mandate and brand essence. They influence the way we conduct our business and how we respond to prevailing market conditions.

Over the past few years, we have formed genuine and solid partnerships based on shared values.

In understanding and engaging with our stakeholders, we practise public accountability through regular engagements and updates. This is critical to ensure that interactions do not become situational, reactive and inconsistent but that they are aligned to our mission of being a catalyst for Broad-Based Black Economic Empowerment (B-BBEE) in South Africa.

There are several reasons why the NEF engages with a range of stakeholders, including:

- Better understanding of expectations and challenges, leading to positive perceptions;
- Identifying, focusing and deepening relationships;
- Forming new, mutually beneficial strategic partnerships;
- Improving communication channels;
- Enhancing NEF's image and positioning in the media;
- Building solid and credible partnerships with private and public sector partners;
- Building confidence and trust among all stakeholders through external media coverage;
- Increasing engagements with sector players for better coordination of opportunities and programmes;
- Better understanding of clients' requirements, leading to a more client-centred experience;
- Anticipating changes and challenges in the environment in which the organisation operates, thereby optimising opportunities and minimising risk;
- Clarifying for better public understanding; and
- Entrenching and positioning the NEF brand in the market.

The overall objective is to enhance the perception of NEF as a well-managed and competent development financial institution, with financial products and services/programmes that are well defined.

Stakeholder engagements for the year under review were slightly subdued (compared to the previous financial year) given several constraints imposed by the COVID-19 pandemic.

As a Government agency accountable to the Department of Trade, Industry and Competition (**the dtic**), we have achieved marked and noteworthy successes by funding and supporting enterprises across the productive sectors of the economy.

The NEF continues to derive value for small, medium and micro businesses by partnering with a number of Government departments on enterprise and supplier development initiatives.

The following is an analysis of some of our interactions with a wide range of stakeholders for the period under review.

STAKEHOLDER	THEME AND RATIONALE
Department of Trade, Industry and Competition (the dtic)	**Policy direction and guidance** As a Government agency accountable to **the dtic**, engagements at this level focus on a number of issues, including policy direction and programmes relating to growing black economic participation and NEF's contribution to achievement of Government's goals and corporate plans. Under the competent guidance and support of **the dtic**, the NEF continues to achieve marked and noteworthy successes by funding and supporting enterprises across the productive sectors of the economy. Another critical dimension of the organisation is to partner with Government departments on enterprise and supplier development programmes, ensuring greater financial and non-financial support to black-owned businesses.
Portfolio Committee for Economic Development	**Oversight role** The Portfolio Committee for Economic Development exercises an oversight role over the NEF's activities, ensuring transparent and absolute public accountability. The organisation must demonstrate its impact on the economy by providing information on its activities. The Committee also provides strategic input on NEF's activities, a critical guidance to support our mandate.

Provincial and local government	**Supporting local economic activities** Alignment and better understanding of priorities is a vital element of our overall engagement programme. Already the NEF has several joint initiatives at provincial and local Government level that put black entrepreneurs right at the centre of local economic growth. And given our national footprint, will continue to work with Government to identify areas of collaboration.
Development Finance Institutions (DFIs)	The DFIs have a very clear developmental duty. They might have different focus areas, but they a have common responsibility – to implement Government's economic policies. The NEF has collaborated with DFIs at various levels to identify synergies, explore opportunities for co-investments and capacity development opportunities to ensure inclusive economic growth.
Employees	The NEF continues to assess and evaluate the employee value proposition strategies, strengthen employee engagement, drive an ethical culture and improve productivity to ensure that the needs of the organisation and its employees are met.
Existing and potential clients	**Increased access to funding** Engagement with clients – both current and potential - goes to the heart of our very existence. The NEF, as development financier of choice, continues to stay close to the evolving lives of our target market. Our engagements are premised on point of difference as development financier of choice. The NEF continues to be perceived as a preferred funder for its target market, a positioning that the organisation continues to work hard on.
Communities	**Partnering to add value to communities through funded projects** Relationships are created and built with communities through the projects that NEF has funded that are based in those communities, assist to develop mutually beneficial initiatives and bring value and upliftment to those communities.
Third party funders (enterprise and supplier development programmes)	**Transformation of industries** The organisation has partnered with private and public entities in enterprise and supplier development programmes that will benefit small, medium and micro businesses. These programmes benefit the investee as they offer concessionary funding structures, which go a long way particularly given the current economic environment.
Industry bodies, business associations/chambers	**Business leads** The organisation has ongoing engagements with industry and business associations particularly to find synergies, form partnership and identify opportunities for funding. These engagements are also used as occasions to leverage on issues of common interests, gaining insight on industry developments and influencing rally behind NEF's mandate.
Media	**Brand positioning** Media represent the "public's right to know" and they seek to serve the public interest. This means that they play an increasingly essential role in influencing how the NEF brand is both projected and perceived by the broader South African public. In recent times, many examples have shown how poor management of the media relations function can hurt organisations and, unless it is well handled, can have a disastrous effect on the organisation's image, its business and shareholder values. The fundamental objective of NEF's media engagement programmes is improved better understanding of its role, mandate, products and services and relevance in the country's economy. Over the years, the organisation has developed solid and fluent relationships with members of the media to ensure more positive media coverage in all media by proactively sourcing, preparing and disseminating newsworthy and credible information to the media, ensuring increased brand equity.
General public	**Better informed citizenry** How the brand is perceived by the public is important to the NEF. Our engagement efforts are centred on creating a positive public perception towards the NEF. In 2020/2021 financial year, the organisation embarked on a few public education programmes across the country, ensuring better informed citizenry.

KEY RISKS AND MATERIAL ISSUES

The NEF manages the risks and material issues in the form of a continuous assessment of current and emerging risks that are faced by the organisation. Further to our ERM process, we review our risk appetite regularly by considering the changes in the environment in which we operate and then manage our exposures accordingly. Risk management activities cut across the organisation with the aim of maintaining an effective risk management culture.

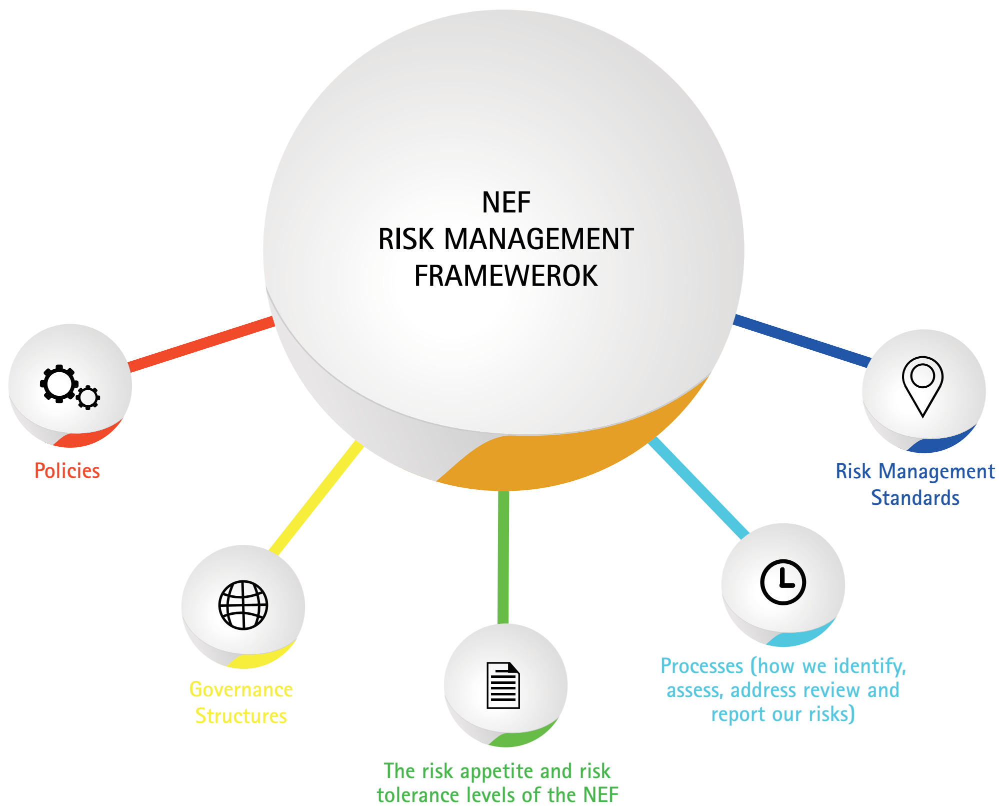
As a Development Finance Institution (DFI), our business model involves the provision of funding to entrepreneurs and enterprises that have minimal financial equity or asset base for their own equity contribution and collateral. The majority of these entrepreneurs and enterprises would, otherwise, not qualify for funding from any traditional finance institutions. To this end, our credit risk assessment of the funding applications from these enterprises focuses on commercial viability and the ability of these enterprises to service the debt facilities extended. Less emphasis is placed on the ability of applicants to provide large equity contributions and collateral against debt facilities applied for.

As a direct consequence of our approach, the NEF takes on a higher level of risk. It is imperative, therefore, that the NEF maintains a strong risk management process to manage internal and external risks.

The most prominent risks that concern the NEF management include credit risk, market risk, sustainability risk, risk of missed opportunities and reputation risk. The emergence of COVID-19 has further increased the level of anxiety over these risks and necessitated extensive monitoring. If not managed appropriately, these risks can adversely affect performance of the organisation and our promise to our stakeholders including members of the public.

The Risk Management Framework:

The NEF manages its risks within the following risk management framework which depicts the important elements necessary for the effective risk management:



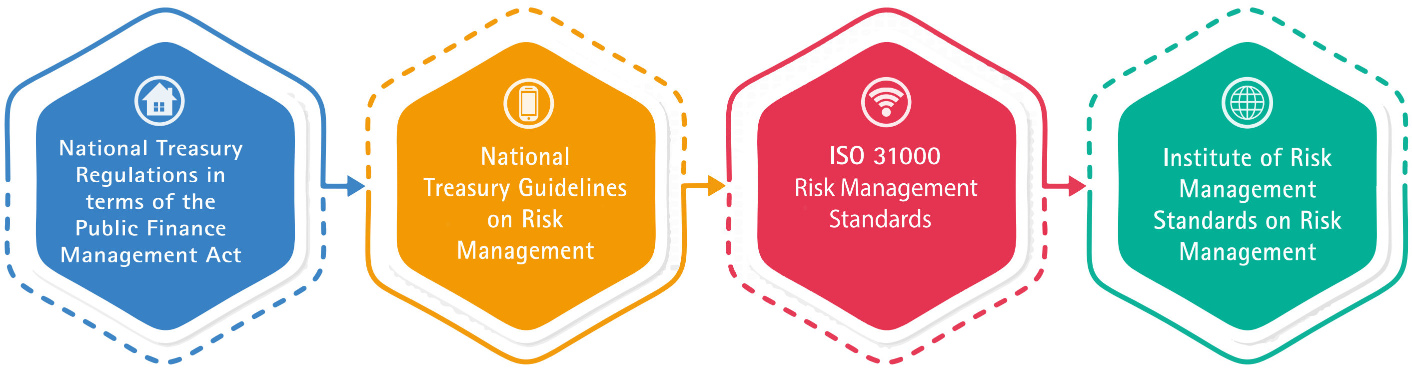
KEY RISKS AND MATERIAL ISSUES (continued)

The NEF Risk Management framework seeks to embed sound risk management processes and structures that are directed towards effectively managing potential threats and opportunities within the NEF's operating environment and fostering a risk aware organisational culture.

As can be seen in the risk management framework diagram, NEF is aligned to best practice risk management standards and good corporate governance depicted in the following diagram:

Risk Management Standards:

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



In line with best practice, the Board of Trustees of the NEF is responsible for oversight and is accountable for directing and monitoring the NEF's risk management performance in a structured framework. The Board performs this oversight through the Risk and Portfolio Management Committee (RPMC), as a sub-committee of the Board established for governance oversight of risk management.

On the other hand, the NEF's executive committee, with the assistance of the Chief Risk Officer, is responsible for implementing the enterprise-wide risk management process.

The Audit Committee also provides necessary and additional assurance mainly on the financial reporting risk management process and internal control on an annual basis.

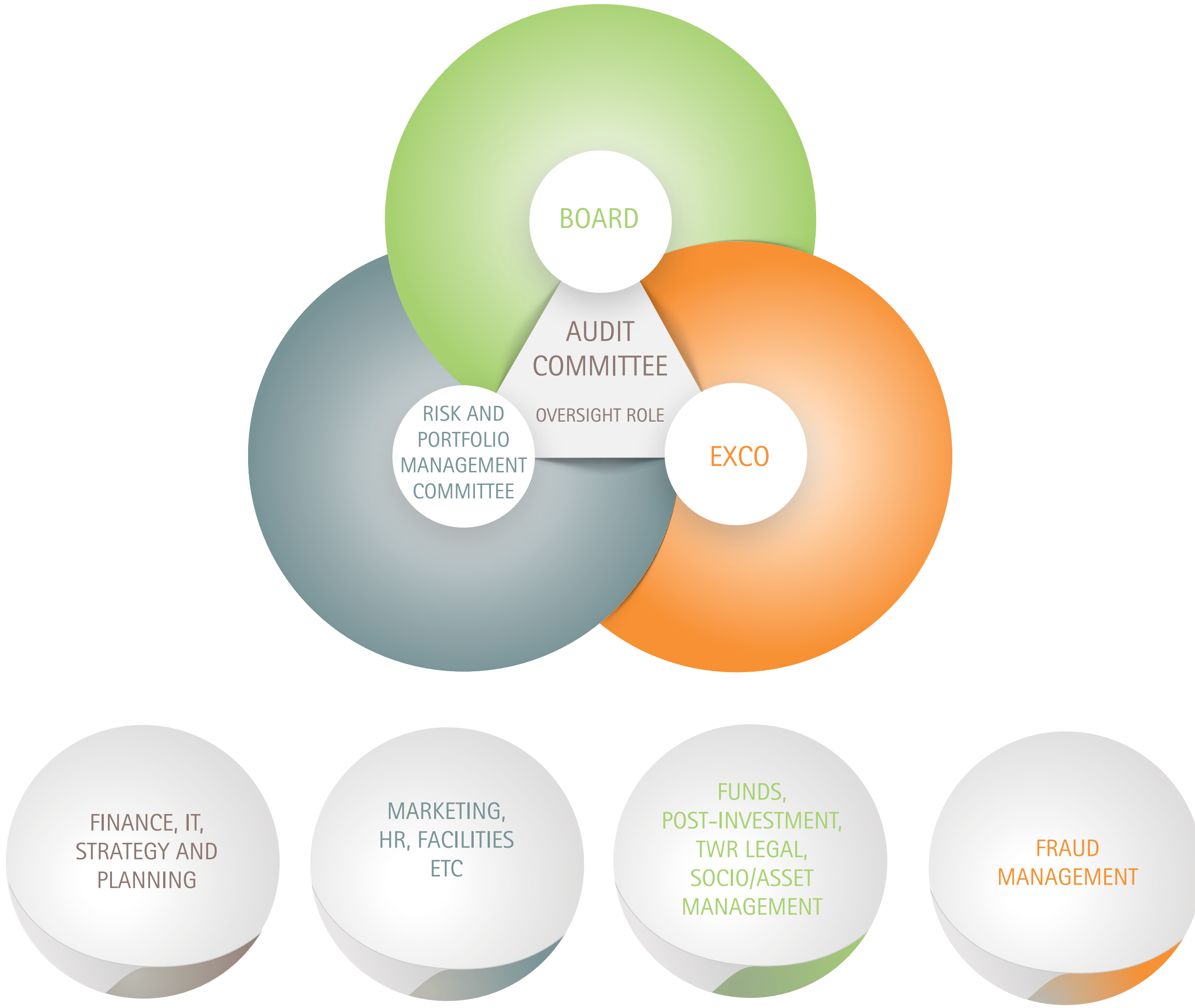
All business divisions of the NEF support the Board and its sub-committees to implement the risk management process.

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

> *In terms of the need to advance the quest for inclusive growth across our economy, we acknowledge the catalytic role the National Empowerment Fund (NEF) has championed as the agency of government mandated to grow meaningful black economic participation. Government is pleased with the strides the NEF has made in attracting over R8.8 billion in third party funding demonstrating the entity's capacity as a catalyst for unlocking economic value.*
>
> *Budget Vote Speech, Hon. Fikile Majola, Deputy Minister of Trade, Industry and Competition, National Assembly, 18 May 2021*

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:

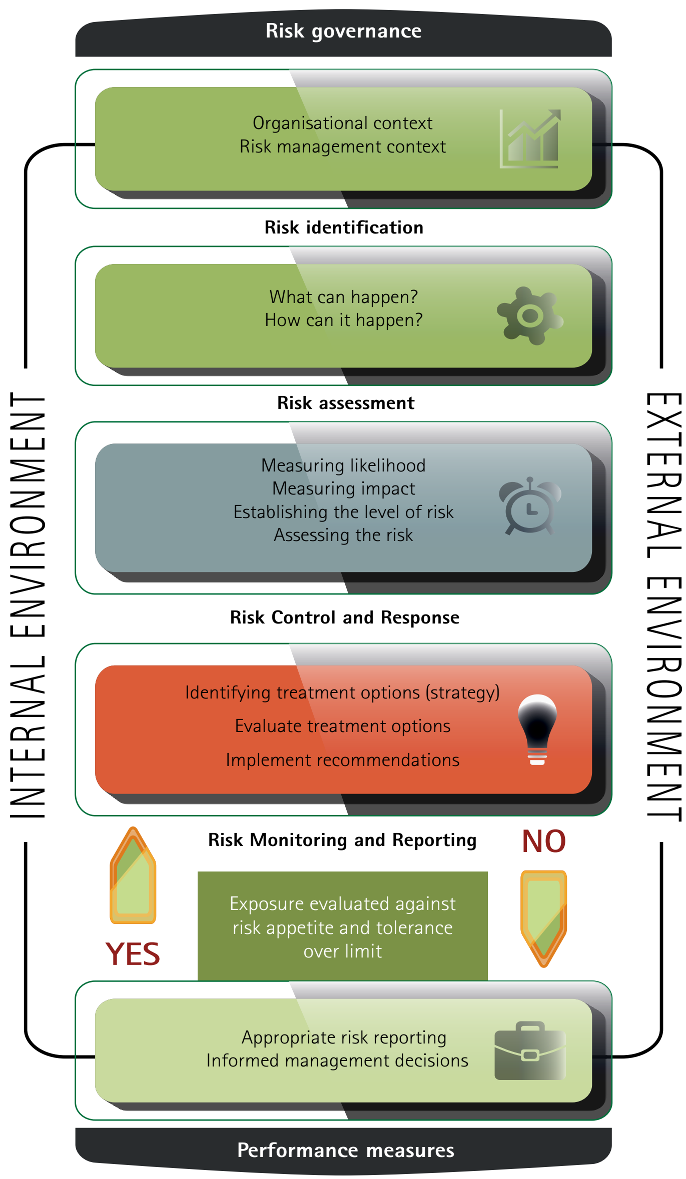


The NEF's approach to risk management is an intentional act of balancing the management of various threats while taking full advantage of the opportunities in the environment in which the organisation operates.

KEY RISKS AND MATERIAL ISSUES (continued)

Risk Management Process

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



The key risks are identified as part of a risk management process undertaken on an annual basis. All material issues that could prevent the organisation from achieving its objectives are identified and control or mitigating measures are, simultaneously, considered. The resultant residual keys risks are rated in terms of probability of occurrence and the negative impact they may have in the achievement of the organisational objectives if they occurred. The organisation believes that, where there is a risk, there exists an opportunity to exploit such a risk to our advantage. As these risks are identified, an effort is made to also consider opportunities created by the existence of these risks.

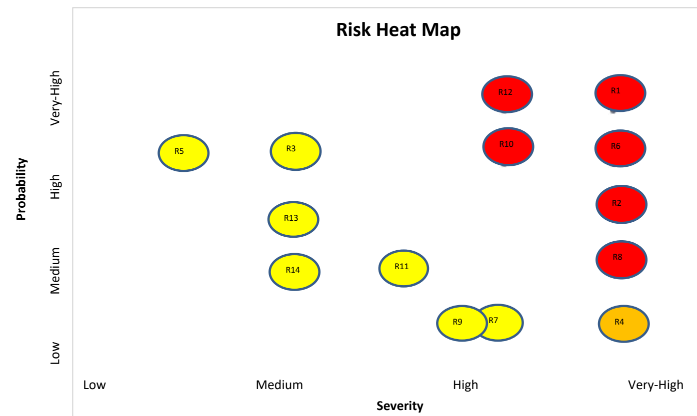
This process is overseen by the Executive Committee, the Risk and Portfolio Management Committee, the Audit Committee, and approved by The Board.

The key risks of the organisation have been fully presented below by the following:

- **Key Risk Heat Map**

Key Risks Heat Map

The heat map below is a pictorial presentation of the residual risk and the rating therefore after management has applied all necessary control measures to mitigate the key risks:



Risk #	Risk	Risk #	Risk
R1	Global Pandemic Risk	R8	Credit Risk
R2	Recapitalisation Risk	R9	Change in DFI Landscape Risk
R3	People Risk	R10	Concentration Risk
R4	Fraud and Cyber Crime Risk	R11	Organizational Change Risk
R5	IT Risk	R12	Business Disruption
R6	Market Risk	R13	Legal and Regulation Compliance Risk
R7	Reputation Risk	R14	Liquidity Risk

The heat map above shows that the organisation is concerned about the following keys risks that are monitored closely and much of which have been as a result of the COVID-19 pandemic:

- **Global pandemic risk**
  It remains unclear if the administration of vaccines will fully control the spread of COVID-19 and the related negative impact on economic growth.

- **Business Disruptions**
  COVID-19 has had an adverse impact on the efficiency of operations of the organisation and has remained closely monitored.

- **Market Risk**
  Economic growth prospects remain unpredictable as long as COVID-19 is not fully controlled.

- **Recapitalisation Risk**
  The adverse impact that the pandemic has had on the fiscus means that priority is likely to the given to more essential and urgent necessities such as health and poverty alleviation.

- **Credit Risk**
  COVID-19 has severely affected the NEF's investees and their businesses - leading to the concern on serviceability of debt facilities extended by the organisation. A significant amount of post-investment monitoring and turnaround work is performed to keep these investees operational to facilitate debt repayments.

- **Concentration Risk**
  A significant amount of investment still remains with MTN and, as such, the impact of COVID-19 on this investment is a concern.

The diagram below shows the movement in the rating of the key risks from the previous financial year:

FY2021

Risk	Movement
Global pandemic risk	→
Recapitalisation risk	→
Market risk	↑
Credit risk	↑
Concentration risk	→
Business disruption risk	↑
People risk	→

Movement	Risk
↑	Fraud and Cyber Crime risk
→	IT risk
→	Reputation risk
↑	Change in DFI Landscape
→	Organisational change risk
→	Liquidity risk
→	Legal and compliance risk

* Explaining the movement symbols.

↑ Increase in the risk rating from the previous

→ No change from the previous year

As can be seen the movement table above, the rating of the majority of the key risk has remained unchanged from the previous financial year except for the following two:

- Fraud and Cyber Crime Risk – There has been an unprecedented increase in fraud and cybercrime in the country and the world over due to increased e-commerce or online transacting necessitated by implementation of lockdown measures to combat the spread of COVID-19. There has been opportunistic crime and fraudulent activities relating to procurement of medical goods and services to manage the spread of COVID-19. With the South African Government providing COVID-19 relief funds, there is a possibility of fraud in the implementation of these relief efforts.

- Change in Development Finance Institution (DFI) Landscape – There is a possibility of increase in competition from other DFIs due to the similarity of mandates.

Credit Risk Management

Credit Risk Management is an important function of the Enterprise-wide Risk Management (ERM) process of the NEF. Provision of finance, in the form of debt and quasi-equity instruments, is at the core of the NEF's business which renders Credit Risk Management a significant part of the ERM process that is assigned priority and necessary resources to ensure NEF's profitability, sustainability, and lasting execution of the organisation's mandate. As such, effective management of credit risk is paramount to the long-term success and sustainability of the organisation.

Credit Risk is the risk that a borrower or a counter-party will not or will fall short honour an obligation(s) arising from a credit agreement, resulting in financial loss to the credit provider or lender.

The principal role of the Credit Risk function, within the ERM process, is to ensure that the funds of the organisation are advanced to enterprises that are creditworthy and have proven to have commercially viable enterprises and business models. In other words, the function plays an active role in the investment process as seen below:

Investment process

Credit Risk Management (continued)

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

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

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. ❍ Credit recovery or acting on security. ❍ Credit or Loan recovery. ❍ Credit or Loan Recovery and or default judgements listed with credit bureaux and civil and criminal convictions of investee companies and/or their directors.
Turnaround, Workouts and Restructure Unit (TWR) Unit responsible for reviving distressed transactions	❍ Provision of specialist service and intensive monitoring of investees experiencing 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.

Key Credit Risk Indicators

Risk and Compliance Division closely monitors the key risk indicators for potential credit risk factors that may adversely affect the overall performance of the organisation. Any unfavourable movement in the credit risk indicator (year-on-year) or against the risk appetite and risk bearing capacity represents a potential increase in credit risk. These indicators are further analysed and explained below to provide a broader understanding of the level of credit risk monitoring at the NEF:

Impairments

Impairment ratio indicates potential erosion of the book value of the investment/ credit portfolio of an organisation and the extent of the potential credit risk on the existing portfolio. It is a provision for a possible investment that is likely not to be recovered. An increase in this ratio reflects a potential increase in credit risk. There was a significant increase in the impairment ratio from 27% in 2020 to 29% in 2021. NEF's loan portfolio was not spared from the devastating effect of the COVID-19 pandemic. As a result, some of our investees have defaulted, while others were transferred from Post Investment Unit to Turnaround Workouts and Restructure Unit for a turnaround and Legal Services Unit for legally enforced collection. This has resulted in accelerated impairment charges.

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 decreased from 9.04% in 2020 to 7.33% in 2021 which further reflects the adverse effects of the COVID-19 pandemic.

Portfolio Risk

The Post Investment Unit of the NEF monitors the entire portfolio of the organisation and undertakes the rating of the portfolio credit risk on a quarterly basis. The portfolio is rated from low to high using a Board-approved risk rating model. An increase in the portfolio risk indicates an increase in the credit risk for the organisation. The Portfolio Credit Risk has remained medium for three years in a row (including the current year) which is indicative of a stable credit risk outlook as assessed by our Post Investment Monitoring Unit. This is, however, highly likely change due to the current COVID-19 pandemic which is significantly and adversely affecting the businesses of our investees.

Collections

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

Due to the fact that no instalments are raised for mezzanine loans, equity investment and unscheduled exits, the collections ratio increases above 100% when a part payment of the mezzanine loan is received. Despite this anomaly, collections of close to 100% and above indicates acceptable credit risk. A decrease in collections ratio from 143.81% in 2020 to 74.7% in 2021 was recorded and was due to NEF investees affected by the COVID-19 pandemic which put a strain on cashflow.

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 commercial banks. Over 89% of the NEF's loan book is unsecured. The security cover has decreased from 28% in 2020 to 11% in 2021 which slightly increases the 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 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 COVID-19 relief funds have also been made available by the SA Government in form of funds such as the Presidential Employment Stimulus and Economic Distressed Funds which assist in the reduction of the overall credit risk.

Concentration Risk

NEF has more than 303 investment projects, excluding Strategic Projects Fund (SPF), with a cumulative exposure of R2,7 billion in the portfolio which are representative of most sectors of the economy. No single investment represents more than 14.2% of the total investment portfolio by value, limiting the concentration of single investments.

As the economic hub of country, the portfolio is highly concentrated to Gauteng which represents 43.1% of the total portfolio by value. There are continuous efforts to decrease the concentration risk through the active operation and presence of offices in all provinces, increasing the NEF's exposure to potential transactions in other economic areas of the country.

Compliance Risk Management

In a highly regulated environment, we view compliance as part of preserving the integrity of the organization through an integrated method 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 ethical, while fostering a strong ethical context and good corporate citizenship.

The Compliance Management Programme of the NEF remains at a mature stage, with various Implementation projects underway to ensure that the NEF maintains a culture of compliance throughout the organisation.

The Activities of the NEF Compliance Function may be summarised as follows:

Compliance Programme: The approval and review of the documents which form the NEF Compliance Programme will remain an ongoing key focus.

- *Governance* – The Compliance Function will continue to discharge its reporting duties to all relevant governance forums and committees. These include the Executive Committee, the Social and Ethics Committee and the Compliance Committee.
- *Compliance Committee* - The Compliance Committee is constituted of representatives from various Business Units of the NEF and is responsible for all matters relating to compliance that affect those 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.
- *Regulatory Universe* – The NEF Compliance Programme will maintain a Regulatory universe which lists the key legislation that the NEF is required to comply with and is reviewed annually. Compliance Risk Mitigation Plans are developed and maintained based on the legislative environment reflected on the Regulatory Universe.
- The Activities of the Compliance Programme will continue to be guided by the Compliance Policy & Manual, Compliance Committee Charter and a Compliance Monitoring Manual. Compliance monitoring efforts remain an ongoing initiative.
- *Compliance Strategy* – The NEF Compliance Programme has been developed 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.

We focused on the following initiatives during financial year ending 31 March 2021:

COVID-19: Throughout the COVID-19 Pandemic the NEF Compliance Officer assisted the Chief Risk Officer with the development of relevant Covid-19 protocols and acted as COVID Compliance Officer for the NEF. The NEF Compliance Officer will continue to ensure that all COVID-19 developments are observed and adhered to.

POPIA Implementation:

The operative provisions of the Protection of Personal Information Act [POPIA] came into effect on 1 July 2020, with a grace period of a year in which companies must ensure that they are compliant. The NEF Compliance Function is responsible for ensuring that the business practices of the NEF, and the way we interact with clients and stakeholders adheres to the requisite privacy laws, and confirms that the way the NEF collects, stores or processes its employees' information aligns with protections set out in POPIA.

The NEF Compliance Programme includes the adoption of the POPIA Legislation. A Project Team and Project Plan have been developed to ensure that the NEF meets the operating deadline of 1 July 2021. Additionally, various initiatives have been put in place to ensure that the NEF is a POPIA-compliant organisation.

Broad-Based Black Economic Empowerment:

Activities of the NEF Compliance Programme include taking an active role in engaging with other DFIs in the development of a proposed DFI-specific B-BBEE scorecard.

Financial Intelligence Centre Act:

A dedicated effort to ensure compliance with the Financial Intelligence Centre Act will continue. We will continue to monitor the legislative landscape for changes which affect the business.

Conclusion

We continue to proactively engage with Regulators and perform benchmarking exercises with other Development Financing Institutions (DFI's) on all compliance-related matters. By ensuring that the NEF Compliance Programme follows the guidelines of the Compliance Institute of SA, we aim to effectively identify, monitor, and report on compliance performance and risks. Lastly, effectiveness of the Programme will of course be subject to internal audit processes, together with external audit reviews.

CFO'S REPORT

Mr Phumudzo Siphuma
Acting Chief Financial Officer

Finance Report

The financial year, which ended 31 March 2021, ticked away under an economy that was bridled and repressed by COVID-19. The initial stage of the outbreak of COVID-19 in South Africa was characterised by intensive lockdown regulations that were put in place to limit the rapid and fatal spread of the virus. Even after the subsequent less restrictive stages of lockdown, social and economic activities could no longer be conducted as business as usual. To date, all business and socio-economic activities continue to operate under vigilant observations of wearing masks and ensuring regular sanitisation of hands. Working from home, maintaining social distance and attending online meetings formed part of the "new normal". Other undesirable consequences of the war against COVID-19 included a sharp decline in economic activities. This decline is reflected by a decrease in the Gross Domestic Product (GDP) by 7% and an increase in unemployment from 30,8% to 32,5% in the fourth quarter (Q4) of 2020. To stimulate economic activities, the South African Reserve Bank (SARB) decreased the repo rate a couple of times in the 2020 calendar year, resulting in an overall downward adjustment of 300 basis points. It is important to note that NEF uses prevailing lending rate as a reference for pricing its loan contracts.

One of the serious negative effects of the pandemic that the NEF experienced directly was the inability of investees to service instalments due. This was confirmed by a high level of defaults, subsequent moratoriums granted, and accounts handed over to TWR and legal units. It resulted in accelerated impairment charges of R209 million and an increase in the impairment ratio to 29% (2020 FY: 27%). Tough economic conditions have also affected our collection rate, which was recorded at 74%, below our target of 80%.

However, both listed and unlisted equity investments performed well above target, resulting in fair value gain of R309 million. This gain was sufficient to absorb the accelerated impairment charges (R209 million).

The return on investment was recorded at 7.33%, which was above the prime lending rate and the annual target of 7%.

Despite the negative effect of COVID-19, the NEF's balance sheet remains resilient. We have managed to close the financial year 2020/21 with a positive cash balance of R1,46 billion (refer cash contributions received detailed in the next paragraph) and the unencumbered cash balance of R431 million, an increase of 61% from the R267 million recorded in the prior year. As at 31 March 2021, the net asset value (NAV) was R4 billion, representing a capital appreciation of 66%.

Net Surplus

	2021	2020
143%	R244 m	(R567,6 m)

Operating Revenue

	2021	2020
8%	R396 m	R365,6 m

Impairment Ratio

	2021	2020
11%	29%	27%

Cash Balance

	2021	2020
3%	R1,46 bn	R1,42 bn

Unencumbered Cash Balance

	2021	2020
61%	R431 m	R267 m

Net Assets Value

	2021	2020
11%	R4 bn	R3,6 bn

The Department of Trade, Industry and Competition (**the dtic**) and Department of Transport (DoT) have allocated funds to the tune of R1.763 billion to NEF. These funds which were structured as follows: R141 million for Women Empowerment Fund; R200 million for NEF COVID-19 Black Business Fund; R150 million for the Economic Distress Fund; R150 million for Black Business Manufacturing Enhancement; and R1,1 billion for Taxi Relief Fund. The NEF has started to deploy some of these into the economy and will contribute immensely towards an inclusive economic recovery from the devastating effect of the COVID-19 pandemic.

Information Systems and Technology (IST) Management

Our governance framework around IT continued to be entrenched and enhanced during the year. One of the key milestones achieved was the upgrade of the information security. The importance of implementing information security is to protect the technology and information assets used by the organisation to prevent, detect, and respond to threats, both internal and external.

During lockdown, the IST in collaboration with Risk and Legal Service Units launched measures to protect the organisation's information and technology assets from cyber-attacks as the country relied on technology as staff continue to work from home. Through this, actionable advice for the NEF staff to protect passwords, accounts and devices was given.

COVID-19 has changed the way organisations operate. Amidst travel restrictions, closures and lockdowns, the culture of remote work had to be adopted by the NEF to ensure business continuity while maintaining the health and safety of employees. IST department has ensured that the organisation is fully capacitated with Microsoft Teams and Zoom licenses to conduct team meetings, client meetings as well as staff and marketing webinars.

NEF employees who were office bound pre-pandemic were issued with laptops and remote connectivity to enable them to work from home efficiently. The IST contact centre continued its operations uninterrupted as the calls were diverted to employee's mobile phones. With work from home in full effect, it became necessary to implement a policy for the safe use of electronic signatures. On the upside of this was less printing resulting in printing cost savings and improvement in turnaround times.

We are also pleased to share that a strong control environment in IT continues to be maintained, with one (1) out of four (4) audit findings outstanding at year end.

IST is also planning on utilising SITA transversal contracts for the procurement of IST equipment. This will add value to the business as the turnaround times will be minimal especially where procurement will be above R500 000 threshold.

We will continue to create awareness on cybersecurity, disaster recovery and IST policies to reduce threats and attacks especially during the lockdown period where different network connections are used to connect to the NEF environment.

Supply Chain Management (SCM)

During this financial year, eight (08) new tenders were issued and five (05) from the previous financial year were awarded. Of the eight (8) tenders, two (2) were cancelled, and six (06) are at the various stages of progress. These tenders were evaluated against the process set out in the NEF Supply Chain Management Policy, the National Treasury Supply Chain Management Regulations and Preferential Procurement Policy Framework Act and all of the relevant practice notes.

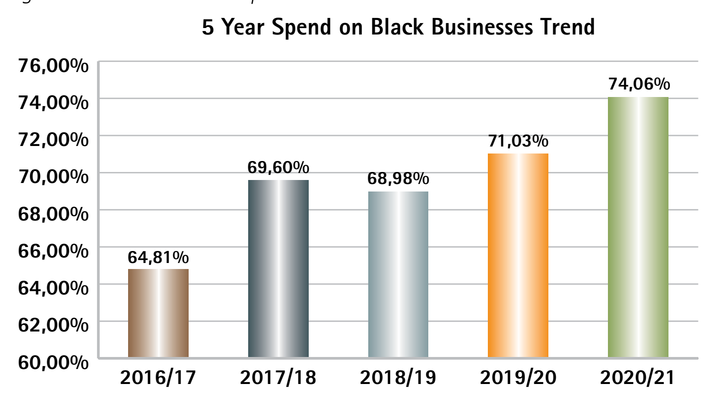
In order to ensure that the organisation continues to deliver effectively and efficiently during the COVID-19 pandemic, SCM has implemented an online tendering process, where suppliers are able to submit their proposals without physically having to go to NEF offices. Several digital briefing sessions as well as evaluations were conducted online. The implementation of the online briefing sessions and evaluations has been working successfully and SCM has been able to achieve its deliverables using the online method. We anticipate continuing to use this method going forward.

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

The NEF's total procurement for the year was R42,6 million from 208 suppliers. This represents an achievement of 74,06% against a target of 65% for suppliers with Black ownership of between 51% and 100%. Using the minimum acceptable target of 25.1% according to the Codes of Good Practice as amended, the NEF achieved an 83,75% 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 31,53% during the 2015/16 financial year to 42,49% in the current year, a notable improvement.

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

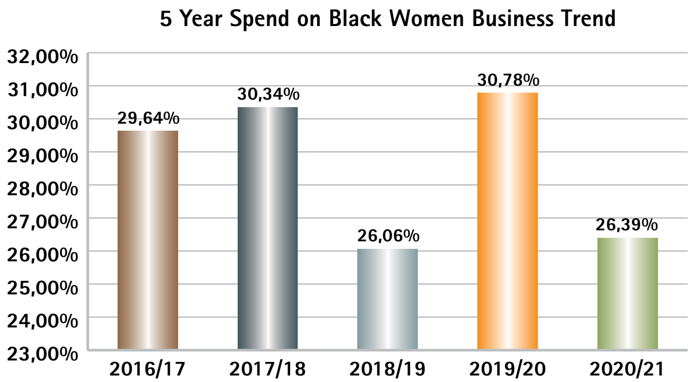


> *Despite the negative effect of COVID-19, the NEF's balance sheet remains resilient. We have managed to close the financial year 2020/21 with a positive cash balance of R1,46 billion and the unencumbered cash balance of R431 million, an increase of 61% from the R267 million recorded in the prior year.*
>
> *Mr Phumudzo Siphuma, NEF Acting Chief Financial Officer, 2021 Integrated Report*

Even more gratifying is the achievement of 26,39% procurement from the majority Black women-owned businesses (>50% Black ownership); against a target of 20%. Using the minimum acceptable target of 25.1% according to the Codes of Good Practice as amended, the NEF achieved a 39,35% total procurement from Black women-owned and managed businesses. The NEF continues to support and empower Black women-owned businesses.

The traction we have made in the past five years in procuring from the majority of Black-owned entities is demonstrated in Figure 4 below:

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 with no audit findings during the financial year. The Procurement Committee is able to report that no procurement irregularities were identified in the financial year ending 31 March 2021.

> *"Even though ethical, operational and financial rectitude have become second nature to the ethos of the NEF, we continue to celebrate this important constant because governance, perhaps more than any other national imperative, is a fundamental pillar that guarantees the maintenance of our country's constitutional order. The failure of governance, whether in the private or public sectors, or both, is a significant threat on various levels because it constitutes the betrayal of public trust and the promise of freedom; siphons resources from human, economic and national development, and corrodes societal and human mores."*
>
> *Mr Rakesh Garach, Chairman, NEF Board of Trustees, 2021 Integrated Report*

Mr Phumudzo Siphuma

Acting Chief Financial Officer

PERFORMANCE REVIEW

The NEF 2020/2021 financial year performance presented in this section is based on the revised targets approved by Board and submitted to the Minister of Trade, Industry and Competition for approval.

The NEF adapted quickly to the new working norm during the COVID-19 pandemic and ensured that there are measures in place to conclude work timeously. Innovative ways were implemented in terms of the speed of deal execution, time spent on engaging clients, suppliers and other key stakeholders which contributed to turnaround times being reduced to two weeks for approval of funding. In addition, more collaborations with Regional Managers were necessary for site visits. Technology played a huge role in ensuring that our pre-determined objectives are achieved.

In the year under review the NEF received total allocation amounting to R491 million from **the dtic** to assist businesses that were operationally affected by the COVID-19 pandemic. Of the R491 million, the Women Empowerment Fund received R141 million, the NEF COVID-19 Black Business Fund obtained R200 million and R150 million was set aside for the Economic Distressed Fund.

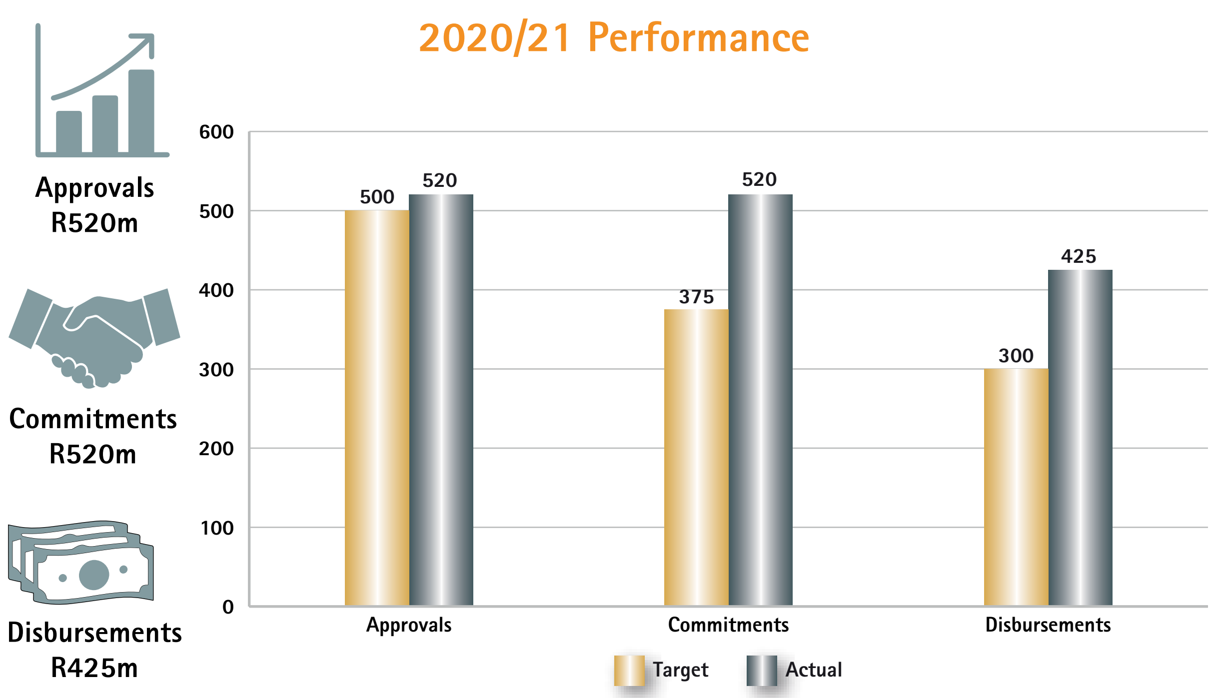
The R200 million NEF COVID-19 Business Fund was made available as concessionary funding towards Black businesses to manufacture and supply healthcare products and essential foods in fighting the COVID-19 pandemic.

The Fund received a total of 395 applications valued at more than R2.1 billion for equipment and working capital. As indicated above, the approval turnaround times were shortened to two weeks to ensure that businesses receive the funds quicker and are able to maintain a stronger financial position.

The NEF is pleased to report that over R207 million was approved for 32 transactions. A good pipeline of approved transactions from the previous year and COVID-19 deals contributed significantly to the 2020/21 performance.

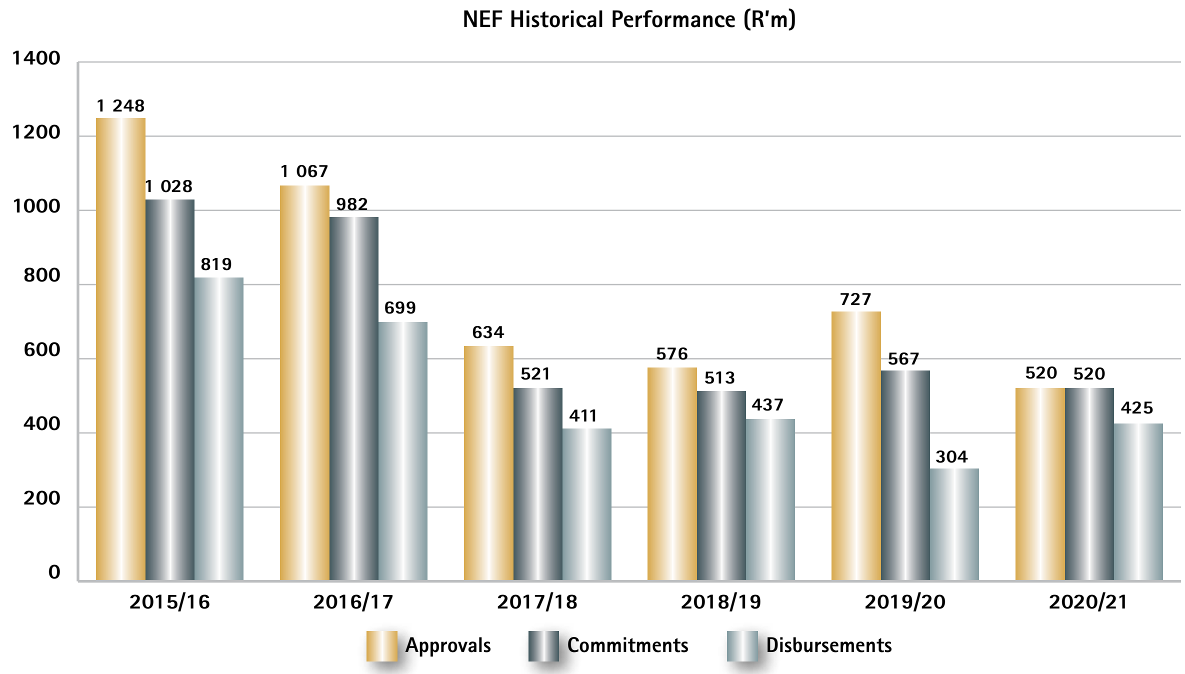
Achievements against strategic objectives

Advancing B-BBEE provide finance to business ventures



For the financial year ending 2020/21, the NEF significantly exceeded the targets set for approvals, commitments and disbursements. The NEF approved 89 deals against the target of 42, to the value of R520 million against a target of R500 million while committing R520 million against a target of R375 million and disbursed R418 million against a target of R300 million into the local economy. The achievement of all these key indicators during the year which was characterised by unprecedented shocks – culminating into massive social and economic restrictions represented the unwavering allegiance of the NEF family towards its mandate. Achievements against strategic objectives.

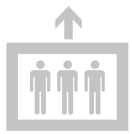
Advancing B-BBEE provide finance to business ventures



> *While the NEF places an important focus on commercial viability, our mandate also focuses on softer measures in assessing applications for funding, and these include important development indicators such as black women empowerment; community involvement; Black ownership, which must comply with NEF product criteria; job creation, and the geographic location of the business. These measures form part of the developmental ethos which the NEF upholds as the underlying theme of its funding strategy, and together these constitute a methodology by which the NEF evaluates the impact of its work, and this, in NEF parlance, is the Empowerment Dividend.*
>
> *Mr Setlakalane Molepo, Divisional Executive for Strategy, Planning and Significant Investments*

The historical trend demonstrates that the NEF approval level in a single financial year peaked at R1.25 billion in 2015/16 as depicted in the figure above covering the past six years. This performance was supported by the DRDLR partnership, however in subsequent years, particularly in the current year, the NEF's uncommitted cash position has reduced significantly and as a result, the performance targets were also reduced by the Board. The declining trends in our performance was primarily due to the NEF large capital injection in the economy coupled with the lack of additional capital injection from the fiscus.

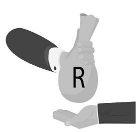
Maximising Empowerment Dividend



2 488 Jobs

35% of disbursement to women

18% of disbursements to outline regions



Disbursements R425m

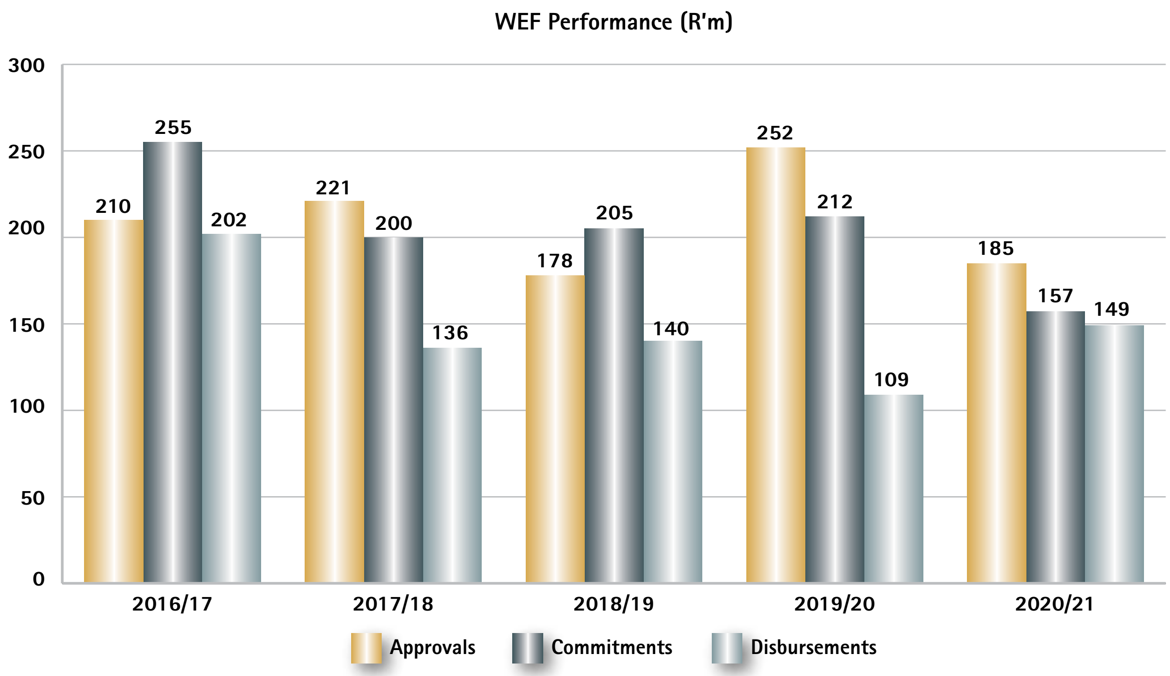
	Target 2020/21	Actual (2020/21)	Actual (2019/2020)	Actual (2018/2019)
Jobs created	1 846	2 488	1 738	3 713
Percentage of disbursements to women	40%	35%	38%	32%
Percentage of disbursements to targeted regions	25%	18%	27%	19%
Disbursements	R300m	R425m	R304m	R437m

Jobs created

For the period under review, the NEF facilitated 2 488 job opportunities against a target of 1 846. More importantly, this performance represents a notable 43% improvement as compared to the prior year. A long-term assessment of this indicator shows that, since inception, the number of job opportunities supported increased to 103 299 (of which 69 384 were new) as at the end of the 2020/21 financial year.

Women Empowerment Fund (WEF)

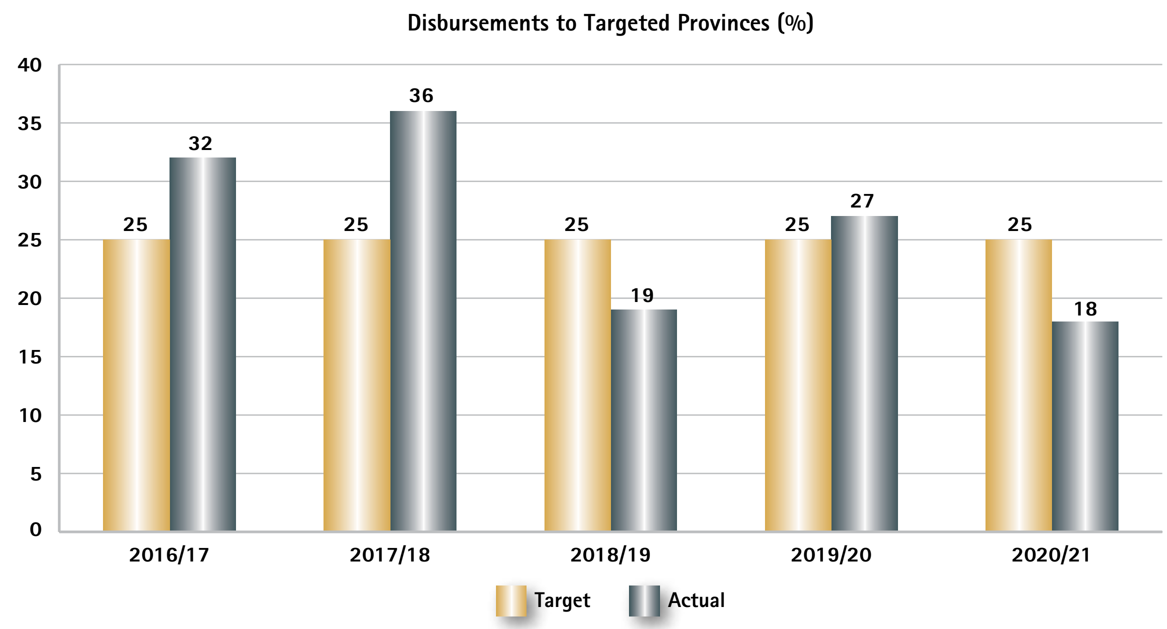
The NEF Women Empowerment Fund is comprised of business that is 51% or more owned and managed by Black women. The purpose of the fund is to accelerate the growth of businesses owned by Black women.



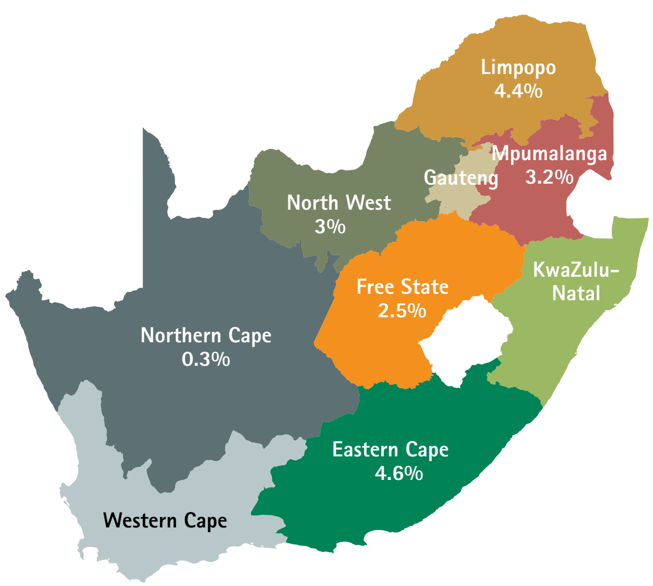
The figure above shows a declining trend in terms of approved and committed transaction for Black women-owned and managed businesses relative to the previous year. However, disbursements to this group grew by 33.9% between 2019/20 and 2020/21 reporting years. This indicates that the NEF remains committed to growing Black women-owned business as all our targets for WEF have been exceeded in the current year.

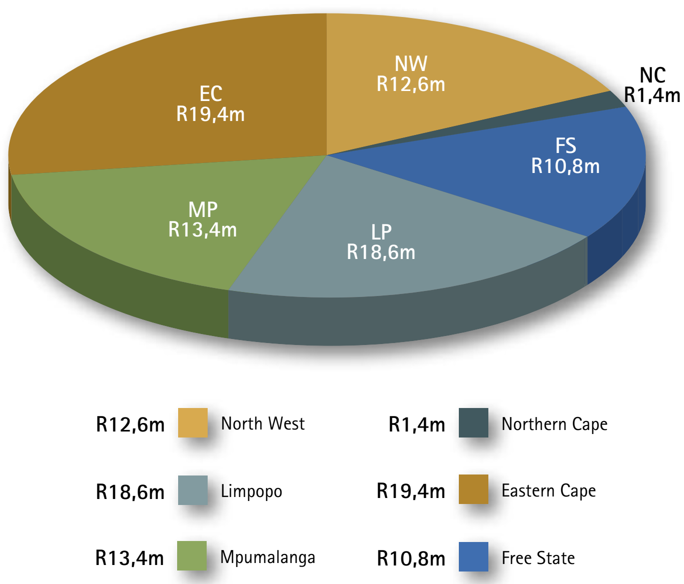
Regional activity

The NEF remains committed to increasing the value of the collective portfolios in the six targeted provinces of North West, Northern Cape, Free State, Limpopo, Mpumalanga and Eastern Cape. Given the imbalanced historical distribution of wealth and centralisation of economic activities in few regions, the NEF committed to correct this market failure by targeting the provinces with fewer economic activities. Since the introduction of this target, we have observed an influx of investments in these provinces that are integral for the economic development of the country. Due to greater focus being placed on increasing the geographical reach, a total of R76.2 million was invested in the six provinces representing 18% of annual disbursements against a target of 25% in the current year.



Disbursements in targeted provinces (R'm) 2020/21





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 any business venture. As such, the NEF contributes to the delivery of its mandate through programmes that offer entrepreneurial development and support.

95 Investor Education sessions

141 Entrepreneurial Trainings conducted

440 Business Incubated and referred

124 businesses fully referred

28 Social Facilitations

	Target 2020/21	Actual (2020/21)	Actual (2019/2020)	Actual (2018/2019)
Investor Education	45	95	74	84
Entrepreneurial Training	35	141	134	103
Business Incubation	130	440	151	141
Business Referral	20	124	16	23
Social Facilitation	20	28	36	42

Investor Education

Investor Education programmes are conducted in all provinces around the country with the aim of encouraging Black people who are members of stokvels, cooperatives, SMME's and the general public to save and invest. In addition, the programme also targets youth at tertiary institutions through industrial theatre performances. The NEF's investor education programmes have reached over 2 933 784 beneficiaries across the country through 576 interventions since inception. This was a result of deploying other mechanisms like online platforms to reach our beneficiaries.

Entrepreneurial Training

The objective of the training is to provide emerging Black empowered SMEs an understanding of basic business principles and business management competencies in the areas of Finance, HR and Legal compliance. It also serves as a marketing tool for NEF funding products. The entrepreneurial training typically took four days covering approximately 10-24 people. Upon completion, the learning outcomes for students are as follows:

- The ability to produce a business plan;
- Understanding of the financial situation of a company;
- Marketing and sales of the business; and
- Creation of business networks.

During the 2020/21 financial year, the overall pass rate was about 70%, six percentage points down as compared to the prior year (76%). The table above highlights the number of training sessions held over a three-year period.

Business Incubation

Business incubation nurtures entrepreneurial ideas into feasible business opportunities. The table above highlights the number of entrepreneurs referred for incubation and those that were fully incubated over a three year period. It shows that the NEF achieved this target during this financial year, resulting in a total of 440 businesses benefiting from this incubation programme.

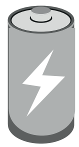
Social Facilitation

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

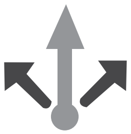
> *"The NEF offers an array of non-financial support interventions, starting with the Pre Investment function as the first point of contact through which the NEF provides product advisory services, manages the online business plan solution and facilitates entrepreneurial training and incubation. In response to the constraints facing some Black entrepreneurs, such as the challenge in producing top-quality business plans and the lack of accurate and reliable financial information from applicants, the NEF offers a comprehensive online Business Plan tool, which is available for free to the public on the NEF's website. The tool is designed to assist applicants in initiating, improving and refining the quality of their business plans, including completion of financial projections through an interactive, step-by-step question-and-answer process."*
>
> *Mr Nhlanhla Nyembe, Divisional Executive for SME and Rural Development*

ESTABLISHING THE NEF AS A SUSTAINABLE DFI

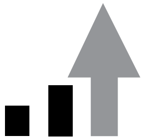
To ensure continued sustainability of the organisation, active portfolio monitoring is crucial. The NEF performance is also measured through impairments, return on investment and collection ratio.



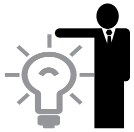
Impairment of 29%



ROI at 7.33%



Collection ratio at 74.7%



R541m partnerships concluded

	Target 2020/21	Actual (2020/21)	Actual (2019/2020)	Actual (2018/2019)
Impairments	18%	29%	27%	18%
ROI	7%	7.33%	9.04%	9%
Collection ratio	80%	74.7%*	143.81%	128.43%
Partnerships	R50m	R541m	n/a	n/a

* Instalments for settlements and prepayments were not raised in previous periods. They were raised for the first time in the current financial year, resulting in a reduced collection ratio.

GROWING B-BBEE THROUGH PARTNERSHIPS

The NEFs Enterprise and Supplier Development Fund (ESD)

The NEF SEDU ESD team developed a strategy for raising funds for NEFs existing clients affected by COVID-19 by leveraging off the R20 million approved NEF Critical Needs Relief Fund. The strategy developed included a cost sharing structure in line with the NEF ESD Fund Policy and encouraged existing and potential contributors to make funds available for investees adversely affected by COVID-19.

Furthermore, the team developed a standard proposal to be used by all regional managers to approach Provincial Director Generals and Economic Development Departments to partner with the NEF by making contributions towards the NEF COVID-19 Relief Fund initiatives in support of investee companies in the NEF portfolio affected by the COVID-19 pandemic in their provinces. This would entail targeting a portion of the allocations made by the National Treasury, COVID-19 Recovery Plan or targeting funds that were earmarked for Enterprise and Supplier Development within the Province or the respective Departments.

The NEF 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 ESD. The NEF utilises these contributions to co-finance its investments for ED and SD beneficiaries, in order to facilitate their development, financial and operational independence.

The NEF ESD Fund has received contributions from 16 institutions from both the private and public sectors. These include; Sishen Iron Ore Community Development Trust, Limpopo Department of Economic Development, Environment and Tourism, Northern Cape Department of Economic Development, Environment and Tourism, Kalmer Industries, BP South Africa, Nissan South Africa, Bakubung Platinum Mine, the Western Cape Department of Economic Development and Tourism (DEDAT) and the City of Ekurhuleni. The combined value of contributions from these institutions amounted to over one billion rand (R1.49 billion) since inception of the fund.

Contributions to the value of R540.9 million were received in the 2020/21 financial year against a target of R50 million. The table below shows the entities that contributed to the NEF ESD Fund in the 2020/21 financial year:

	PRIVATE SECTOR CONTRIBUTIONS (1.67%)		
No.	**Funder**	**Primary Objective**	**Sector**
1	SIOC CDT	COVID-19 Relief Fund to benefit SIOC CDT host communities in Limpopo and Northern Cape.	All Sectors
	PUBLIC SECTOR CONTRIBUTIONS (98.34%)		
No.	**Funder**	**Primary Objective**	**Sector**
2	Kalmer on behalf of TPT	To empower SME's operating within the Transnet value chain. Contributions towards TPT ESD Grant in line with existing TPT Agreement.	Freight rail
3	Limpopo Economic Development, Environment and Tourism (LEDET)	COVID-19 Relief Fund for NEF portfolio clients in Limpopo.	All Sectors
4	NEF COVID-19 Black Business Fund	Funding for Black entrepreneurs providing products and services related to the COVID-19 pandemic.	All Sectors
5	Northern Cape Department of Economic Development, Environment and Tourism	Co-funding Black entrepreneurs domiciled in the Northern Cape. Establishment of the Northern Cape Blended SMME Fund to empower SMME's in the Northern Cape	All Sectors
6	**the dtic** Women Empowerment Fund	Establishment of the Women Empowerment Fund, targeting women owned and managed businesses.	All Sectors
7	**the dtic** Economic Distress Fund	Provide relief to businesses adversely affected by the COVID-19 pandemic.	All Sectors

Performance against the Annual Performance Plan

Output	Performance Measure or Indicator	Annual Target 2020/21	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)	R500m	R520m	The target was achieved and exceeded. This was due to concerted effort from all programmes.
	Value of new commitments (R million)	R375m	R520m	The target was achieved and exceeded. This was due to concerted effort from all programmes.
	Value of Disbursements (R million)	R300m	R425m	The target was achieved and exceeded. This was due to concerted effort from all programmes.
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 1 846 new and existing job opportunities	2 488 jobs opportunities	The target was achieved and exceeded. Transactions that were approved and disbursed assisted businesses to retain and create 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, 35% of the portfolio has been disbursed to businesses that are partially/wholly owned by women.	The target was not achieved. The proportion of women shareholding in the total deals disbursed was lower than projected. The NEF continues to strive towards facilitating women participation in the economy and towards meeting this target by encouraging deals structures that have women participation.
The provision of non-financial support and training for black-owned businesses and entrepreneurs.	Number of Social Facilitation Sessions for NEF investees	20 Social Facilitation Sessions	28 Social Facilitation sessions were conducted	Target was achieved and exceeded as the team took advantage of relaxed travel regulations to visit transactions that would have otherwise not been visited.
Increased share of portfolio in under-represented provinces.	Percentage of disbursement to be invested in EC, NC, NW, MP, FS and LP	25% of disbursement to be invested in EC, NC, NW, MP, FS and LP	R76.2m of disbursed funds comprising of 27 deals, translating to 18% of total disbursement were split as follows: NW: 2 worth R12.6m; NC: 1 worth R1.4m; FS: 3 worth R10.8m; LP: 10 worth R18.6m; MP: 5 worth R13.4m;l EC: 6 worth R19.4m.	The target was not achieved. The commitment process is underway. Condition Precedencies (CPs) are being collected for some of the deals that were approved in the fourth quarter and likely to reflect in the new financial year.
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	95 Investor Education seminars per year	The target was achieved and exceeded owing to new platforms used (online etc).
The provision of non-financial support and training for black-owned businesses and entrepreneurs.	Number of Entrepreneur Training sessions provided	35 entrepreneurial training sessions, with an average score of 60% required in the post-training assessment	141 Entrepreneurial training sessions conducted with an average of 70% post training assessment.	The target was achieved and exceeded even though training started in Q3 owing to regulation changes that were introduced after the breakdown of the COVID pandemic. New ways of doing business were introduced.

Output	Performance Measure or Indicator	Annual Target 2020/21	YTD Achievement	Reason for Variance
The provision of non-financial support and training for black-owned businesses and entrepreneurs.	Number of entrepreneurs who successfully complete business incubation	Refer 130 entrepreneurs for incubation; and 20 entrepreneurs in the final incubation stage	440 entrepreneurs were referred to business incubation partners. 124 entrepreneurs are fully incubated.	The targets were achieved as the team went on an aggressive drive to make up for Q1. Online training and virtual incubation were introduced.
The provision of non-financial support and training for black-owned businesses and entrepreneurs.	Number of Social Facilitation Sessions for NEF investees	20 Social Facilitation Sessions	28 Social Facilitation sessions were conducted	Target was achieved and exceeded as the team took advantage of relaxed travel regulations to visit transactions that would have otherwise not been visited.
Increase positive brand awareness of the NEF.	Brand Audit Survey findings	Increase brand awareness to 90%	N/A	Exco took a decision to defer the target to 2022/23 financial year. The target will not be achieved in the current financial year owing to financial constraints.
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%	29%	The target was not achieved. This was due to the fact that most NEF's investments have been adversely affected by the COVID-19 pandemic. In addition, there are contracts that have been referred to legal and they are 100% impaired.
	Target ROI before impairments (to be reviewed annually)	7%	7.33%	The target was achieved.
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.	Collections ratio	80%	74.7%	The target was not achieved on instalments raised and received on the active book. NEF client were unable to pay their instalments.
Establish partnerships for increased economic investments.	Value of concluded partnerships per year (or value of mobilised resources)	R50m	R541m	Target achieved and exceeded owing to partnerships with **the dtic** on the COVID-19 Relief Fund, Limpopo Economic Development, and Tourism, Kalmer Industries, SIOC Community Development Trust and Northern Cape Department of Economic Development, Environment and Tourism.

> *Through the Post Investment unit the NEF provides ongoing portfolio management and mentorship support, and is responsible collections as well as legal compliance. Equally important in this area of work is the Turnarounds, Workouts and Restructuring unit, which focuses mainly on rehabilitating distressed transactions, and reducing impairments. This the unit does through a combination of measures including balance sheet restructuring, equity or working capital injection, operational restructuring and in certain instances, introduction of a strategic equity partner or a turnaround specialist to help bring about operational and business recovery.*
>
> *Mr Mzi Dayimani, NEF General Counsel*

INVESTING IN HUMAN CAPITAL

About our people:

Preamble

The economic and social disruption of COVID-19 has been devastating globally. The pandemic has placed a sharp focus on the Human Resources departments of organisations. The NEF's response – which focused on business continuity, physical health and wellbeing, working from home, mental health resilience, family support and dealing with uncertainty – have been amplified.

Human Capital Strategy

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

The goal is to attract high calibre and suitably qualified candidates who are fit for purpose. They provide a compelling Employee Value Proposition that captivates the employment experience from entry to exit. Human Capital seeks to facilitate the optimisation of performance through performance management systems and of capacity through succession planning and talent management. It seeks to 0provide training and development opportunities to enable employees to thrive in their roles and utilise a pay-for-performance remuneration structure which will ensure that key and top talent is retained at the NEF.

The strategy applies Exit & Knowledge management tools to improve NEF's HC strategies.

The NEF values are the anchor and the core principles which guide employees' behaviour.

Looking ahead 2021/22

- Enhancing Employee Benefits to respond to the effects of COVID-19.
- Provide continuous support to employees that are impacted by COVID-19.
- Enhance the Working From Home and other policies to respond to the new normal.
- Focus on interventions that will help build mental resilience.

Interventions to support employees during the Pandemic

On the 6 March 2020 South Africa confirmed its first Covid-19 case and on the 12 March 2020 the World Health Organisation [WHO] declared Covid-19 a global pandemic. President Cyril Ramaphosa declared Covid-19 a national disaster in terms of the Disaster Management Act 57 of 2002 and on the 23 March 2020, the President announced a National Lockdown starting on the 27 March 2020. This resulted in significant changes in the social and working lives of all individuals in South Africa.

At the onset of Covid-19 in South Africa, the NEF prepared a Covid-19 Response plan and established a Covid-19 Response team to assist the NEF with dealing with challenges relating to Covid-19. A Covid-19 Risk assessment was completed and the NEF Compliance Officer fulfilled the role of Covid-19 Compliance Officer to ensure all requirements relating to Disaster Management Act and Occupational Health & Safety Act were adhered to.

Various Covid-19 Protocols were implemented to ensure the safety of staff which included cleaning protocols, safety protocols and screening protocols. Staff with relevant co-morbidities were also identified to ensure that they were adequately protected.

The NEF implemented its' Business Continuity plans and staff were allowed to work from home from 19 March 2020. A Work From Home policy was implemented to ensure that staff were productive and all deliverables were being achieved. Various technological tools were used to engage with staff and clients during this time. The risk levels relating to Covid-19 were closely monitored and recommendations were made to Exco regarding the number of people permitted to work in the office at a particular point in time. The number of staff in the office were managed based on the risk levels relating to Covid-19 infection and the needs of the organisation.

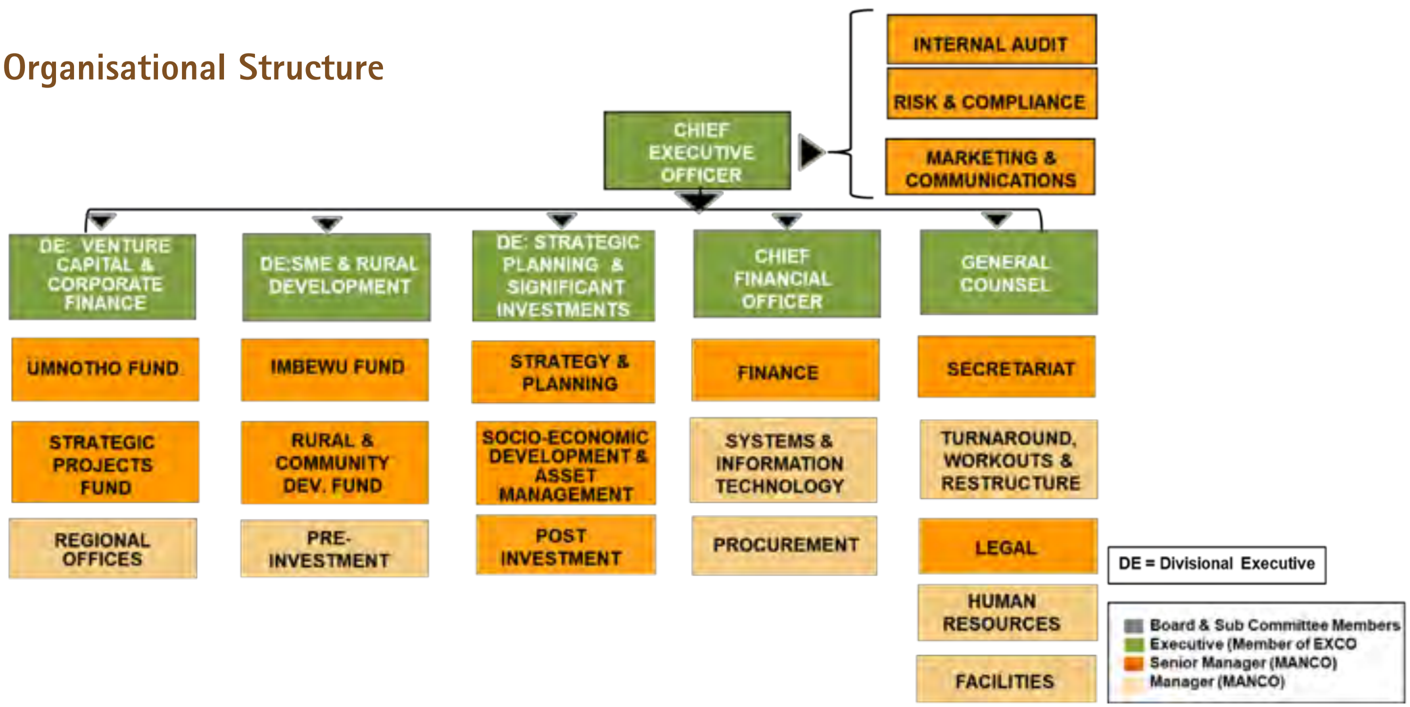
Various training sessions, via hosting webinars were held with staff to ensure that staff were:

- aware of the relevant Covid-19 protocols;
- risk as result of new way of working (i.e. fraud risk etc);
- managing mental health issues; and
- dealing with grief.

The Human Resource function also implemented certain measures such as assisting staff who required counselling through the NEF's wellness specialist. Staff who had Covid-19 and experienced "long covid" were also allowed extended sick leave which had been recently approved. Secondly, the NEF approved the Extended Family Funeral Benefit for its employees to enable them to provide the necessary financial support to their families should they lose loved ones.

Staff seem to have adapted to the new way of working and seem to have been productive during this period by achieving all deliverables.

Organisational Structure



Our People

Racial Analysis

The NEF is a high performing organisation which has set high performance standards for its employees. It has managed to achieve these incredible results over the years through its high calibre 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 table below shows the racial representation of the NEF employees.

Total No of Employees (Permanent)	Number	Percentage
African	143	94%
White	1	0,70%
Coloured	3	2%
Indian	5	3,30%
Grand Total	**152**	**100%**

Gender and age distribution

The table below demonstrates the age distribution by gender. Furthermore, the table shows that at the average age of 39 years the NEF indeed is an organisation that is maturing. It is important to note that 84.79% (129) of the NEF employees are between the ages of 30 and 49 years. It is also pleasing to note that 62% of the employees are female.

	Age								
Gender	20 – 29	%	30 – 39	%	40 – 49	%	50 – 59	%	TOTAL
Male	2	1,32%	21	13,81%	23	15,13%	12	7,89%	38%
Female	4	2,64%	42	27,63%	43	28,29%	5	3,30%	62%
Total	**6**	**3,96%**	**63**	**41,44%**	**66**	**43,42%**	**17**	**11,19%**	**100%**

Tenure breakdown (%)

The table below shows the tenure breakdown of the NEF employees. The table demonstrates that 54% of the NEF employees have been with the organisation for six years and longer, while 46% have been at the NEF for less than five years. This shows that there is longevity at the NEF.

Years of service	No	%
0 - 3 years	44	28.9%
4 - 5 years	26	17.1%
6 - 10years	41	27,0%
11 years >	41	27,0%
Total	**152**	**100%**

Training and development

The NEF prides itself in providing training and development opportunities to its employees to enable them to thrive in their roles. During the financial year, an amount of over R87 682 was spent on training and development initiatives. The funds were split as shown below.

Gender	Number of training interventions	% of Training Cost	Training Expense
Male	32	27%	23 778
Female	86	73%	63 904
Total	**118**	**100%**	**87 682**

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, nine employees were supported at a cost of **R258 473**.

Bursaries			
Gender	Number	%	Amount
Male	4	44%	113 728
Female	5	56%	144 745
Total	**9**	**100%**	**258 473**

> *Part of the NEF's historic mission is to facilitate the rise of black industrialists by creating new manufacturing and industrial capacity alongside local and global partners, in all sectors of the economy. An equally important lever in this equation is to support a vibrant services sector. The NEF's role is to increase the participation of black people in early-stage projects, in line with Government's socio-economic development policies. In this area the NEF funds projects with mature technologies at the commercialization stage. We are also driven by the prospect or superior economic merit and industrial impact, which promise greater rewards once commercialised.*
>
> *Ms Zama Khanyile, Acting Divisional Executive for Venture Capital and Corporate Finance*

Headcount

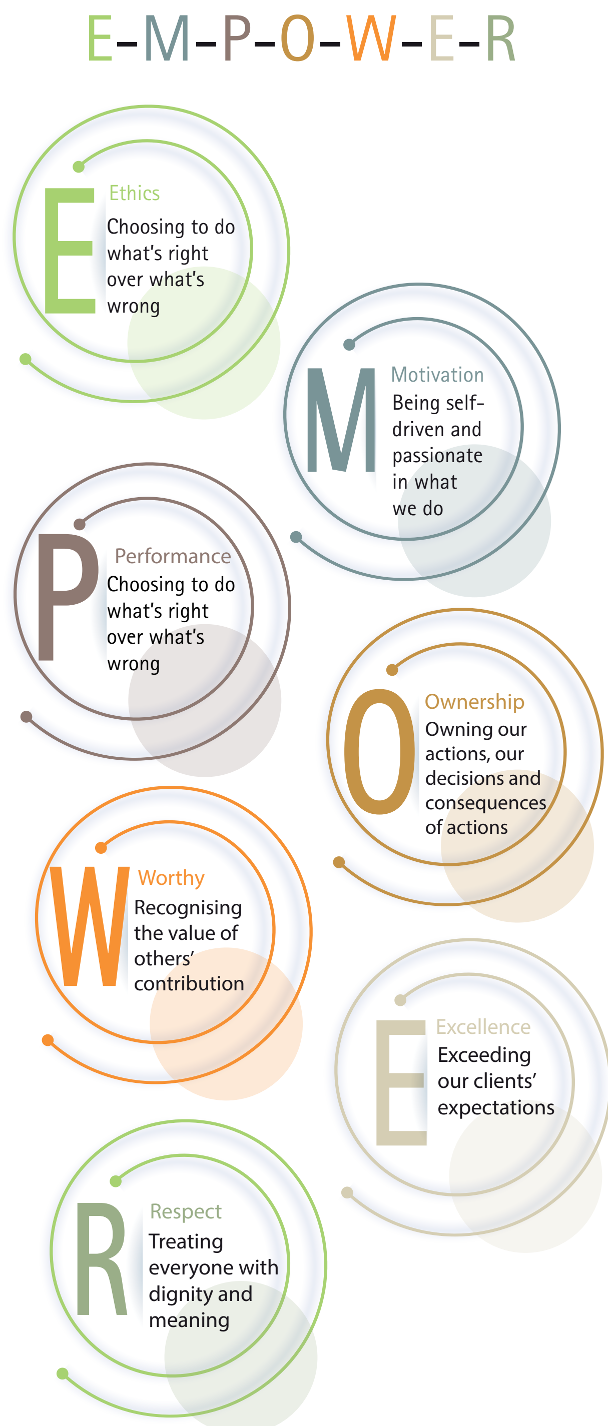
The NEF is growing as an organisation and as of 31 March 2021, the staff complement was 152. The majority of the employees are professionals with the remainder being split between the other categories.

Current employee split by occupational level		
Employee Level	**Headcount as at 31 March 2021**	**Headcount % per band as at 31 March 2021**
	152	**100%**
Executive Management	5	3%
Senior Management	39	26%
Professional Staff	58	38%
Skilled	39	26%
Semi - skilled/ Unskilled	11	7%

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 tenets inspired by 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 to the left:



Qualification Stats

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

No	Qualification	
1	Chartered Accountants	12
2	Master's degree	14
3	Engineers (additional 3 hold a Master's degree)	4
4	Honours degree	21
5	Bachelors degree	41
6	LLB degrees (admitted attorneys)	7
7	Advanced Diploma	1
8	Diplomas	19
9	Certificates	30
10	Abet	3
	Total	**152**

Trainees

In the quest to try and assist in combating the high unemployment rates of graduates in the country, the NEF took a resolution to employ graduates who are unemployed on a 12 month Trainee Programme. These graduates who mostly possess BCom degrees are placed in various departments within the NEF. They are provided with practical work experience to equip them with work readiness tools which will assist them to kick start their careers. This programme has been in practice at the NEF since 2008. The NEF has employed 40 trainees since its inception to date and has successfully managed to place 16 trainees permanently. During 2020/2021 there were 11 trainees in the programme and one of those trainees was placed in a permanent role and three trainees resigned for permanent opportunities elsewhere.

> *Congratulations are also due to the CEO, her Executive Committee, the Management Committee and staff of the NEF, for delivering yet another sterling set of performance results in a year that has left the world in shock and disbelief. Thank you for upholding the empowerment dividend and for your day-to-day commitment in advancing the socio-economic development of the historically marginalised.*
>
> *Mr Rakesh Garach, Chairman, NEF Board of Trustees, 2021 Integrated Report*

CORPORATE SOCIAL INVESTMENT (CSI)

Since the announcement of the lockdown address by the Honourable President on 23 March 2020, different initiatives were facilitated by various sectors of the economy to provide support to destitute families and communities that have been negatively impacted by the imposed restrictions of the COVID-19 pandemic.

In the same spirit, the NEF raised contributions to complement the support provided by 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 already imposed by the COVID-19 effects.

The intention of this NEF initiative was to:

- Implement interventions that would support the most vulnerable citizens.
- Target interventions that contributed to social livelihoods.
- Enhance or complement interventions provided by the state or the private sector.
- Contribute to households that had not benefitted from other contributors.
- Ensure transparency and care.

The funds to support this initiative were raised through the NEF staff pledging their annual leave days which could be converted into cash. Each staff member pledged 5 annual leave days as a contribution towards the fund. A total of **R1 534 120** was raised. Other third-party companies were co-opted to partner in the scheme and increase the value of the funds.

The funds raised were allocated and divided between 7 distressed communities mainly in the deep rural areas. All identified communities were widespread across the country, each ranging an average of 400 to 587 households per community. All benefiting households received food parcels valued at R840 and a total of 7 015 households were supported through this initiative.

Beneficiary Communities:

Province	Number of Households
Northern Cape	400
Mpumalanga	440
Eastern Cape	597
KZN	2 578
Limpopo	2000
Gauteng	1000
Total	**7015**

The third-party contributors to this fund were as follows:

- Tele-sure Investment Holdings – R1,991 million financial contribution, as well as providing packaging and logistics for the distribution of the food parcels.
- Goseame (NEF subsidiary) and Domba Trust Partnership – contribution through a 2000 food parcels donation.
- Golden Dice (NEF subsidiary) – contribution through a 1000 Maize and beans package donation.

External Bursaries: 3 students (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 under review, the NEF awarded 23 bursaries to South African students who come from disadvantaged backgrounds to the tune of R1 633 156.

Eight students completed their academic qualifications in 2020. Below are some of those achievements of the 2020 Academic year.

> *As an instrument birthed for the purpose of bridging the economic divide of race, gender and geography that continues to afflict our country, the NEF is the antithesis of apartheid and colonial injustice. It is for this reason that when the NEF recruits, it seeks not only technical merit, but integrity and the willingness to serve, the readiness to forgo the allures and comforts of the city, to go into the heartland of South Africa, because it is also in the villages and townships that hope must reign supreme.*
>
> *Ms Philisiwe Mthethwa, CEO of the NEF, 2021 Integrated Report*

In 2016 NEF provided a bursary to Boitumelo Molise and Keitumetso Molise who were enrolled for Bachelor of Medicine & Surgery (MBChB) at the University of Free State. Keitumetso and Boitumelo are twins aged 23 years. They come from Botshabelo township in the Free State. Boitumelo and Keitumetso were raised by a single parent and have three siblings. NEF's funding covered tuition, accommodation, books and meal allowances. The young women were able to complete their qualification in record time in 2020. During their studies, they delivered a minimum of 20 babies at the Medical School. Keitumetso and Boitumelo are working at Kimberly Hospital as doctors effective 01 January 2021.

Masechaba Nkoana was funded to study Bachelor of Pharmacy at the University of Limpopo. NEF's funding covered tuition, accommodation, books and a meal allowance. Masechaba is from a rural area called Moletjie Ga Mabotja in Limpopo and has nine siblings. During her studies, she attended and completed in-service training and vacation work with various organisations such as Mankweng Hospital, Pitsi Clinic and Meso Pharmacy. Masechaba also did research in "Prevalence of opportunistic infections and associated costs of drug therapy in patients living with human immunodeficiency virus" at Mankweng Hospital.

Kitso Motlola

Automated proximity-based payment for minibus taxis

Kitso Motlola was funded to study Bachelor of Science: Engineering: Electrical & Electronics at the University of Stellenbosch. NEF's funding covered tuition, accommodation, books and a meal allowance. Kitso is from the rural area called Mapoteng village, Kuruman, in the Northern Cape. He has three siblings. He was given an opportunity to repeat his final year in 2020 which he passed. Kitso is currently enrolled to study Masters in Engineering (IoT Systems) with University of Stellenbosch and is funded by MTN. He is currently doing research as well as developing the automated proximity-based payment system for minibus taxis in collaboration with the MTN Mobile Intelligence lab.

GOVERNANCE

Upholding the highest corporate governance standards

The NEF continues to uphold the highest possible corporate governance standards which underpin the effectiveness of the organisation. The NEF corporate governance structures enhance sound management and provide oversight to ensure that the organisation is appropriately discharging its mandate in line with good governance and ethical standards.

Legislative Framework

NEF was established in terms of section 2 of the National Empowerment Fund Act 105 of 1998 (NEF Act) for the promotion and facilitation of ownership of income generating assets by black people.

The NEF's shareholder is the Government of the Republic of South Africa, represented by the Minister of Trade, Industry and Competition through **the dtic** which serves as the NEF's executive authority in terms of the PFMA.

Board of Trustees

The NEF Board of Trustees is appointed in terms of the National Empowerment Fund Act. Its responsibilities entail:

- Acting as the focal point and custodian of corporate governance by providing ethical and effective leadership
- Formulate, monitor and review corporate strategy, major plans of action, risk policy, annual budgets and business plans
- Determining strategic direction, identifying key risk areas and monitoring key performance indicators
- Setting policy and standards of ethical business conduct
- Maintain the highest standard of integrity, responsibility and accountability and ensure that it finds a fair balance between conforming to corporate governance principles and the performance of the organisation.

To ensure that the Board conducts business in an organised and structured manner, an annual work plan, aligned with agreed-upon Board priorities and targets is in place.

There is an open line of communication between Board members and executive management. Executive management are invited to Board meetings to provide regular presentations and updates on operational and investment issues.

Board Composition

The term of office of the previous trustees of the Board expired in April 2020, save for the Chairperson and the Chief Executive Officer (CEO). To this end, no new trustees have been appointed to serve on the Board. Presently, the only trustees on the Board are the Chairperson of the Board, and the CEO in her ex officio capacity. Whilst the NEF Board was not fully constituted to meet the quorum requirements for meetings in terms of Section 13(4) of the NEF Act, the NEF continued to carry out its responsibilities in accordance with its mandate, with reliance to Section 17 of the NEF Act and Section 49(2)(b) of the Public Finance Management Act (PFMA).

In terms of section 17 of the NEF Act, the CEO is by virtue of her office a member of the Board with the same powers accorded to any other member of the Board and is responsible for the management activities of NEF. As such the Board is empowered to delegate to the CEO such powers as may be necessary for managing the activities of the Trust. In turn, the CEO is empowered to delegate such powers to the staff, committees, other trustees or other structures of the Trust.

In terms of Section 49(2)(b) of the PFMA, if a public entity does not have a controlling body, the chief executive officer becomes the accounting authority for that public entity.

The CEO continued to work with the several sub-committees of the NEF Board which were duly constituted as their terms of reference were validly approved by the previous NEF Board and met the quorum requirements as stated in their respective Terms of Reference.

Some of the Term(s) of Reference of the sub-committees require at least 1 (one) non-executive member of the Board to be present at all meetings of the sub-committees where decisions are taken. This resulted in the Chairperson of the Board having to attend the meetings of the sub-committees to ensure compliance with the Term(s) of Reference.

The NEF further sought a legal opinion from an external legal firm and the external audit firm (SNG-GT) on the validity of the decisions taken by the NEF in the absence of the fully constituted NEF Board. The legal opinions from both firms concluded that the decisions taken by the NEF in the absence of the Board were valid as they were taken in accordance with Section 17 of the NEF Act and Section 49(2)(b) of PFMA.

The NEF has been receiving regular updates from the Department of Trade, Industry and Competition regarding the process of the appointment of a new board and **the dtic** anticipates that it will complete the board appointment process in due course.

In filling the existing vacancies in the Board, **the dtic** will ensure that the board is properly constituted such that it possesses the appropriate balance of knowledge, skills, experience and independence required to objectively and effectively discharge its governance role in meeting the NEF's strategic objectives. The size of the Board is determined by the NEF Act. In terms of section 4(2) of the NEF Act, the NEF Board shall consist of not less than seven but not more than 11 trustees appointed in terms of Section 8 of the NEF Act.

Board and Sub-committee Charters

The charters set out the Board and the sub-committee responsibilities, which include adopting strategic plans, monitoring operational performance, determining the integrity of policy processes, risk management and internal controls, as well as Board member's induction and evaluation.

The Charters also allow Board and its sub-committees to obtain independent professional advice when necessary, to carry out their duties.

Delegation of Authority Framework

While the Board has the authority to delegate powers to sub-committees and executive management, it remains accountable to the Shareholder (**the dtic**). A Board-approved Delegation of Authority Framework is in place.

The Board delegated the management of day-to-day operations to the CEO, who is assisted by the Executive Management Committee and its sub-committees. Each committee has a clearly defined mandate set out in written terms of reference.

Managing conflicting interests

The Board Conflict of Interest Policy is in place to manage potential conflicts of interest. Members must declare an interest at each Board or sub-committee or meeting of any other committee responsible for considering transactions. Members must disclose potential conflicts and if required, recuse themselves from deliberations on conflicted matters in accordance with the NEF Act, PFMA and the Companies Act.

The policy prohibits Board members from providing goods and services to the NEF, and a cooling-off period is applicable should former members wish to provide goods and services after their term of office has ended.

Members are further required, on an annual basis to complete and sign declarations forms and the Secretariat keeps a register of such declarations and the declarations register is independently audited.

Board Evaluations

In line with good governance practices, the effectiveness and performance of the Board and its sub-committees are evaluated periodically against their respective mandates. The company Secretariat collates and communicates the feedback to the Board and sub-committees for appropriate action.

During the past year, the Board and sub-committees were evaluated independently. The Board further addressed issues identified in the previous year's comprehensive evaluations. This resulted in action items being included on the Board annual work plan and action items so they can be implemented and tracked.

Induction of new Board members and continuous personal development

New Board members participate in a comprehensive induction programme to ensure they are well-briefed about the NEF's mandate, structure, operations, policies and industry-related issues to fulfil their duties and responsibilities. A comprehensive induction pack is prepared in consultation with the Executives and disseminated by Company Secretariat to newly appointed Board members.

A workshop is also held where the NEF Executive Management and the Board Chairman present various aspect of the induction pack and new members are afforded an opportunity to engage with Executives and raise any points of clarity which are then addressed transparently.

Leading through the Pandemic

The COVID-19 pandemic presented a unique governance challenge for the NEF. The importance of the Board exercising care, diligence, and skill in evaluating and managing risk was demonstrated by the urgency in which the Board dealt with these challenges.

Some of the measurements adopted by the Board in response to the COVID-19 challenges included the establishment of a Board COVID-19 committee which looked at the NEF's responses to the pandemic and the implementation of the business continuity plans. Some of the strategic decisions made by the NEF included the granting of some of the existing investees a loan repayment holiday for a certain period. This was to help safeguard the sustainability of the NEF investees whose operations had been affected by the lockdown. These concessions ensured that when the lockdown was eased, the NEF investees were not confronted by an ominous debt obligation.

> *“The NEF continues to uphold the highest possible corporate governance standards which underpin the effectiveness of the organisation. The NEF corporate governance structures enhance sound management and provide oversight to ensure that the organisation is appropriately discharging its mandate in line with good governance and ethical standards.”*
>
> *Governance Report, NEF 2021 Integrated Report*

Governance Structure

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 *(57)*

Chairman

Appointed in December 2009

QUALIFICATIONS AND DIRECTORSHIPS

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

Ms Philisiwe Mthethwa *(57)*

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.

ATTENDANCE OF STATUTORY MEETINGS

Board Meeting Attendace

Member	Number of Meetings Held	Meetings Attended
Mr Rakesh Garach (Chairperson)	*	*
Ms Philisiwe Mthethwa (CEO)	*	*

Audit Committee Composition and Attendance

Member	Number of Meetings Held	Meetings Attended
Mr Roy Harichunder	4	4
Ms Lebogang Ndadana	4	4
Mr Tyrone Soondarjee	4	3

Risk & Portfolio Management Committee (RPMC):

Member	Number of Meetings Held	Meetings Attended
Mr Roy Harichunder – 4/4	4	4
Mr Gerrit Van Wyk - 4/4	4	4
Mr Rakesh Garach - 4/4	4	4

* There was no fully constituted Board during the year, hence no formal meetings were held.

> *Some of the measurements adopted by the Board in response to the COVID-19 challenges included the establishment of a Board COVID-19 committee which looked at the NEF's responses to the pandemic and the implementation of the business continuity plans. Some of the strategic decisions made by the NEF included the granting of some of the existing investees a loan repayment holiday for a certain period. This was to help safeguard the sustainability of the NEF investees whose operations had been affected by the lockdown. These concessions ensured that when the lockdown was eased, the NEF investees were not confronted by an ominous debt obligation.*
>
> *Governance Report, NEF 2021 Integrated Report*

Social & Ethics Committee

Member	Number of Meetings Held	Meetings Attended
Mr Rakesh Garach	3	3
Mr Setlakalane Molepo	3	3
Ms Philile Mbokazi	3	3
Ms Noxolo Mtembu	2	3

Human Capital & Remuneration Committee (HCRC)

Member	Number of Meetings Held	Meetings Attended
Mr Sifiso Cele	2	2
Ms Getty Simelane	2	2
Ms Hlengiwe Makhathini	2	2

Board Investment Committee (BIC)

Member	Number of Meetings Held	Meetings Attended
Ms Philisiwe Mthethwa	3	3
Ms Sawa Nakagawa	3	3
Ms Cora Fernandez	3	3
Mr Gerrit Van Wyk	3	3

“It is my pleasure to table this Integrated Report 2021 of the NEF, which sets out how the development financier approved in excess of R500 million for black-owned and managed businesses in a year when the South African economy absorbed the shocks of Covid-19. The funding has benefited 89 black-owned businesses countrywide, and of significance, approximately 35% of these have active and direct black women shareholding and operational involvement. The economic empowerment of black women in particular is a key part of addressing discrimination and also enabling the entrepreneurial energy of more South Africans to be brought into the economic mainstream, help expand the economy and create more jobs.”

Minister of Trade, Industry & Competition, Mr Ebrahim Patel, NEF Integrated Report 2021

The Executive Team

Ms Philisiwe Mthethwa
(57)

Executive Trustee & CEO

Appointed in July 2005

QUALIFICATIONS AND DIRECTORSHIPS

- MBA Corporate Finance
- MSc Economics (thesis not defended)

- Industrial Development Corporation (IDC)

Mr Phumudzo Siphuma
(37)

Acting Chief Financial Officer (CFO)

Appointed in September 2020

QUALIFICATIONS AND DIRECTORSHIP

- CA(SA)
- Hons. BCompt
- Bankseta

Ms Hlengiwe Makhathini
(42)

Divisional Executive: Venture Capital & Corporate Finance

Appointed in April 2011

Resigned on 01 May 2021

QUALIFICATIONS AND DIRECTORSHIPS

- CA(SA)
- Master of Commerce in Accounting

- Karsten Group Holding

> *I wish to express my appreciation to the Chairperson, the CEO and staff of the NEF for the work done; and I welcome the new Trustees of the NEF. I extend condolences to all who lost loved ones during the past year.*
>
> *Minister of Trade, Industry & Competition, Mr Ebrahim Patel, NEF Integrated Report 2021*

Ms Zama Khanyile
(37)

Acting Divisional Executive: Venture Capital and Corporate Finance

Acting from 1 May 2021

QUALIFICATIONS

- CA(SA)

Mr Mziwabantu Dayimani
(43)

General Counsel

Appointed in November 2015

QUALIFICATIONS

- LLB degree
- Masters in Tax Law
- Masters in Corporate Law
- Admitted attorney, Notary and Conveyancer

Mr Setlakalane Molepo
(59)

Divisional Executive: Strategy, Planning and Significant Investments

Appointed in December 2020

QUALIFICATIONS AND DIRECTORSHIPS

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

**Seconded to sefa until 30 November 2020*

Mr Nhlanhla Nyembe
(50)

Divisional Executive: SME and Rural Development

Appointed in 1 April 2021

QUALIFICATIONS

- BCom Finance

INTEGRATED 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.

Integrated Assurance is a process that effectively coordinates management, internal and external assurance providers and increases collaboration in order to develop a more holistic view of the organisation's risk. It assists to avoid duplication of efforts and ensures that resources are optimised and that there is efficient and effective management of risks and the associated cost. This process requires coordination of activities to maximise the depth and reach of the assurance achieved by each of the assurance providers, enabling an effective control environment and support the integrity of information used for decision-making internally by management, the Board of Trustees and its committees as well as reporting.

Such reporting includes external reporting of:

- Performance information
- Financial information in the form of Financial Statements and Management Accounts
- Integrated Report

The NEF Integrated Assurance Model gives the Board, Audit Committee and the Risk and Portfolio Management Committee an overview of the strategic risks and the types of activities that are embarked on over these risks by the assurance provider teams. The model also provides an indication of the combined level of assurance, be it extensive, moderate or limited assurance.

The following factors are considered in compiling the model:

- The integrated assurance model procedural framework document;
- The latest key risk register;
- Results of internal audit engagements;
- Results of external audit engagements; and
- Results of other specialised engagements.

Assurance providers

1st Line of defence: Line management and managerial controls

Provides the Board with the assurance that it has implemented effective measures to manage risk and performance.

2nd Line of defence: Functional areas like risk management, compliance and oversight.

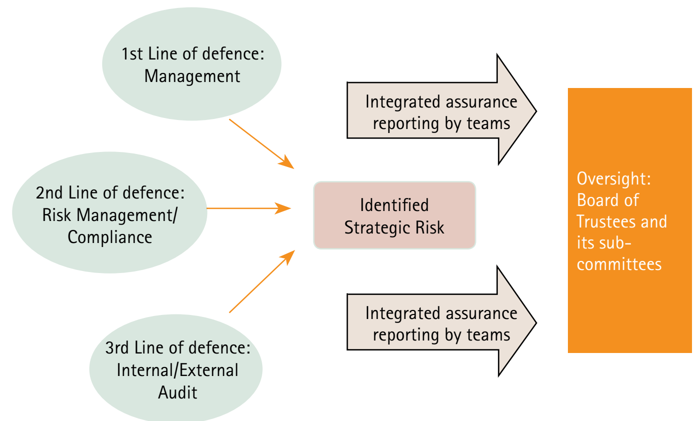
Supports management in executing its duties and provides a layer of control over risk management.

3rd Line of defence: Internal and External audit (independent assurers)

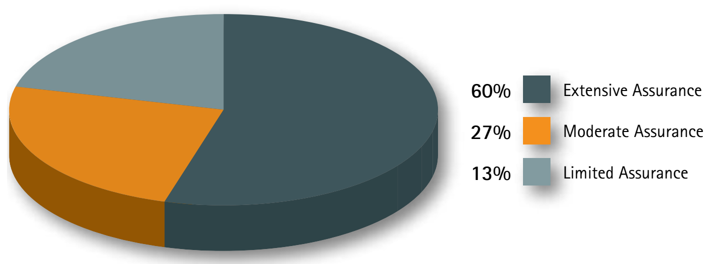
Provides independent and objective assurance on the overall adequacy and effectiveness of controls, risk management and governance processes.

4th Line of defence: 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.



Below are the current financial year results of the assurance provided on the 15 NEF Strategic Risks:



Snapshot of Investee Profiles

Investee Company profiles criterion used:

Companies	Woman % shareholding	Province	Jobs	Strategic Sector	Partnerships	Industrial Development	Amount
1. Nabila Group (Pty) Ltd (Page **76**)	100%	GP	26	Manufacturing and supplies	Covid-19 Fund	Manufacturing and supplier of PPEs	R11.1m
2. NEF Funding Medical Renovations & Supplies CC (Page **77**)	0%	WC	14	Manufacturing	Covid 19 Fund	Manufacturing hospital beds	R5m
3. YG Property Investments (Pty) Ltd (Page **78**)	0% (youth ownership)	GP	348	Social Housing	SHRA	n/a	R40.6m
4. Tuad Properties (Page **79**)	100%	EC	6	Student Accommodation	n/a	n/a	R6m
5. CK Mafutha (Page **80**)	51%	WC	6	Petroleum	Western Cape ED Fund	Fuel supply	R30m
6. UBettina Wethu Company (Pty) Ltd (Page **81**)	75%	GP	593	Film	**the dtic**	Creative industry	R5m
7. Mohlalefi Engineering (Page **82**)	20%	GP	42	Mining Services	Economic Distress	Manufacturing	R10m
8. COVID-19 Response Tara Healthcare Pty Ltd (Page **83**)	50%	GP	15	Medical Supplies	n/a	PPE Supply	R10m
9. Azowel Projects (Pty) Ltd (Page **84**)	100% (youth ownership)	KZN	23	Agriculture (Tunnel farming)	n/a	n/a	R3.5m
10. KasiDeve Pty (Ltd) (Page **85**)	0% (youth ownership)	LP	15	Agriculture	n/a	n/a	R6.5m
11. Forever Mushrooms Pty (Ltd) (Page **86**)	51%	FS	12	Agriculture	n/a	n/a	R6.2m
12. NEF COVID-19 Relief Funding Novamix Health (Pty) Ltd (Page **87**)	100%	GP	16	Manufacturing	Covid 19 Fund	Manufacturing medical supplies incl Masks	R10m

Investee profile

Nabila Group (Pty) Ltd

Company profile

Nabila Group (Pty) Ltd (Nabila) was founded in 2008 and is a 100% black woman-owned entity. The company was awarded manufacturing and supply contracts for Personal Protective Equipment (PPE) and sanitisers by the Johannesburg Property Company (JPC) and the City of Matlosana. Nabila also secured contracts from the Polokwane Municipality and the Molemole Municipality to provide nitrile latex gloves.

The NEF invested an amount of R11.1 million in Nabila. This was co-funded with the Department of Trade Industry and Competition (**the dtic**) and the NEF COVID-19 Fund.

The funding was used for working capital and acquiring equipment. This manufacturing equipment included a disposable glove making machine, a medical mask machine, a disposable shoe cover making machine, and a Vevor industrial sewing machine. This investment contributed to addressing the scourge of the COVID-19 pandemic.

A total of 26 jobs were supported.

Investee Profile

Medical Renovations & Supplies CC

Company profile

Medical Renovations & Supplies CC is a trusted leader in providing the healthcare sector with products and services that reclaim the use of medical beds and furniture through renovation, repair and rental solutions.

Since 1994, the business has led the market in renovating products due to its distinct services. The company provides and manufactures high-quality products to the following sectors: private and public hospitals, military and medical institutes, medical supply agents, care centres (frail, children, homes, etc.) and private individuals.

The business prides itself on its work in the refurbishment of valuable machines such as dialysis machines which are supplied to the likes of Groote Schuur Hospital and other leading healthcare facilities around the Western Cape province.

Medical Renovations & Supplies operates from Bellville, Cape Town. The business has played an active role in the President's plan to provide better health care for all that was expedited by COVID-19. At the beginning of this year, Medical Renovations & Supplies completed an order of 50 medical beds for Groote Schuur Hospital and at the time of reporting, was delivering another 40 refurbished emergency beds to the Mitchell's Plain and Heideveld hospitals.

The company was awarded NEF Funding of R5 million.

Investee profile | YG Property Investments (Pty) Ltd

Company profile

The NEF invested R40.6 million in YG Property Investments (Pty) Ltd. The funds were used for the development of 312 Social Housing units with the following dynamics: three buildings comprising one four-storey, one five-storey and one seven-storey building in Kempton Park central business district in the City of Ekurhuleni Metropolitan Municipality, Gauteng.

The total project cost was R126 million. The Social Housing Regulatory Authority (SHRA) provided grant funding of R85 million while the promoter contributed equity for the balance. The project is 100% owned by a young black man.

The project is known as 1 Kempton Place and is nearby the following attractions and amenities: OR Tambo International – 6 min (2 km), Rhodesfield Gautrain Station – 10 min (3,9 km), Festival Mall – 4 min (1,4 km), Arwyp Medical Centre – 3 min (900m), Kempton Park CBD centre – 3 min (850m).

A total of 348 jobs were created.

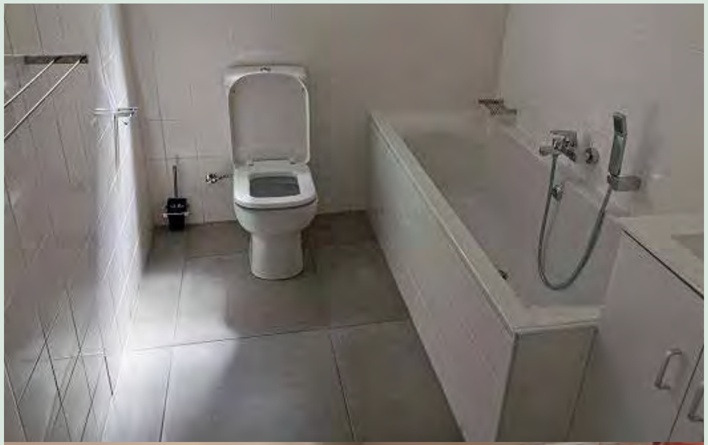
Investee Profile Tuad Properties (Pty) Ltd

Company profile

The NEF invested R6 million in Tuad Properties (Pty) Ltd. The company was established in 2018 and is a 100% black-owned company that is operating in Queenstown, Eastern Cape. The funds invested were used to purchase and rent out off-campus student accommodation, primarily for Walter Sisulu University (WSU) students.

The building is 1km from the WSU Queenstown Campus in Eastern Cape province and the facility will provide 38 beds. The building has six three-bedroom apartments and one bachelor unit. In the 3-bedroom unit, one bedroom can accommodate two students sharing. The 3-bedroom units can accommodate up to six students sharing.

The project created six sustained jobs.



Investee Profile

CK Mafutha (Pty) Ltd

Company profile

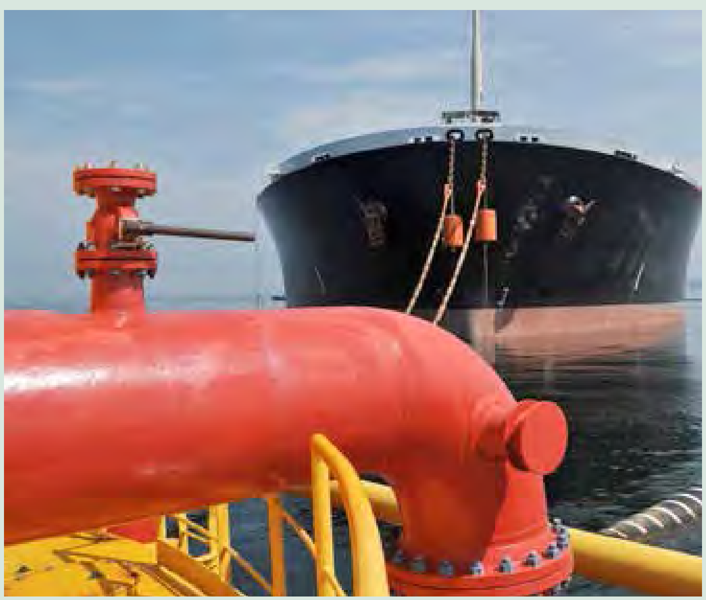
The NEF invested R30 million (R27 million funded by NEF and R3 million sought from the partnership with the NEF managed Western Cape ED Fund) in CK Mafutha (Pty) Ltd. CK Mafutha is a fuel wholesale company established in March 2014. It obtained its wholesale licence from the Department of Energy in August 2014. The company's core business entails the sourcing and supply of petroleum products, mainly diesel and marine fuels, to commercial and industrial customers. The business is based in Cape Town where most of its customer base is situated predominantly in the marine industry.

CK Mafutha's vision is to develop a national footprint and to supply fuel across various industries countrywide.

The business has been on a growth trajectory since securing and implementing its first fuel supply purchase order in August 2016. Over the years, CK Mafutha has managed to secure significant contracts with major customers. They also deliver on ad-hoc purchase orders as and when received.

The funding unlocked tangible socio-economic benefits in the form of creating and sustaining jobs.

In the immediate future, CK Mafutha will employ six people (three existing and three new) and anticipates it will create an additional 25 jobs once the business has established its fuel storage facility business model.



Investee Profile uBettina Wethu TV Series

Company profile

uBettina Wethu Company (Pty) Ltd is a special purpose vehicle that has been incorporated with the sole mandate of housing the production of season 1 of uBettina Wethu, a 52-epidode series which airs simultaneously air on SABC 1 and VIU.

uBettina Wethu is a light-hearted drama comedy that has been adapted from the international hit series "Yo Soy Betty La Fea", adapted in 19 territories across the world including USA's "Ugly Betty". The series has been aired in 180 countries and dubbed into 15 languages. It also holds the Guinness World Record for the most successful soap opera of all times.

The NEF invested an amount of R5 million in uBettina Wethu. This was co-funded with the Department of Trade Industry and Competition **(the dtic)** and the SABC and VIU.

The funding was utilized towards production expenses.

A total of 593 jobs were supported.

Investee Profile

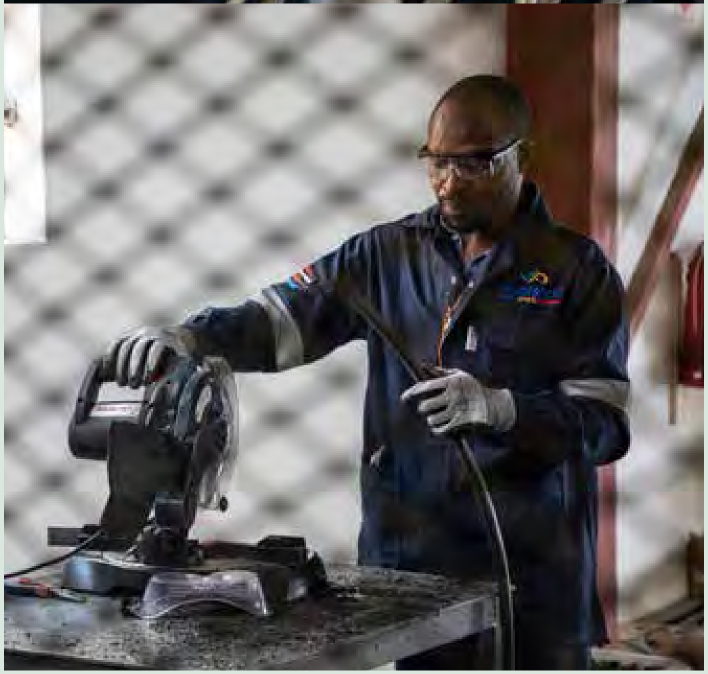
Mohlalefi Engineering (Pty) Ltd

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 42 employees** and has a capacity to produce 10 000 units per month.

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.



Investee Profile Tara Healthcare (Pty) Ltd

Company profile

Established in 2016, Tara Healthcare (Tara) supplies the health industry with medical goods, surgical products and devices. Although its head office is in Midrand, Gauteng, the company supplies buyers around the country.

Tara was one of the first companies to respond to the government's call for assistance in the fight against the COVID-19 pandemic. In this response, the company supplied N95 face masks, 3ply face masks, hand disinfectants, medical bodysuits and isolation gowns. All these are critical products in the fight against the pandemic – for the health sector in particular and the South African community in general.

The company is led by a black entrepreneur and has been successful in satisfying all the orders in the health sector during the ongoing COVID-19 period.

The project has created 15 sustained jobs.

Investee Profile

Azowel Projects (Pty) Ltd

Company profile

Azowel Projects (Pty) Ltd is a 100% black woman and youth-owned entity that operates a subsistence business on a leased farm located in the Madundube rural area in Maphumulo, KwaZulu-Natal. The farm is located 8km from central KwaDukuza and measures eight hectares. It is zoned for agriculture and belongs to the Qwabe Nkanini Community Property Association (QNCPA).

The farm was previously owned by a white farmer who operated a successful commercial tunnel farming operation producing cucumbers, peppers, tomatoes and salad greens., The farm's ownership was transferred to the QNCPA following a land reform claim settlement in 2014.

The NEF approved funding of R3,5 million as expansion capital. The business intends to increase its production capacity by introducing a new hydroponic infrastructure system into its business that will enable it to double its production capacity of tomatoes and peppers in order to supply poverty alleviation government programmes, which feeds over 155 000 learners in 406 schools drawn from the poorest communities. It is fully funded by the KwaZulu-Natal Department of Education who are its custodians.

The project supports 23 permanent jobs.

Investee Profile KasiDeve (Pty) Ltd

Company profile

KasiDeve is a start-up horticultural farm located in the rural area of Koningkrantz, Ga-Maponto in the Molemole District Municipality of the Limpopo province. This 100% black youth-owned farming business currently produces five hectares of spinach, tomatoes and butternuts to help sustain itself. The promoter initiated a business development drive in 2018 to expand the farm into potato production. He started engaging chemical suppliers, fertiliser suppliers, Potatoes South Africa as well as established potato producers in the area for guidance and mentorship.

KasiDeve approached the NEF for funding of R6.5 million for the start-up capital expenditures (CAPEX) and working capital for the proposed potato and butternut farming activities.

The farm currently employs three graduates and 12 temporary workers. These temporary workers are employed during planting, weeding and harvesting periods. They will be absorbed permanently post the NEF investment.

Investee Profile

Forever Mushrooms (Pty) Ltd

Company profile

Forever Mushrooms is a 100% black-owned start-up that will be growing mushrooms in a controlled environment. The company will operate from Botshabelo in the Free State, at the Free State Development Corporation Industrial Park.

The project is a collaboration between the University of the Free State (UFS) and Forever Mushrooms to commercialise an opportunity the institution has been exploring on a small scale. Forever Mushrooms will grow and sell these exotic mushrooms to off-takers (purchasers) for medicinal and home consumption. UFS will provide the spawns, training and ongoing technical and business support.

The NEF approved funding of R6.2 million to fund the production of mushrooms in a closed controlled environment using agricultural waste materials as substrates such as wood chips, corn cobs, pecan nutshells, cotton wool and many more.

A total of 12 permanent jobs will be created from this project.

Investee Profile Novamix Health (Pty) Ltd

Company profile

Navomix Health (Pty) Ltd, trading as "Navomix Health", is a 100% black woman-owned company specialising in private health, medical supplies and wellness programmes for corporate and state-owned entities. The entity is also 100% woman managed.

Navomix Health has been operating since May 2012 with various business models including medical services, protective clothing and staff wellness. Staff includes doctors, nurses and occupational health therapists and assistants. The company has been appointed by Airports Company South Africa (ACSA) as their private health service provider. Discovery Health has also identified the company as their preferred supplier of medical supplies.

The business has six clinics located at South African airports. Initially, it outsourced to other companies due to financial constraints. However, in 2018, it secured a long-term contract from ACSA and was able to employ permanent staff to set up the clinics as per the requirements of the contract.

Navomix Health has a national representation within South Africa and its main offices are situated in Fourways, Gauteng. It has seven years of experience in occupational health and primary healthcare. They have improved and implemented occupational health in many key organisations in South Africa.

To successfully deliver on orders, the business was granted funding of R10 million by the NEF under the COVID-19 Relief Fund.

The company employs 16 employees on a full-time basis.

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NATIONAL EMPOWERMENT FUND TRUST

CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS

31 MARCH 2021

PREPARED BY: FINANCE MANAGER

UNDER SUPERVISION OF:
ACTING CHIEF FINANCIAL OFFICER

ACCOUNTING AUTHORITY'S STATEMENT OF RESPONSIBILITY

The Acccounting Authority is 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 (NEF or the Trust). The consolidated financial statements presented have been prepared in accordance with the 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 Accounting Authority prepared the other information presented in the Annual Integrated Report and is 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 Group audited annual financial statements. The Accounting Authority has assessed the impact of COVID-19 on the Group's ability to continue as a going concern, and is satisfied that the Group remains a going concern. The Accounting Authority has 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 have been audited by the independent auditors, SizweNtsalubaGobodo Grant Thornton Inc. , who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Committees of the Board.

The audited consolidated financial statements, as set out on pages 96 to 162, have been approved by the Accounting Authority and are hereby signed by the Accounting Authority and the Chairman of the Board.

Ms Philisiwe Mthethwa
Chief Executive Officer

Mr Rakesh Garach
Chairman of the Board of Trustees

Date
Saturday, 31 July 2021

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 96 to 162, which comprise the consolidated and separate statement of financial position as at 31 March 2021, 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 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 financial position of the Group as at 31 March 2021, and their financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practices (GRAP) and the requirements of the Public Finance Management Act of South Africa (PFMA) and the National Empowerment Fund Act (NEF 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 our report.

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Restatement of corresponding figures

As disclosed in note 44 to the consolidated and separate financial statements the previously issued consolidated and separate financial statements for the year ended 31 March 2020, have been restated. As explained in note 44, this is to reflect the correct treatment of the investment in Golden Dice which was reclassified as a subsidiary and the correct treatment of the investment property.

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 GRAP, and the requirements of the PFMA and NEF 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 ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

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 National Empowerment Fund Trust's approved performance planning documents. 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 do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of 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 National Empowerment Fund Trust's annual performance report for the year ended 31 March 2021:

Key performance area	Page no
Objective 1: 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.	54

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 following objective:

Objective 1: 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, SME's, corporate finance and venture capital.

Other matters

We draw attention to the matters below.

Achievement of Planned Targets

Refer to the Annual Performance Report on pages 54 to 55 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

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.

The material findings on compliance with specific matters in key legislations are as follows:

Expenditure management

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R232,702,135 as disclosed in note 37 to the consolidated financial statements, as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure was caused by the subsidiaries of the National Empowerment Fund Trust not receiving the exemption in respect of Section 92 of the PFMA.

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 and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

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

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 on it.

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, 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the finding on compliance with legislation included in this report.

The accounting authority did not implement adequate controls to detect and prevent non-compliance with legislation.

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 9 years.

SizweNtsalubaGobodo Grant Thornton Inc.
Darshen Govender
Director
Registered Auditor
31 July 2021

20 Morris East Street,
Woodmead

ANNEXURE – AUDITOR'S RESPONSIBILITY FOR THE AUDIT

As part of an audit in accordance with the ISA's, 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.

Financial statements

In addition to our responsibility for the audit of the consolidated and separate financial statements as described in the auditor's report, 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 board of directors, which constitutes 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 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 us 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 provide the accounting authority with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them 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 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, regulations and the charter, 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, also allow the Audit Committee and Board of Trustees to exercise oversight of the Group.

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 Acting 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 (AC) has:

- Reviewed and discussed with the External Auditor and Management the audited annual financial statements included in the integrated report.
- Reviewed the External Auditor management letter and Management's responses thereto.
- Reviewed the appropriateness of accounting policies and practices.
- Reviewed the independence of the External Auditor.
- 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 Auditor on the annual financial statements, read together with the report of the External Auditor 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

31 July 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

		Group		Trust	
		2021	Restated 2020	2021	2020
	Notes	R	R	R	R
ASSETS					
Non-current assets		**2 641 072 957**	**2 181 137 597**	**2 698 970 709**	**2 226 542 668**
Property, plant and equipment	4	53 470 943	52 278 869	3 607 000	3 127 554
Investment property	5	12 000 000	12 000 000	-	-
Intangible assets	6	5 002 687	6 218 878	1 583	353 813
Goodwill	7	16 695 110	22 572 246	-	-
Deferred tax	8	641 301	1 577 275	-	-
Investments in associates	9	76 881 282	33 897 846	76 881 282	33 897 846
Investment in subsidiaries	10	-	-	19 876 603	19 876 603
Investments at fair value	11	1 147 417 428	863 100 499	1 147 417 428	863 100 499
Originated loans	12	1 187 698 497	1 073 822 061	1 309 921 104	1 190 516 430
Finance lease receivables	13	141 265 709	115 669 923	141 265 709	115 669 923
Current assets		**1 936 459 162**	**1 928 435 274**	**1 879 522 710**	**1 894 013 528**
Current portion of originated loans	12	292 283 791	322 639 578	292 283 791	322 639 577
Current portion of finance lease receivables	13	91 274 696	89 721 189	91 274 696	89 721 189
Investments held-for-trade	14	10 820 484	8 795 032	10 820 484	8 795 032
Current asset held for sale	15	-	165 500	-	165 500
Inventories	16	22 748 074	9 927 258	-	-
Trade and other receivables	17	46 883 451	37 478 612	17 142 812	17 270 199
Dividends receivables		-	35 907 718	-	35 907 774
Cash and cash equivalents	19	1 472 448 666	1 423 800 387	1 468 000 927	1 419 514 257
TOTAL ASSETS		**4 577 532 119**	**4 109 572 871**	**4 578 493 419**	**4 120 556 196**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2021 (continued)

		Group		Trust	
		2021	Restated 2020	2021	2020
	Notes	R	R	R	R
NET ASSETS AND LIABILITIES					
Net Assets		**3 869 885 520**	**3 627 795 002**	**3 893 253 847**	**3 649 164 010**
Trust capital	20	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472
Accumulated surplus		1 405 972 850	1 160 401 673	1 424 822 375	1 180 732 538
Revaluation reserve		3 421 673	3 421 673	-	-
Non-controlling interest		(7 940 475)	(4 459 816)	-	-
Non-current liabilities		**515 816**	**763 808**	**9 249 151**	**9 249 151**
Instalment sale agreements	21	515 816	763 808	-	-
Other liabilities - investment in subsidiary	10	-	-	9 249 151	9 249 151
Current liabilities		**707 130 783**	**481 014 061**	**675 990 421**	**462 143 035**
Trade and other payables	22	104 838 793	40 267 009	74 714 493	21 862 801
Enterprise development fund	23	601 275 928	440 280 234	601 275 928	440 280 234
Instalment sale agreements	21	261 944	247 529	-	-
Other financial liabilities		-	175 789	-	-
VAT payable		754 118	43 500	-	-
Total Liabilities		**707 646 599**	**481 777 869**	**685 239 572**	**471 392 186**
TOTAL NET ASSETS AND LIABILITIES		**4 577 532 119**	**4 109 572 871**	**4 578 493 419**	**4 120 556 196**

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2021

		Group		Trust	
		2021	Restated 2020	2021	2020
	Notes	R	R	R	R
Interest and dividend income	25	**204 470 308**	**309 655 049**	**212 029 222**	**320 100 026**
Net sundry income	26	**261 105 579**	**118 158 960**	**184 374 476**	**45 479 157**
Net revenue		**465 575 887**	**427 814 009**	**396 403 698**	**365 579 183**
Finance charges		(96 448)	(265 276)	-	-
Administration expenses	27	(331 060 125)	(292 492 867)	(252 420 412)	(219 590 182)
Net operating income		**134 419 314**	**135 055 866**	**143 983 286**	**145 989 001**
Impairment charge	29	(200 322 954)	(231 620 847)	(208 823 580)	(233 541 645)
Investment write-offs		-	(18 925 431)	-	(18 925 431)
Net loss before fair value adjustments		**(65 903 640)**	**(115 490 412)**	**(64 840 294)**	**(106 478 075)**
Fair value gains/losses		**308 930 131**	**(461 092 421)**	**308 930 131**	**(461 092 421)**
- Investments in associates	9	37 983 805	(27 811 366)	37 983 805	(27 811 366)
- Investments at fair value - non-associate equity investments	11.1	272 149 322	(409 156 075)	272 149 322	(409 156 075)
- Investments at fair value - unincorporated equity investments	11.2	(3 228 448)	(4 631 729)	(3 228 448)	(4 631 729)
- Investments held-for-trade	14	2 025 452	(19 493 251)	2 025 452	(19 493 251)
Surplus/(deficit) before taxation		**243 026 491**	**(576 582 833)**	**244 089 837**	**(567 570 496)**
Taxation	28	(935 973)	(1 520 481)	-	-
Surplus/(deficit) for the year		**242 090 518**	**(578 103 314)**	**244 089 837**	**(567 570 496)**
Surplus/(deficit) attributable to					
Owners of the parent		245 571 177	(575 871 722)	-	-
Non-controlling interest		(3 480 659)	(2 231 592)	-	-
		242 090 518	**(578 103 314)**	**244 089 837**	**(567 570 496)**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2021

Group

	Note	Trust capital R	Accumulated surplus R	Revaluation reserve R	Non-controlling interest R	Total R
Balance 31 March 2019		**2 468 431 472**	**1 736 273 395**	**3 421 673**	**-**	**4 208 126 540**
Acquisition of subsidiary		-	-	-	**(2 228 224)**	**(2 228 224)**
Deficit for the year		-	(575 871 722)	-	(2 231 592)	(578 103 314)
Restated balance at 31 March 2020		**2 468 431 472**	**1 160 401 673**	**3 421 673**	**(4 459 816)**	**3 627 795 002**
Surplus for the year		-	245 571 177	-	(3 480 659)	242 090 518
Balance at 31 March 2021		**2 468 431 472**	**1 405 972 850**	**3 421 673**	**(7 940 475)**	**3 869 885 520**
		Note 20				

Trust

	Note	Trust capital R	Accumulated surplus R	Total R
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**
Surplus for the year		-	244 089 837	244 089 837
Balance at 31 March 2021		**2 468 431 472**	**1 424 822 375**	**3 893 253 847**
		Note 20		

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2021

		Group		Trust	
			Restated		
		2021	2020	2021	2020
	Notes	R	R	R	R
Net cash generated from operating activities	32	**143 568 988**	**56 252 348**	**146 243 667**	**45 740 546**
Cash received from customers		322 271 662	331 850 493	3 227 022	17 815 853
Cash paid to suppliers and employees		(519 161 604)	(475 598 145)	(197 442 285)	(172 075 307)
Covid-19 receipt		-	200 000 000	-	200 000 000
Cash received from enterprise development funders		340 458 930	-	340 458 930	-
Net cash (utilised by)/generated from investing activities		**(94 432 782)**	**336 564 355**	**(97 756 997)**	**356 275 502**
Additions to property, plant and equipment	4	(5 789 963)	(5 623 931)	(2 492 068)	(1 817 134)
Additions to intangible assets	6	-	(337 545)	-	-
Proceeds from disposal of property, plant and equipment		84 313	-	-	-
Investment disbursements	33	(431 958 368)	(261 389 790)	(445 823 133)	(269 446 344)
Dividends received		89 752 820	59 118 967	89 752 718	59 118 967
Interest received		41 808 112	75 245 066	41 715 182	80 169 854
Repayments on originated loans leases and preference shares	34	211 504 804	465 011 588	218 924 804	483 710 159
Proceeds from sale of investments		165 500	4 540 000	165 500	4 540 000
Net cash (utilised by)/generated from financing activities		**(487 927)**	**7 022 629**	**-**	**-**
Repayment of instalment sale		(312 138)	(1 008 996)	-	-
Movement in other financial liabilities		(175 789)	8 031 625	-	-
Increase in cash and cash equivalents		**48 648 279**	**399 839 332**	**48 486 670**	**402 016 048**
Cash and cash equivalents at beginning of the year		**1 423 800 387**	**1 023 961 055**	**1 419 514 257**	**1 017 498 209**
Cash and cash equivalents at end of the year	19	**1 472 448 666**	**1 423 800 387**	**1 468 000 927**	**1 419 514 257**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

for the year ended 31 March 2021

		Trust		
		Approved final budget	**Actual**	**Variance**
	Notes	R	R	R
Revenue	35.1	**227 741 186**	**212 029 222**	**(15 711 964)**
Sundry income	35.2	32 950 000	184 374 476	151 424 476
Total Income		**260 691 186**	**396 403 698**	**135 712 512**
Expenses				
Compensation of employees		(196 459 630)	(191 979 938)	4 479 692
Use of goods and services		(64 193 221)	(60 440 474)	3 752 747
Total expenses	35.3	**(260 652 851)**	**(252 420 412)**	**8 232 439**
Net operating income		**38 335**	**143 983 286**	**143 944 951**
Impairment charge	35.4	(55 284 961)	(208 823 580)	(153 538 619)
Net loss before fair value adjustments		**(55 246 626)**	**(64 840 294)**	**(9 593 668)**
Net fair value gains	35.5	-	308 930 131	308 930 131
Surplus/(deficit) for the year		**(55 246 626)**	**244 089 837**	**299 336 463**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021

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.

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 Accounting Authority has 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

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, Golden Dice (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 Group 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	5%
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

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 Technology 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 Group commits to purchase or sell the asset. The Group 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 Group 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 Group classifies financial assets in the following categories: investments at fair value or held for trade, 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 Group 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Fair value estimation – day 1 profit

The Group 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 Group 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 Group 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 Group 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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

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 Group contributes to a provident fund, which is a defined contribution plan, on a monthly basis. A defined contribution plan is one under which the Group 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 Group recognises a liability and an expense in circumstances when bonuses are approved. The Group 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 Group 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 Group 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 Group 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.

(c) Fair value of investment property

Fair value on investment property is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

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 2021 (continued)

2 NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Trust has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 34 – Separate financial statements

The effective date of this standard was 1 April 2020. The adoption of the standard did not have a material impact on the Trust's annual financial statements.

GRAP 35 – Consolidated financial statements

The effective date of this standard was 1 April 2020. The adoption of the standard did not have a material impact on the Trust's annual financial statements.

GRAP 36 – Investments in associates and joint ventures

The effective date of this standard was 1 April 2020. The adoption of the standard did not have a material impact on the Trust's annual financial statements.

GRAP 38 – Disclosure of interests in other entities

The effective date of this standard was 1 April 2020. The adoption of the standard did not have a material impact on the Trust's annual financial statements.

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 Group.

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*	2021 R	2020 R
Standard Bank	Ba2	271 765 477	292 882 083
First National Bank	Ba2	243 248 280	209 358 718
South African Reserve Bank	Ba2	950 962 038	915 316 625
Rand Merchant Bank	Ba2	2 024 884	1 956 583
Total Cash held with banks (Trust)		**1 468 000 679**	**1 419 514 009**
Zastrovest Investment (First National Bank)	Ba2	3 328 213	3 313 184
Surgetek (Pty) Ltd (Standard Bank)	Ba2	591 212	248 048
Delswa (Pty) Ltd (Standard Bank)	Ba2	24 682	104 437
National Empowerment Fund SOC Ltd (Standard Bank)	Ba2	36 763	191 678
Golden Dice Foods (Pty) Ltd (Standard Bank)	Ba2	168 458	116 765
Total balance for Group		**1 472 150 007**	**1 423 488 121**

The Group'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 2021 updates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

3 RISK MANAGEMENT (continued)

3.1 Credit risk

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

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	R	**R**	**R**	**R**
Originated Loans				
Normal monitoring and performing loans	1 236 835 482	1 111 348 935	1 348 309 745	1 214 405 880
Close monitoring	206 139 247	185 224 823	224 718 291	202 400 980
Partly/fully impaired	618 417 741	555 674 467	674 154 873	607 202 940
	2 061 392 470	**1 852 248 226**	**2 247 182 909**	**2 024 009 800**
Finance Leases				
Normal monitoring and performing leases	200 546 058	157 842 560	200 546 058	157 842 560
Close monitoring	33 424 343	26 307 093	33 424 343	26 307 093
Partly/fully impaired	100 273 029	78 921 280	100 273 029	78 921 280
	334 243 430	**263 070 933**	**334 243 430**	**263 070 933**

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 Group 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 (2021 - 86%: 2020 – 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 Group 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 2021, the portfolio was assessed from this risk rating approach as follows:

Trust

	2021		2020	
Category	**% by number**	**% by value**	**% by number**	**% by value**
Performing	54%	60%	66%	60%
Impaired	42%	30%	33%	30%
Close Monitoring	4%	10%	1%	10%

Group

	2021		2020	
Category	**% by number**	**% by value**	**% by number**	**% by value**
Performing	54%	60%	66%	60%
Impaired	42%	30%	33%	30%
Close Monitoring	4%	10%	1%	10%

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 2021 (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

	2021			2020		
	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	1 602 204 895	101 390 500	16 022 049	1 513 156 007	163 327 621	15 131 560
Finance leases	232 540 405	15 078 494	2 325 404	205 391 112	19 515 057	2 053 911
Cash and cash equivalents	1 468 000 927	41 715 182	14 680 009	1 419 514 257	75 103 921	14 195 143
Total effect on Profit/Loss	**3 302 746 227**	**158 184 176**	**33 027 462**	**3 138 061 376**	**257 946 599**	**31 380 614**

Group

	2021			2020		
	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	1 479 982 288	93 738 656	14 799 823	1 396 461 639	152 741 499	13 964 616
Finance leases	232 540 405	15 078 494	2 325 404	205 391 112	19 515 057	2 053 911
Cash and cash equivalents	1 472 448 666	41 808 112	14 724 487	1 423 800 387	75 245 066	14 238 004
Total effect on Profit/Loss	**3 184 971 359**	**150 625 262**	**31 849 714**	**3 025 653 138**	**247 501 622**	**30 256 531**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

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 government allocated investment in MTN as well as an investment in Tsogo Sun 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
Tsogo Sun	5 104 002	2,12	10 820 484	11 902 533	9 738 436
MTN Ltd	10 114 866	86,85	878 476 112	966 323 723	790 628 501
Total			**889 296 596**	**978 226 256**	**800 366 937**

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 2021 (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 (2020: R2 297 431 472 - note 20). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

4 PROPERTY, PLANT AND EQUIPMENT (TRUST)

2021	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	1 620 867	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**	**1 532 966**	**116 642**	**35 458**	**150 414**	**89 861**	**96 601**	**3 127 554**
Movement for the year								
Additions	-	2 492 068	-	-	-	-	-	2 492 068
Net Disposal	-	-	-	-	-	-	-	-
Disposals/ Derecognition at cost	-	(16 312)	-	-	-	-	-	(16 312)
Depreciation on disposed/derecognised assets	-	16 312	-	-	-	-	-	16 312
Depreciation	(405 150)	(1 381 817)	(91 754)	(19 918)	(34 904)	(76 164)	(2 915)	(2 012 622)
	(405 150)	**1 110 251**	**(91 754)**	**(19 918)**	**(34 904)**	**(76 164)**	**(2 915)**	**479 446**
Closing Balance								
Cost	1 620 867	8 080 802	315 811	359 613	632 987	821 002	149 790	11 980 872
Accumulated depreciation	(920 405)	(5 437 586)	(290 923)	(344 073)	(517 477)	(807 305)	(56 104)	(8 373 873)
Net Book Value	**700 462**	**2 643 217**	**24 888**	**15 540**	**115 510**	**13 697**	**93 686**	**3 607 000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

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

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
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**	**1 532 966**	**116 642**	**35 458**	**150 414**	**89 861**	**96 601**	**3 127 554**
Gross carrying amount of fully depreciated assets still in use	**-**	**3 452 816**	**40 298**	**270 306**	**423 408**	**784 756**	**5 000**	**4 976 583**

4 PROPERTY, PLANT AND EQUIPMENT (GROUP)

2021	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	40 778 500	12 949 109	7 067 640	315 811	3 446 977	1 485 443	1 419 113	2 772 768	149 790	983 177	71 368 329
Accumulated depreciation	(1 503 000)	(5 549 469)	(5 126 048)	(199 169)	(2 520 533)	(980 661)	(958 392)	(1 785 594)	(53 189)	(413 404)	(19 089 460)
Net Book Value	**39 275 500**	**7 399 640**	**1 941 592**	**116 642**	**926 444**	**504 782**	**460 721**	**987 174**	**96 601**	**569 773**	**52 278 869**
Movement for the year											
Additions	-	1 409 565	2 599 630	-	2 953 968	22 255	3 300	165 240	-	45 570	7 199 528
Net Disposal	-	(39 688)	(34 553)	-	-	(9 760)	(2 502)	-	-	9 352	(77 151)
Disposals/ Derecognition at cost	-	(75 000)	(121 264)	-	(7 399)	(22 887)	(8 066)	-	-	(39 798)	(274 414)
Depreciation on disposed/derecognised assets	-	35 312	86 711	-	7 399	13 127	5 564	-	-	49 150	197 263
Depreciation	(1 503 000)	(1 655 646)	(1 540 769)	(91 754)	(530 272)	(162 728)	(120 282)	(290 401)	(2 924)	(32 527)	(5 930 303)
	(1 503 000)	**(285 769)**	**1 024 308**	**(91 754)**	**2 423 696**	**(150 233)**	**(119 484)**	**(125 161)**	**(2 924)**	**22 395**	**1 192 074**
Closing Balance											
Cost	40 778 500	14 283 674	9 546 007	315 811	6 393 546	1 484 811	1 414 347	2 938 008	149 790	988 949	78 293 443
Accumulated depreciation	(3 006 000)	(7 169 803)	(6 580 106)	(290 923)	(3 043 406)	(1 130 262)	(1 073 110)	(2 075 995)	(56 113)	(396 781)	(24 822 500)
Net Book Value	**37 772 500**	**7 113 871**	**2 965 900**	**24 888**	**3 350 140**	**354 549**	**341 237**	**862 013**	**93 677**	**592 168**	**53 470 943**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

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

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	40 778 500	9 933 629	5 821 815	315 811	2 690 253	1 443 534	1 268 508	2 514 855	149 790	883 631	65 800 326
Accumulated depreciation	-	(4 575 347)	(4 108 836)	(107 164)	(2 344 823)	(849 845)	(811 183)	(1 523 862)	(50 265)	(473 541)	(14 844 866)
Net Book Value	**40 778 500**	**5 358 282**	**1 712 979**	**208 647**	**345 430**	**593 689**	**457 325**	**990 994**	**99 525**	**410 090**	**50 955 460**
Movement for the year											
Additions	-	3 514 381	1 370 476	-	764 123	74 899	158 671	257 913	-	139 344	6 279 807
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	(1 503 000)	(1 473 022)	(1 119 826)	(92 005)	(183 109)	(163 770)	(152 773)	(261 733)	(2 924)	(25 266)	(4 977 428)
	(1 503 000)	**2 041 358**	**228 613**	**(92 005)**	**581 014**	**(88 907)**	**3 396**	**(3 820)**	**(2 924)**	**159 683**	**1 323 409**
Closing Balance											
Cost	40 778 500	12 949 109	7 067 640	315 811	3 446 977	1 485 443	1 419 113	2 772 768	149 790	983 177	71 368 329
Accumulated depreciation	(1 503 000)	(5 549 469)	(5 126 048)	(199 169)	(2 520 533)	(980 661)	(958 392)	(1 785 594)	(53 189)	(413 404)	(19 089 460)
Net Book Value	**39 275 500**	**7 399 640**	**1 941 592**	**116 642**	**926 444**	**504 782**	**460 721**	**987 174**	**96 601**	**569 773**	**52 278 869**
Gross carrying amount of fully depreciated assets still in use	**-**	**191 975**	**3 452 816**	**40 298**	**269 473**	**270 306**	**743 476**	**784 756**	**5 000**	**292 902**	**6 051 001**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

		Group		Trust	
		2021	**2020**	**2021**	**2020**
		R	**R**	**R**	**R**
5	**INVESTMENT PROPERTY**				
	Restated opening balance	12 000 000	12 000 000	-	-
	Movement	-	-	-	-
	Closing balance	**12 000 000**	**12 000 000**	**-**	**-**

* Delswa Property has been disposed. However one condition which is the rezoning has not yet been met. The derecognition criteria has not been met hence the property remains the asset of Delswa.

		Group		Trust	
		2021	**2020**	**2021**	**2020**
		R	**R**	**R**	**R**
6	**INTANGIBLE ASSETS**				
	Computer software				
	Opening 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**
	Movement for the year:				
	Additions	-	337 545	-	-
	Disposal/Reclassification - cost	-	(2 017)	-	-
	Accumulated amortisation on disposed asset	-	2 014	-	-
	Amortisation	(1 216 191)	(1 229 653)	(352 230)	(381 824)
		(1 216 191)	(892 111)	(352 230)	(381 824)
	Closing balance				
	Cost	9 412 802	9 412 802	1 379 242	1 379 242
	Accumulated amortisation	(4 410 115)	(3 193 924)	(1 377 659)	(1 025 429)
	Net book value	**5 002 687**	**6 218 878**	**1 583**	**353 813**

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.

Group **Trust**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

		Group 2021 R	Group 2020 R	Trust 2021 R	Trust 2020 R
7	**GOODWILL**				
	Opening balance				
	Cost	60 912 198	58 771 359	-	-
	Accumulated amortisation	(38 339 952)	(32 462 816)	-	-
	Carrying value	**22 572 246**	**26 308 543**	**-**	**-**
	Movement for the year:				
	Additions	-	2 140 839	-	-
	Amortisation for the year	(5 877 136)	(5 877 136)	-	-
	Closing balance				
	Cost	60 912 198	60 912 198	-	-
	Accumulated amortisation	(44 217 088)	(38 339 952)	-	-
	Net book value	**16 695 110**	**22 572 246**	**-**	**-**
8	**DEFERRED TAX**				
	Deferred tax asset				
	Accelerated capital allowances for tax purposes	(1 002 706)	(1 309 289)	-	-
	Allowance for credit losses	504 064	590 788	-	-
	Employee benefits	309 573	266 069	-	-
	Tax losses available for set off against future taxable income	830 370	2 029 707	-	-
	Closing balance	**641 301**	**1 577 275**	**-**	**-**
	Reconciliation of deferred tax asset				
	At beginning of the year	1 577 275	3 097 756	-	-
	Originating temporary difference on tangible fixed assets	168 254	(893 438)	-	-
	Decrease in tax loss available for set off against future taxable income	(1 142 989)	(675 872)	-	-
	Originating temporary difference on employee benefits	43 504	(1 235)	-	-
	Originating temporary difference on allowance for credit losses	(86 725)	50 064	-	-
	Arising from prior period adjustments not recognised respectively	81 982	-	-	-
		641 301	**1 577 275**	**-**	-

	2021 R	2020 R	2021 R	2020 R
9 INVESTMENTS IN ASSOCIATES				
Investments at cost	**251 910 900**	**246 910 900**	**251 910 900**	**246 910 900**
- Opening balance	246 910 900	246 910 531	246 910 900	246 910 531
- Additions	5 000 000	500	5 000 000	500
- Transfers to non-associate equity investments	-	(15)	-	(15)
- Transfer to investment in subsidiaries	-	(49)	-	(49)
- Write off	-	(67)	-	(67)
Fair value adjustments	(175 029 618)	(213 013 054)	(175 029 618)	(213 013 054)
- Opening balance	(213 013 054)	(183 480 896)	(213 013 054)	(183 480 896)
- Write off	(369)	(1 720 792)	(369)	(1 720 792)
- Fair value gain/(loss)	37 983 805	(27 811 366)	37 983 805	(27 811 366)
Net investment in associates	**76 881 282**	**33 897 846**	**76 881 282**	**33 897 846**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

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 2021 Interest held (%)	Voting power 2020 Interest held (%)	2021 R	2020 R
Unlisted:					
125 Village Hub (Pty) Ltd/ Muma Investments	Property	20,0%	20,0%	200	200
Africa People Mover (Pty) Ltd	Transportation	25,0%	25,0%	100	100
Allimor Footwear (Pty) Ltd	Manufacturing	30,0%	30,0%	1 553 172	1 300 888
Amazin Hotels (Pty) Ltd	Tourism & Entertainment	20,0%	20,0%	1	1
Argon Security (Pty) Ltd	Financial services	49,0%	0,0%	5 000 000	-
Business Venture Investments (Pty) Ltd	Healthcare	30,0%	30,0%	1	1
Colliery Dust Control (Pty) Ltd	Agro Processing	44,6%	40,1%	10 388 700	8 799 710
Crowie Holdings (Pty) Ltd	Mining	25,1%	25,1%	25 000 000	2 872 444
False Bay Bricks (Pty) Ltd	Manufacturing	30,0%	30,0%	729 693	1 289 575
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	Construction	30,0%	30,0%	300	300
XTLS Trading (Pty) Ltd	Construction	20,0%	0,0%	1 198 379	-
Gradoscope (Pty) Ltd	Tourism & Entertainment	26,0%	26,0%	26	26
Graskop Gorge Lift Company (Pty) Ltd	Tourism & Entertainment	26,1%	26,1%	3 190 060	2 321 739
Imbaza Mussel (Pty) Ltd	Agro Processing	25,0%	25,0%	502 484	492 585
Joy House Academy (Pty) Ltd	Education	45,0%	45,0%	1 463 198	1 000
Magoveni Pharmaceuticals (Pty) Ltd	Pharmaceuticals	25,0%	25,0%	1	1
M-Care Management Company (Pty) Ltd	Healthcare	30,0%	30,0%	1	1
M-Care Operating Company (Pty) Ltd	Healthcare	25,1%	25,1%	1	1
M-Care Property Company (Pty) Ltd	Healthcare	22,5%	22,5%	1	1
Middelsdrift Dairy (Pty) Ltd	Agro Processing	40,0%	40,0%	1	1
Mohale Agricultural Co-operative	Agro Processing	45,0%	45,0%	450	450
Mopadi Molamu (Pty) Ltd	Agro Processing	20,0%	20,0%	30	30
Okubabayo (Pty) Ltd	Manufacturing	30,0%	30,0%	2 817 878	2 817 878
Petrocom (Pty) Ltd	Energy	30,0%	30,0%	30	30
Pyratrade (Pty) Ltd	Agro Processing	30,0%	30,0%	1	1
Rapid Purple Waters Trading (Pty) Ltd	Agro Processing	25,0%	25,0%	250	2 483 457
Rhino Ridge Lodge (Pty) Ltd	Tourism & Entertainment	33,3%	33,3%	333	333
Royal Thonga Safari Lodge (Pty) Ltd	Tourism & Entertainment	36,0%	36,0%	36	36
Sehwai Exploration Drilling (Pty) Ltd	Mining	45,0%	45,0%	112	112
Stutt Brick Company (Pty) Ltd	Construction	49,0%	49,0%	1	1
Super Grand Agric (Pty) Ltd	Agro Processing	30,0%	30,0%	45	45
Tshellaine Holdings (Pty) Ltd	Property	30,0%	30,0%	30	30
Umnotho Maize (Pty) Ltd	Services	40,0%	40,0%	400	400
Unique Engineering (Pty) Ltd	Engineering	49,0%	49,0%	19 635 144	8 841 709
Value Cement (Pty) Ltd	Construction	25,8%	25,8%	1	1
Willowvale (Pty) Ltd	Property	45,0%	45,0%	5 400 121	2 674 559
YG Property Investments (Pty) Ltd	Property	20,0%	20,0%	200	200
				76 881 282	**33 897 846**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	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
Golden Dice Foods (Pty) Ltd			49	49
Investment in subsidiaries	-	-	19 876 603	19 876 603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

		Group		Trust	
		2021	**2020**	**2021**	**2020**
		R	**R**	**R**	**R**
11	**INVESTMENTS AT FAIR VALUE**				
11.1	**Non-associate equity investments (Excluding Strategic Project Fund transactions)**				
	Opening Balance	**863 082 499**	**1 251 265 368**	**863 082 499**	**1 251 265 368**
	Movements	**284 316 929**	**(388 182 869)**	**284 316 929**	**(388 182 869)**
11.1.1	MTN shares - fair value adjustments	389 017 746	(406 921 059)	389 017 746	(406 921 059)
	Transfers from associates	-	1 720 307	-	1 720 307
	Transfers from originated loans	12 167 607	50 000	12 167 607	50 000
	Additions	-	23 743 503	-	23 743 503
11.1.1	Unlisted securities - fair value adjustments and write-offs	(116 868 424)	(2 235 015)	(116 868 424)	(2 235 015)
11.1.1	Write-off at cost	-	(30 604)	-	(30 604)
11.1.1	Write-off of FV	-	29 999	-	29 999
	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	**1 147 399 428**	**863 082 499**	**1 147 399 428**	**863 082 499**

Financials

	Group 2021 R	Group 2020 R	Trust 2021 R	Trust 2020 R
11 INVESTMENTS AT FAIR VALUE (continued)				
Non- associate investments include:				
Listed securities:				
- Equity securities : RSA (MTN Shares)	878 476 112	489 458 366	878 476 112	489 458 366
Unlisted securities:				
Securities not traded on an active market	268 923 316	373 624 133	268 923 316	373 624 133
Beat FM	196	196	196	196
Busamed (Pty) Ltd	240 906 807	359 422 560	240 906 807	359 422 560
Elgin Engineering (Pty)	1	1	1	1
Global Wheel (Pty) Ltd	1 198 362	1 218 673	1 198 362	1 218 673
Liciatron (Pty) Ltd	1	1	1	1
Matlosana (Pty) Ltd	12 167 607	-	12 167 607	-
Mayborn Investments (Pty) Ltd	3 622 368	3 133 295	3 622 368	3 133 295
Motseng Investment Holdings (Pty) Ltd	1	1	1	1
MSG Africa Broadcasting (Pty) Ltd	178	178	178	178
Nyonende Investments (Pty) Ltd	1	1	1	1
On Digital Media (Pty) Ltd	1	1	1	1
Ordicode (Pty) Ltd	600	600	600	600
Rhythm FM	196	196	196	196
Rikatec (Pty) Ltd	5 000 000	5 000 000	5 000 000	5 000 000
Sky Rink Studios (Pty) Ltd	130	130	130	130
Western Breeze Trading 297 (Pty) Ltd	51	51	51	51
Zulimar Trading (Pty) Ltd	6 026 816	4 848 249	6 026 816	4 848 249
	1 147 399 428	**863 082 499**	**1 147 399 428**	**863 082 499**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

		Group 2021 R	Group 2020 R	Trust 2021 R	Trust 2020 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	**109 640 693**	**106 412 245**	**109 640 693**	**106 412 245**
	Opening Balance	106 412 245	103 758 683	106 412 245	103 758 683
	Additions	3 228 448	4 632 729	3 228 448	4 632 729
	Re-classification	-	(1 979 167)	-	(1 979 167)
	Fair value movements	**(109 622 693)**	**(106 394 245)**	**(109 622 693)**	**(106 394 245)**
	- Balance brought forward from prior year	(106 394 245)	(103 740 683)	(106 394 245)	(103 740 683)
11.2.1	- Fair value (losses)	(3 228 448)	(4 631 729)	(3 228 448)	(4 631 729)
	- 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**
	Total investments at fair value	**1 147 417 428**	**863 100 499**	**1 147 417 428**	**863 100 499**

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:

2021

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	1 000	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 (Pty) Ltd	8 678 360	1 000	50%	50%
Travallo (Pty) Ltd	539 826	1 000	49%	49%
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	7 414 419	1 000	50%	50%
Cape Town Creative Studios	810 996	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%
Nkomazi Cotton Development Project	467 942	1 000	49%	49%
	111 290 324	**18 000**		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

11 INVESTMENTS AT FAIR VALUE
(continued)

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 (Pty) Ltd	7 478 360	1 000	50%	50%
Travallo (Pty) Ltd	539 826	1 000	49%	49%
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**		

*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, these are normal investments of the Trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	R	**R**	**R**	**R**
12 ORIGINATED LOANS				
Opening balance	**1 852 248 226**	**2 122 896 702**	**2 024 009 800**	**2 294 707 245**
Net movement for the year	**209 144 244**	**(270 648 477)**	**223 173 109**	**(270 697 445)**
Loans disbursed	353 020 601	167 818 290	366 885 366	175 874 844
Interest capitalised	93 738 656	152 741 499	101 390 500	163 327 621
Loan repayments	(190 877 360)	(440 849 039)	(198 297 360)	(459 547 610)
Write-offs	(38 858 272)	(153 108 508)	(38 956 015)	(153 108 508)
Transfer to investment in associates/available for sale	(12 167 607)	-	(12 167 607)	-
Reclassification between gross and accumulated impairment	2 391 511	-	2 391 511	-
Capital raising fees	1 896 715	2 749 281	1 926 714	2 779 281
Closing balance	**2 061 392 470**	**1 852 248 226**	**2 247 182 909**	**2 024 009 800**
Provision for impairment	**(581 410 182)**	**(455 786 587)**	**(644 978 014)**	**(510 853 793)**
- Opening balance	(455 786 587)	(379 925 382)	(510 853 793)	(433 071 790)
- Impairments for the year	(162 192 563)	(209 927 645)	(170 693 189)	(211 848 443)
Reclassification between gross and accumulated impairment	(2 391 511)	-	(2 391 511)	-
- Write-offs	38 960 479	134 066 440	38 960 479	134 066 440
	1 479 982 288	**1 396 461 639**	**1 602 204 895**	**1 513 156 007**
Net originated loan balance	**1 479 982 288**	**1 396 461 639**	**1 602 204 895**	**1 513 156 007**
Current portion	292 283 791	322 639 578	292 283 791	322 639 577
Long-term portion	1 187 698 497	1 073 822 061	1 309 921 104	1 190 516 430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	R	**R**	**R**	**R**
13 FINANCE LEASE RECEIVABLES				
Opening balance	263 070 933	209 513 626	263 070 933	209 513 626
Net movement for the year	**71 172 497**	**53 557 307**	**71 172 497**	**53 557 307**
Additions	70 709 319	65 194 768	70 709 319	65 194 768
Reclassification between gross and accumulated impairment	6 881 308	-	6 881 308	-
Interest capitalised	15 078 494	19 515 057	15 078 494	19 515 057
Repayments	(20 627 444)	(24 162 549)	(20 627 444)	(24 162 549)
Capital raising fee	123 780	383 847	123 780	383 847
Write-offs	(992 960)	(7 511 225)	(992 960)	(7 511 225)
Closing balance	**334 243 430**	**263 070 933**	**334 243 430**	**263 070 933**
Provision for impairment	**(101 703 025)**	**(57 679 821)**	**(101 703 025)**	**(57 679 821)**
- Opening balance	(57 679 821)	(43 414 481)	(57 679 821)	(43 414 481)
Reclassification between gross and accumulated impairment	(6 881 308)	-	(6 881 308)	-
- Impairments for the year	(38 130 391)	(21 693 202)	(38 130 391)	(21 693 202)
- Write-offs	988 495	7 427 862	988 495	7 427 862
Net finance lease receivable balance	**232 540 405**	**205 391 112**	**232 540 405**	**205 391 112**
Gross investment in leases due				
	368 563 238	**301 668 215**	**368 563 238**	**301 668 215**
- Within one year	147 257 497	107 483 977	147 257 497	107 483 977
- In second to fifth year inclusive	221 305 741	194 184 238	221 305 741	194 184 238
Less: unearned finance income	(34 319 808)	(38 597 281)	(34 319 808)	(38 597 281)
Gross value of minimum lease payments receivable	334 243 430	263 070 933	334 243 430	263 070 933
Less: allowance for uncollectable minimum lease payments	(101 703 025)	(57 679 821)	(101 703 025)	(57 679 821)
Gross value	**232 540 405**	**205 391 112**	**232 540 405**	**205 391 112**
Present value of minimum lease payments due				
- within one year	131 194 265	89 721 189	131 194 265	89 721 189
- in second to fifth year inclusive	203 049 165	173 349 744	203 049 165	173 349 744
	334 243 430	263 070 933	334 243 430	263 070 933
Less: allowance for uncollectable minimum lease payments	(101 703 025)	(57 679 821)	(101 703 025)	(57 679 821)
Carrying amount of minimum lease payments	**232 540 405**	**205 391 112**	**232 540 405**	**205 391 112**
Net finance lease receivable balance	**232 540 405**	**205 391 112**	**232 540 405**	**205 391 112**
Current portion	91 274 696	89 721 189	91 274 696	89 721 189
Long-term portion	141 265 709	115 669 923	141 265 709	115 669 923

The average lease term is 5 years (2020:5 years) and the average effective lending rate is 7% (2020: 7.45%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	R	**R**	**R**	**R**

14 INVESTMENTS HELD FOR TRADE

Fair value balance at beginning of year	8 795 032	28 288 283	8 795 032	28 288 283
	8 795 032	**28 288 283**	**8 795 032**	**28 288 283**
Fair value gains/losses	2 025 452	(19 493 251)	2 025 452	(19 493 251)
Fair value balance at end of year	**10 820 484**	**8 795 032**	**10 820 484**	**8 795 032**
Investments held for trade				
Listed securities				
Tsogo Sun	10 820 484	8 795 032	10 820 484	8 795 032
	10 820 484	**8 795 032**	**10 820 484**	**8 795 032**

15 CURRENT ASSET HELD FOR SALE

Opening balance	165 500	1 073 400	165 500	1 073 400
Disposal	(165 500)	(907 900)	(165 500)	(907 900)
Closing balance	**–**	**165 500**	**–**	**165 500**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	R	**R**	**R**	**R**
16 INVENTORIES				
Finished goods	21 874 787	6 720 296	-	-
Pallets trolleys and bins	873 287	854 919	-	-
Lightning and surge protection goods	-	2 394 624	-	-
Lightning and surge protection goods in transit	-	(42 581)	-	-
	22 748 074	**9 927 258**	**-**	**-**
17 TRADE AND OTHER RECEIVABLES				
Trade receivables	25 776 660	18 273 276	-	-
Deposits	1 907 893	1 821 845	1 845 161	1 845 161
VAT	666 069	-	-	-
Other receivables	18 532 829	17 383 491	15 297 651	15 425 038
Total	**46 883 451**	**37 478 612**	**17 142 812**	**17 270 199**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

18 FINANCIAL ASSETS

	Group			
	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair Value
	R	R	R	R
Loans and receivables	**1 759 406 144**	**1 759 406 144**	**1 639 331 363**	**1 639 331 363**
*- Originated loans	1 479 982 288	1 479 982 288	1 396 461 639	1 396 461 639
*- Finance leases	232 540 405	232 540 405	205 391 112	205 391 112
- Trade and other receivables	46 883 451	46 883 451	37 478 612	37 478 612
Investments held at fair value	**1 147 417 428**	**1 147 417 428**	**863 100 499**	**863 100 499**
- Unlisted non-associate equity investments	268 923 316	268 923 316	373 624 133	373 624 133
- Listed non associate equity investments	878 476 112	878 476 112	489 458 366	489 458 366
- Unincorporated equity investments	18 000	18 000	18 000	18 000
Investment in associates	**76 881 282**	**76 881 282**	**33 897 846**	**33 897 846**
Investments held for trade	**10 820 484**	**10 820 484**	**8 795 032**	**8 795 032**
- Listed equity	10 820 484	10 820 484	8 795 032	8 795 032
Total	**2 994 525 338**	**2 994 525 338**	**2 545 124 740**	**2 545 124 740**

* Originated loans and finance leases investment balances are discounted using the market related interest rates which is prime linked. Hence the carrying amounts will be the same as fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

18 FINANCIAL ASSETS (continued)

	Trust			
	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair Value
	R	R	R	R
Loans and receivables	**1 851 888 112**	**1 851 888 112**	**1 735 817 318**	**1 735 817 318**
*- Originated loans (Refer to note 12)	1 602 204 895	1 602 204 895	1 513 156 007	1 513 156 007
*- Finance leases (Refer to note 13)	232 540 405	232 540 405	205 391 112	205 391 112
- Trade and other receivables (Refer to note 17)	17 142 812	17 142 812	17 270 199	17 270 199
Investments held at fair value	**1 147 417 428**	**1 147 417 428**	**863 100 499**	**863 100 499**
- Unlisted non associate equity investments (Refer to note 11.1)	268 923 316	268 923 316	373 624 133	373 624 133
- Listed non associate equity investments (Refer to note 11.1)	878 476 112	878 476 112	489 458 366	489 458 366
- Unincorporated equity investments (Refer to note 11.2)	18 000	18 000	18 000	18 000
Investment in associates (Refer to note 9)	**76 881 282**	**76 881 282**	**33 897 846**	**33 897 846**
Investments held for trade	**10 820 484**	**10 820 484**	**8 795 032**	**8 795 032**
- Listed equity (Refer to note 14)	10 820 484	10 820 484	8 795 032	8 795 032
Total	**3 087 007 306**	**3 087 007 306**	**2 641 610 695**	**2 641 610 695**

* Originated loans and finance leases investment balances are discounted using the market related interest rates which is prime linked. Hence the carrying amounts will be the same as fair values.

18 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:

2021

	Level 1 R	Level 2 R	Level 3 R	Total R
Financial assets at fair value through profit and loss	**10 820 484**	**-**	**76 899 282**	**87 719 766**
Associates	-	-	76 881 282	76 881 282
Unincorporated equity investments	-	-	18 000	18 000
Investments held for trade	10 820 484	-	-	10 820 484
Non-associate equity investments	**878 476 112**	**-**	**268 923 316**	**1 147 399 428**
Listed equities	878 476 112	-	-	878 476 112
Unlisted equities	-	-	268 923 316	268 923 316
Total	**889 296 596**	**-**	**345 822 598**	**1 235 119 194**

2020

	Level 1 R	Level 2 R	Level 3 R	Total R
Financial assets at fair value through profit and loss	**8 795 032**	**-**	**33 915 846**	**42 710 878**
Associates	-	-	33 897 846	33 897 846
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**	**-**	**407 539 979**	**905 793 377**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

18 FINANCIAL ASSETS (continued)

Reconciliation of financial assets held at fair value

2021	Level 1 R	Level 2 R	Level 3 R	Total R
Opening balance for the year	498 253 398	-	407 539 979	905 793 377
Additions - Cost	-	-	8 228 448	8 228 448
Sales/Transfers	-	-	12 167 238	12 167 238
Fair value adjustments recognised in profit and loss	391 043 198	-	(82 113 067)	308 930 131
Closing balance	**889 296 596**	**-**	**345 822 598**	**1 235 119 194**

Reconciliation of financial assets held at fair value

2020	Level 1 R	Level 2 R	Level 3 R	Total 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	-	-	(4 489 439)	(4 489 439)
Fair value adjustments recognised in profit and loss	(426 414 310)	-	(34 678 111)	(461 092 421)
Closing balance	**498 253 398**	**-**	**407 539 979**	**905 793 377**

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.

18 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

18 FINANCIAL ASSETS (continued)

Valuations based on observable inputs

Sensitivity Analysis

2021

Level 3 Contributors	Carrying Amount R	Effect of 1% Sensitivity adjustment of Carrying Amount R	Effect of 10% Sensitivity adjustment of Carrying Amount R
Associates	76 881 282	768 813	7 688 128
Unincorporated equity investments	18 000	180	1 800
Unlisted equities	268 923 316	2 689 233	26 892 332
	345 822 598	**3 458 226**	**34 582 260**

2020

Level 3 Contributors	Carrying Amount R	Effect of 1% Sensitivity adjustment of Carrying Amount R	Effect of 10% Sensitivity adjustment of Carrying Amount R
Associates	33 897 846	338 978	3 389 785
Unincorporated equity investments	18 000	180	1 800
Unlisted equities	373 624 133	3 736 241	37 362 413
	407 539 979	**4 075 399**	**40 753 998**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

		Notes	Group 2021 R	Group 2020 R	Trust 2021 R	Trust 2020 R
19	**CASH AND CASH EQUIVALENTS**					
	In relation to the cash flow statement, cash and cash equivalents comprise the following:					
	Bank balances					
	- Current accounts		384 110 456	261 566 947	380 029 783	260 340 825
	- Short-term bank deposits		1 088 039 551	1 161 921 174	1 087 970 896	1 159 173 184
	- Cash on hand		298 659	312 266	248	248
	Total		**1 472 448 666**	**1 423 800 387**	**1 468 000 927**	**1 419 514 257**

The effective interest rate on short term deposits was 6.00% (2020 - 6.00%). Cash reserves includes commitments and third party contributions as per below table.

		Notes	Group 2021 R	Group 2020 R	Trust 2021 R	Trust 2020 R
	UNENCUMBERED CASH - TRUST					
	- Cash as per bank balance				1 468 000 927	1 419 514 257
	- Less Commitments	30.2			(424 760 892)	(699 274 469)
	- Less external contributions	30.4			(612 129 888)	(453 081 226)
	Total				**431 110 147**	**267 158 562**
20	**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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Notes	Group 2021 R	Group 2020 R	Trust 2021 R	Trust 2020 R
21 INSTALMENT SALE AGREEMENT					
Wesbank		777 760	1 011 337	-	-
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		515 816	763 808	-	-
Current liabilities					
At amortised cost		261 944	247 529	-	-
22 TRADE AND OTHER PAYABLES					
Trade payables		34 722 168	15 716 406	9 095 468	2 744 155
Lease accrual		181 381	316 740	181 381	316 740
Income received in advance		-	328 717	-	-
Accruals		69 935 244	23 905 146	65 437 644	18 801 906
- Performance awards		48 173 528	-	48 173 528	-
- Supplier accruals		11 034 722	14 058 448	7 925 369	10 141 867
- Leave pay		10 726 994	9 846 698	9 338 747	8 660 039
Total		**104 838 793**	**40 267 009**	**74 714 493**	**21 862 801**

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

22 TRADE AND OTHER PAYABLES (continued)

Provisions (Trust)

Reconciliation of provisions 2021	Opening balance R	Raised during the year R	Utilised during the year R	Total R
Performance rewards	-	48 173 528	-	48 173 528
Leave pay	8 660 039	6 519 874	(5 841 166)	9 338 747
	8 660 039	54 693 402	(5 841 166)	57 512 275

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 (Group)

Reconciliation of provisions 2021	Opening balance R	Raised during the year R	Utilised during the year R	Total R
Performance rewards	-	48 173 528	-	48 173 528
Leave pay	9 846 698	6 876 837	(5 996 541)	10 726 994
	9 846 698	55 050 365	(5 996 541)	58 900 522

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Notes	Group 2021 R	Group 2020 R	Trust 2021 R	Trust 2020 R
23 ENTERPRISE DEVELOPMENT FUNDS					
External contributions					
- Opening balance		434 649 656	168 347 569	434 649 656	168 347 569
- Interest capitalised		3 456 854	5 065 933	3 456 854	5 065 933
- Funds received		340 458 930	91 750 000	340 458 930	91 750 000
- Disbursement		(181 763 045)	(30 066 933)	(181 763 045)	(30 066 933)
- Provision - Orange Farm		-	(446 913)	-	(446 913)
- Proceeds for COVID-19 relief fund		-	200 000 000	-	200 000 000
- Closing balance		**596 802 395**	**434 649 656**	**596 802 395**	**434 649 656**
Deferred Income					
- Opening balance		5 630 578	3 133 982	5 630 578	3 133 982
- Addition		-	3 000 000	-	3 000 000
- Unconditional ESD to be recognised as sundry (other) income		(1 157 045)	(503 404)	(1 157 045)	(503 404)
		4 473 533	**5 630 578**	**4 473 533**	**5 630 578**
Total	30.4	**601 275 928**	**440 280 234**	**601 275 928**	**440 280 234**

		Group and Trust			
		Undisbursed balances		Admin fee income	
		2021 R	2020 R	2021 R	2020 R
24 RELATED PARTY TRANSACTIONS					
Entities	Department of Trade Industry and Competition	339 977 592	200 000 000	-	-
	Department of Sports, Arts and Culture	53 358 450	53 358 450	-	-
	Department of Rural Development and Land Reform	36 672 783	36 672 783	-	-
	Western cape department of economic development and Tourism	-	10 695 683	-	-
	National Department of Tourism	104 062 901	101 110 635	-	2 000 000
	Transnet SOC Limited	10 945 734	12 199 596	-	450 000
	City of Ekurhuleni	13 850 000	23 850 000	-	1 650 000
	Northern Cape Department of Economic Development and Tourism	30 000 000	-	-	-
	Limpopo Economic Development, Environment and Tourism)	6 100 000	-	-	-
		594 967 460	**437 887 147**	**-**	**4 100 000**
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

		Loans receivable before impairment		Investments at cost	
	% 2021 Holding	2021 R	2020 R	2021 R	2020 R
125 Village Hub (Pty) Ltd/ Muma Investments	**20,00%**	50 518 947	47 023 242	200	200
Africa People Mover (Pty) Ltd	**25,00%**	81 992 740	25 376 039	100	100
Allimor Footwear (Pty) Ltd	**30,00%**	4 904 662	5 974 843	30	30
Amazin Hotels (Pty) Ltd	**20,00%**	51 963 205	48 315 645	12 350 000	12 350 000
Argon Security	**49,00%**	-	-	5 000 000	-
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 (Pty) Ltd (Subsidiary)	**100,0%**	-	-	1	1
False Bay Bricks (Pty) Ltd	**30,0%**	600 000	1 800 000	350	350
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	**30,0%**	6 996 094	6 791 757	300	300
Golden Dice Foods (Pty) Ltd (Subsidiary)	**49,0%**	33 188 857	25 306 501	49	49
Gradoscope (Pty) Ltd	**26,0%**	15 707 044	13 370 904	26	26
Graskop Gorge Lift Company (Pty) Ltd	**26,1%**	33 831 996	33 311 044	2 321 738	2 200 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

24 RELATED PARTY TRANSACTIONS (continued)

		Group and Trust			
		Loans receivable before impairment		Investments at cost	
	% 2021 Holding	2021 R	2020 R	2021 R	2020 R
Imbaza Mussel (Pty) Ltd	**25,0%**	2 682 858	2 882 858	250	250
Joy House Academy (Pty) Ltd	**45,0%**	15 919 983	15 261 094	2 000 000	2 000 000
Magoveni Pharmaceuticals (Pty) Ltd	**25,0%**	16 702 050	16 769 050	333	333
M-Care Operating Company (Pty) Ltd	**25,1%**	30 681 213	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%**	2 800 000	3 100 000	4 500 040	4 500 040
Mohale Agricultural Co-operative	**45,0%**	14 019 133	14 019 133	450	450
Mopadi Molamu (Pty) Ltd	**20,0%**	10 261 795	10 041 021	200	200
National Empowerment Fund Corporation SOC Ltd (Subsidiary)	**100,0%**	24 724 307	24 700 440	100	100
Okubabayo (Pty) Ltd	**30,0%**	6 417 099	3 844 273	2 817 878	2 817 878
Petrocom (Pty) Ltd	**30,0%**	21 672 838	20 410 066	30	30
Pyratrade (Pty) Ltd	**30,0%**	18 010 026	18 010 026	30	30
Rapid Purple Waters Trading (Pty) Ltd	**25,0%**	28 994 598	26 701 977	450	450
Rhino Ridge Lodge (Pty) Ltd	**33,3%**	15 266 275	17 377 537	333	333
Royal Thonga Safari Lodge (Pty) Ltd	**36,0%**	12 350 973	11 456 218	36	36
Sehwai Exploration Drilling (Pty) Ltd	**45,0%**	6 361 969	5 962 148	112	112
Stutt Brick Company (Pty) Ltd	**49,0%**	14 905 643	14 012 950	30 499 181	30 499 181
Super Grand Agric (Pty) Ltd	**30,0%**	10 514 859	9 787 468	45	45
Surgetek (Pty) Ltd (Subsidiary)	**100,0%**	14 908 723	12 300 608	13 698 349	13 698 349
Tshellaine Holdings (Pty) Ltd	**30,0%**	43 998 104	40 750 748	30	30
Unique Engineering (Pty) Ltd	**49,0%**	-	-	490	490
Umnotho Maize (Pty) Ltd	**40,0%**	7 182 360	6 070 440	400	400
Value Cement (Pty) Ltd	**25,8%**	-	-	31	31
Willowvale (Pty) Ltd	**45,0%**	11 748 921	13 827 754	450	450
YG Property Investments (Pty) Ltd	**20,0%**	41 093 551	37 499 430	200	200
Zastrovect Investments (Pty) Ltd (Subsidiary)	**100,0%**	71 652 709	67 407 827	7 799 104	6 178 104
Total		**742 205 090**	**649 776 013**	**105 996 547**	**99 253 809**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

		Note	Group 2021 R	Group 2020 R	Trust 2021 R	Trust 2020 R
25	**INTEREST AND DIVIDEND INCOME**					
	Interest - cash		41 338 943	72 924 998	41 246 013	72 783 853
	Interest - originated loans		93 738 656	152 741 499	101 390 500	163 327 621
	Interest -finance leases		15 078 494	19 515 057	15 078 494	19 515 057
	Interest - other		469 169	2 320 068	469 169	2 320 068
	Dividends		53 845 046	62 153 427	53 845 046	62 153 427
			204 470 308	**309 655 049**	**212 029 222**	**320 100 026**
26	**NET SUNDRY INCOME**					
	Sales		373 002 425	361 855 050	-	-
	Cost of sales		(297 802 369)	(288 754 816)	-	-
	Bad debts recovered		2 068 194	3 846 184	2 068 194	3 846 184
	Capital raising fee		2 743 963	3 253 905	2 759 323	3 283 905
	Enterprise development admin fees		450 000	4 250 000	450 000	4 250 000
	Other income		1 546 407	33 708 637	-	34 099 068
	Income from enterprise development funds		179 096 959	-	179 096 959	-
			261 105 579	**118 158 960**	**184 374 476**	**45 479 157**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

		Trust	
		2021	**2020**
	Note	**R**	**R**
27 ADMINISTRATION EXPENSES (TRUST)			
Net operating income is arrived at after taking into account:			
Auditors' remuneration		**2 669 040**	**3 064 315**
- For external audit fees		1 831 104	1 777 463
- Internal audit - outsourced fees		837 936	1 286 852
Professional fees		**12 404 770**	**18 393 873**
- Human resources		570 780	375 705
- Information technology		996 680	4 272 892
- Legal fees		5 413 499	8 885 623
- Finance		72 137	426 870
- Risk management		370 639	565 884
- Strategy		1 668 718	690 013
- Investments		3 312 317	3 176 886
Depreciation	4	**2 012 622**	**1 539 872**
- Motor vehicles		405 150	344 608
- Computer equipment		1 381 817	974 406
- Audio visual equipment		91 754	92 005
- Office equipment		19 918	20 380
- Furniture and fittings		34 904	29 176
- Paintings		2 915	2 924
- Leasehold improvements		76 164	76 373
Amortisation of intangible assets	6	**352 230**	**381 824**
Repairs and maintenance		**148 023**	**830 117**
Operating lease rentals		**12 813 655**	**12 774 002**
- Property rental		11 475 603	11 618 286
- Equipment rental		1 338 052	1 155 716
Total staff costs		**191 979 938**	**138 557 213**
- Salaries and other benefits		178 832 886	125 279 259
- Provident fund contributions		13 147 052	13 277 954
Other operating expenses		**30 040 134**	**44 048 966**
		252 420 412	**219 590 182**
Trustees and senior management emoluments	31	**13 847 832**	**16 488 436**
Headcount at year end		152	161

		Group		Trust	
		2021	2020	2021	2020
	Note	R	R	R	R
28 TAXATION					
Deferred tax					
- Current year		(935 973)	(1 520 481)	-	-

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 NEFCorp is a registered VAT vendor.

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

29 IMPAIRMENT CHARGE

	Group 2021 R	Group 2020 R	Trust 2021 R	Trust 2020 R
Originated loans	162 192 563	209 927 645	170 693 189	211 848 443
Finance leases	38 130 391	21 693 202	38 130 391	21 693 202
Impairment for the year	**200 322 954**	**231 620 847**	**208 823 580**	**233 541 645**

Refer to notes 12 and 13 as a reference per investment instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Note	Trust 2021 R	Trust 2020 R
30 COMMITMENTS – TRUST			
30.1 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		9 402 544	9 807 946
Later than 1 year but not later than 5 years		6 224 105	14 255 546
		15 626 649	**24 063 492**

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.

	Note	Trust 2021 R	Trust 2020 R
30.2 Undrawn loans and investments			
Not later than 1 year		**424 760 892**	**699 274 469**

Payment will be made out of cash reserves.

	Note	Trust 2021 R	Trust 2020 R
30.3 Loans and investments approved and committed, but not yet contracted			
Not later than 1 year		**367 548 134**	**392 548 134**

Payment will be made out of cash reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

		Trust	
	Note	2021 R	2020 R
30 COMMITMENTS – TRUST (continued)			
30.4 External Contributions			
Unconditional contributions (recognised in sundry income)			
Undisbursed opening balance (contribution available for investment)		12 800 992	23 561 286
Total income		(1 947 032)	(10 760 294)
- Contributions received		250 000	49 686 059
- Funds disbursed		(2 197 032)	(60 446 353)
- Contributions available for investment		10 853 960	12 800 992
Conditional Funding			
Other conditional contributions (recognised in current liabilities)			
Opening Balance		440 280 234	171 481 551
- Contributions received		340 208 930	291 750 000
- Interest capitalised		3 456 854	18 221 673
- Funds disbursed		(182 220 090)	(36 922 990)
- Admin fee		(450 000)	(4 250 000)
		601 275 928	440 280 234
* Total Liability		601 275 928	440 280 234
Total contributions available for future disbursements		**612 129 888**	**453 081 226**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

31 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 2021								
Executive trustees:								
P Mthethwa (CEO)	3 595 076	-	-	-	670 815	149 856	-	4 415 747
L Serithi (CFO) **	947 433	-	-	-	113 692	78 412	-	1 139 537
	4 542 509	**–**	**–**	**–**	**784 507**	**228 268**	**–**	**5 555 284**
**** L. Serithi resigned effective 31 August 2020**								
Senior Management:								
* S Molepo (Divisional Executive)	2 242 826	-	297 810	-	345 704	317 217	-	3 203 557
ˆ H Makhathini (Divisional Executive)	1 932 659	-	-	-	277 495	289 899	-	2 500 053
M Dayimani (General Counsel)	1 956 693	-	-	-	293 504	149 718	-	2 399 915
	6 132 178	**–**	**297 810**	**–**	**916 703**	**756 834**	**–**	**8 103 525**
Non-executive trustees:								
R Garach (Chairman)	-	-	-	-	-	-	189 023	189 023
# Mr Ernest Kwinda	-	-	-	-	-	-	-	-
# Ms Lerato Cynthia Molefe	-	-	-	-	-	-	-	-
# Dr Nthabiseng Moleko	-	-	-	-	-	-	-	-
# Ms Nonkqubela Maliza	-	-	-	-	-	-	-	-
	–	**–**	**–**	**–**	**–**	**–**	**189 023**	**189 023**
Total	**10 674 687**	**–**	**297 810**	**–**	**1 701 210**	**985 102**	**189 023**	**13 847 832**

* S Molepo (Divisional Executive) was seconded to a fellow DFI entity from 1 December 2018 to 30 September 2020.

ˆ H. Makhathini resigned effective 31 May 2021.

Term ended 04 April 2020.

31 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 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
	–	**–**	**–**	**–**	**–**	**–**	**1 529 605**	**1 529 605**
Total	**11 692 962**	**–**	**529 440**	**–**	**1 768 469**	**967 960**	**1 529 605**	**16 488 436**

* S Molepo (Divisional Executive) was seconded to a fellow DFI entity from 1 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	R	**R**	**R**	**R**
32 NOTES TO THE CASH FLOW STATEMENT				
Reconciliation of net deficit to cash flows from operating activities:				
Surplus/(deficit) for the year	**242 090 518**	**(578 103 314)**	**244 089 837**	**(567 570 496)**
Adjustment for:	**(482 037 207)**	**411 843 453**	**(491 284 179)**	**387 979 722**
Depreciation & amortisation	13 023 630	12 084 216	2 364 852	1 921 696
Interest received on cash and cash equivalents	(41 808 112)	(75 245 066)	(41 715 182)	(75 103 921)
Interest accrued on investments	(108 817 150)	(172 256 556)	(116 468 994)	(182 842 678)
Loss/(Profit) on disposal of fixed assets	(6 310)	(108 219)	-	(118 118)
Other non-cash items	(1 072 093)	(382 770)	343 024	(3 999 421)
Capital raising fee	(2 743 963)	(3 253 905)	(2 759 323)	(3 283 905)
Write-offs	-	18 925 431	-	18 925 431
Dividends received	(53 845 046)	(62 153 427)	(53 845 046)	(62 153 427)
Impairment of investments	200 322 954	231 620 847	208 823 580	233 541 645
Fair value adjustments	(308 930 131)	461 092 421	(308 930 131)	461 092 421
External contribution	(179 096 959)	-	(179 096 959)	-
Taxation	935 973	1 520 481	-	-
Operating deficit before working capital changes	**(239 946 689)**	**(166 259 861)**	**(247 194 342)**	**(179 590 774)**
Working capital changes	**383 515 677**	**222 512 209**	**393 438 009**	**225 331 320**
Increase in inventories	(12 820 816)	(505 385)	-	-
(Increase)/Decrease in trade and other receivables	(9 404 839)	(2 585 615)	127 387	879 161
Proceeds for COVID-19 relief fund	-	200 000 000	-	200 000 000
Proceeds from enterprise development funders	340 458 930	-	340 458 930	-
Increase in trade and other payables	65 282 402	25 603 209	52 851 692	24 452 159
Net cash inflows/(outflows) from operating activities	**143 568 988**	**56 252 348**	**146 243 667**	**45 740 546**
33 INVESTMENT DISBURSEMENTS				
Originated loans	353 020 601	167 818 290	366 885 366	175 874 844
Investments in associates	5 000 000	500	5 000 000	500
Non-associate equity investments	-	23 743 503	-	23 743 503
Unincorporated equity investments	3 228 448	4 632 729	3 228 448	4 632 729
Finance leases	70 709 319	65 194 768	70 709 319	65 194 768
Total disbursements	**431 958 368**	**261 389 790**	**445 823 133**	**269 446 344**

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	R	**R**	**R**	**R**
34 REPAYMENTS ON ORIGINATED LOANS, LEASES AND PREFERENCE SHARES				
Originated loans	190 877 360	440 849 039	198 297 360	459 547 610
Finance leases	20 627 444	24 162 549	20 627 444	24 162 549
	211 504 804	**465 011 588**	**218 924 804**	**483 710 159**

35 RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE TO BUDGET

35.1 Revenue

Interest received from the bank and investment were lower than budget due to downward adjustment by 300 basis points.

35.2 Sundry income (revenue from non-exchange)

The revenue from non-exchange as at 31 March 2021 was R179 million against the budget of R16 million. This resulted in a positive variance of R151 million which was contributed mainly by the income recognised against Covid-19 disbursements in terms of GRAP 23 - revenue from non-exchange.

35.3 Total expenses

Savings on operating expenditure was attributed to the cost containment measures which were in place throughout the financial year. Most of these measures came as a result of employees working from home due to the Covid-19 regulations and related safety measures that were implemented by NEF.

35.4 Impairments and write-offs

The accelerated impairment charges were due to the impact of Covid-19 pandemic on the NEF's gross portfolio.

35.5 Fair value losses

MTN share price performed well and fair value losses recorded in the last financial year were reversed. Although there was no payment of dividends by MTN during the year, the value of the investment as improved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

36 FRUITLESS AND WASTEFUL EXPENDITURE

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

37 IRREGULAR EXPENDITURE

As a Schedule 3A public entity the NEF is required to comply with the requirements of the PFMA. This requirement extends to the subsidiaries of such public entities. The NEF's statutory mandate is to provide development finance to fund the establishment of Black owned business in order to promote economic development in the previously disadvantaged communities. In the course of these business interventions, it sometimes happens that where the NEF has taken an equity stake in an emerging business, that business temporarily becomes a subsidiary of the NEF – in terms of the accounting definition of a subsidiary company. Such subsidiaries will be subject to the PFMA, unless the Minister of Finance exempts such compliance in terms of section 92 of the PFMA. This exemption enables the subsidiaries to operate as private sector business undertakings subject to the Companies Act, as applicable. However, when the exemption is not received by the date of the financial year end the expenditure incurred by such subsidiaries during the year is not compliant with legislation and is consequently irregular. The required exemption was not received in respect of certain subsidiaries of the NEF and the net cumulative expenditure incurred by these subsidiaries amounted to R232 702 135.

	Group
Reconciliation of the irregular expenditure	
Opening balance	-
Irregular expenditure incurred in the prior year	44 129 546
Irregular expenditure incurred in the current year	188 572 589
Closing balance	**232 702 135**

38 INCOME TAX EXEMPTION

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

39 NATIONAL EMPOWERMENT FUND CORPORATION (SOC) LTD

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

40 CONTINGENT LIABILITIES

40.1 Matter with an Investee Company

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

40.2 Matter with an Investee Company

The Investee company sued the NEF for damages suffered allegedly for lost income as a result of the NEF placing a security services company on the premises. The claim is for R450 million which the NEF is defending.

40.3 Matter with an Investee company

NEF was served with an application instituted by an Investee Company in the amount of R10 million together with interest. The attorneys have been instructed to oppose the application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

41 SEGMENT REPORTING

The NEF has offices throughout the nine provinces in the country, so as to increase its accessibility and coverage. Each of the satellite offices operates independently in carrying out the mandate of the NEF. Funding activities and decisions takes 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	171 873 707	1 714 118	2 081 793	2 484 742	3 062 835	3 597 951	1 929 565	3 473 762	1 761 465	191 979 938
Other operating expenses	56 321 751	540 527	316 142	386 385	412 049	1 074 525	398 310	523 712	467 074	60 440 474
Total base costs	**228 195 458**	**2 254 645**	**2 397 935**	**2 871 127**	**3 474 884**	**4 672 476**	**2 327 875**	**3 997 474**	**2 228 539**	**252 420 412**

Non-current assets per region

	Gauteng	Free State	Limpopo	Eastern Cape	Mpumalanga	KZN	North West	Western Cape	Northern Cape	Total
Property and equipment at cost	11 146 550	60 683	60 930	57 870	53 277	35 811	31 159	36 858	497 735	11 980 872
Accumulated depreciation	(7 617 544)	(60 683)	(60 930)	(39 344)	(40 694)	(32 094)	(25 214)	(24 276)	(473 093)	(8 373 872)
Net carrying amount	**3 529 006**	**-**	**-**	**18 526**	**12 582**	**3 717**	**5 945**	**12 582**	**24 642**	**3 607 000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

42 EVENTS AFTER REPORTING DATE

Management is not aware of any adjusting or non-adjusting post balance events which occurred after the reporting date.

42.1 Impact of social unrest

The unrest that took place in the provinces of Kwa-Zulu Natal and Gauteng during July 2021 affected certain business enterprises financed by the NEF. The full impact of the losses suffered by our clients has not yet been established.

At the date of this report, there was no impact from these events on the stated annual financial statements.

43 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 2021 is appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021 (continued)

44 PRIOR PERIOD ADJUSTMENT

Golden Dice entity which was previously recognised as an investment in associate has been reclassified to a subsidiary after NEF assumed control in terms of GRAP 6.

The control was acquired soon after the business came out of the business rescue in 2020 FY, which led to prior period adjustment. The NEF holds 49% while other shareholders hold 51%.

	Group		
	2020	**Adjustment**	**Restated 2020**
	R	**R**	**R**
Statement of financial position			
Current Assets			
Inventory	9 927 258	-	9 927 258
Trade and other receivables	46 014 379	3 464 233	49 478 612
Cash and cash equivalents	1 423 586 386	214 001	1 423 800 387
Non-Current Assets			
Property, plant and equipment	39 395 240	12 883 629	52 278 869
Originated loans	1 097 857 941	(24 035 880)	1 073 822 061
Goodwill	20 431 407	2 140 839	22 572 246
Net Assets and Liabilities			
Net Assets			
Accumulated surplus	1 161 275 139	(873 466)	1 160 401 673
Non-control interest	-	(4 459 816)	(4 459 816)
Statement of financial performance			
Interest and dividend income	312 011 437	(2 356 388)	309 655 049
Net Sundry income	117 293 140	865 820	118 158 960
Administration expenses	(289 607 758)	(2 885 109)	(292 492 867)
Impairment charge	(232 891 468)	1 270 621	(231 620 847)

Delswa invesment property was sold with a condition of rezoning the property before a transfer of ownership takes place. The rezoning condition has not been met, therefore the risks and rewards of ownership are not yet transferred. This was then restated on the Group financial statements.

Investment property	-	12 000 000	12 000 000
Trade and other receivables	49 478 612	(12 000 000)	37 478 612

ADMINISTRATION

31 March 2021

TRUSTEES	Mr R Garach (Chairman) Ms P Mthethwa (CEO)
BANKERS	Standard Bank Limited First National Bank Limited Rand Merchant Bank South African Reserve Bank
AUDITORS	SizweNtsalubaGobodo Grant Thornton Inc.
BUSINESS ADDRESS	West Block 187 Rivonia Road Morningside 2057
POSTAL ADDRESS	P.O. Box 31 Melrose Arch Melrose North 2076
REGISTERED ADDRESS	West Block 187 Rivonia Road Morningside 2057




viu ORIGINAL
uBETTINA
Wethu
She's beautiful












KEMPTON
Village


CONTACT INFORMATION

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Growing Black Economic Participation

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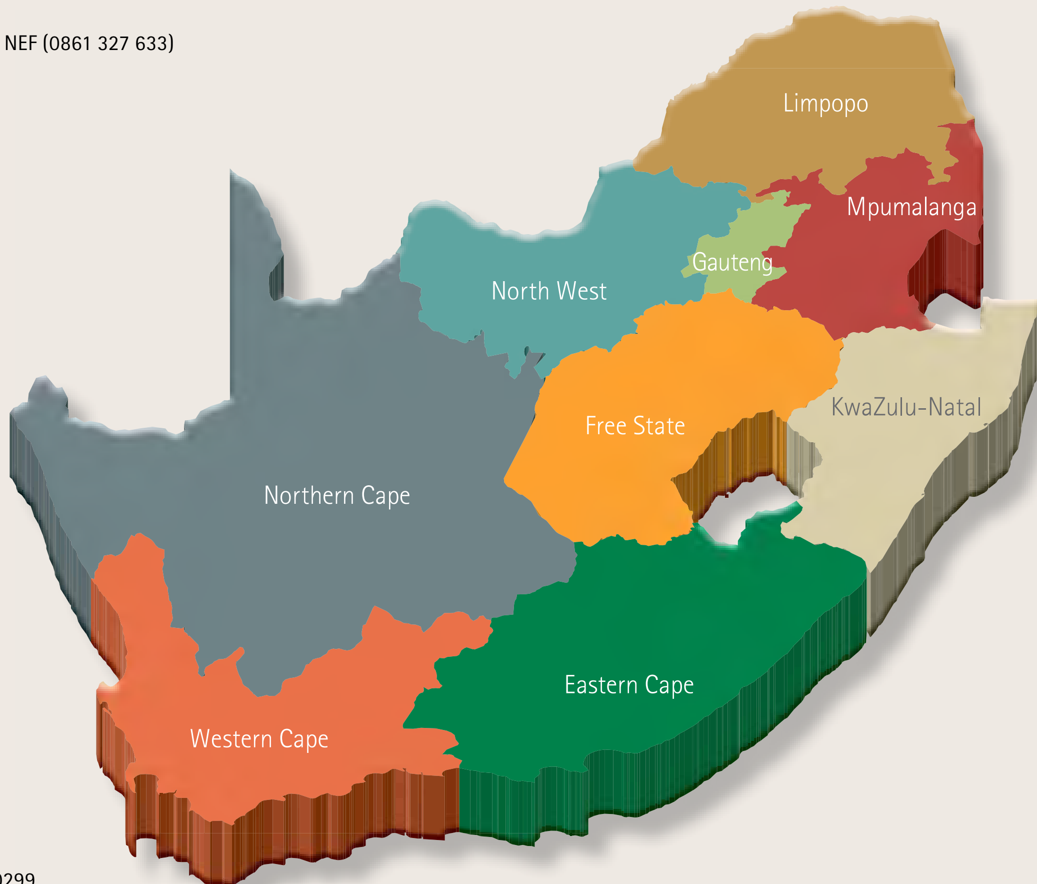

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