2021/22 INTEGRATED REPORT

Positioning black entrepreneurs to drive recovery and growth

NATIONAL EMPOWERMENT FUND

Growing Black Economic Participation


1.312658
8.674424

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"Our commitment to entrench and deepen economic empowerment is unwavering. That is why black economic empowerment is an integral part of our economic reconstruction and recovery in the wake of the COVID-19 pandemic.

This is one of the reassurances I articulated to the Black Business Council earlier this month, where we discussed the state of B-BBEE in the country, the progress that has been made and what we need to do as a collective to build on our gains.

While there has been significant progress over the last two decades, there are some areas where there has been regression. We have gone backwards when it comes to increasing black management control, upscaling skills development, entrenching enterprise development and broadening procurement to give opportunities to black women and the youth."

Desk of the President, 30 May 2022

FOREWORD BY THE MINISTER

It is my pleasure to table the Annual Report of the National Empowerment Fund (NEF) for the 2021/22 financial year.

I am pleased to note that in this financial year, the NEF's balance sheet and finances had improved significantly, with the net asset value increasing by 31%, from R 3.9 billion to R5.1 billion and a general improvement across several financial metrics, including improvements in the collection ratio from 76% to 84%.

Following a request from Government, the NEF established a Post-unrest Economic Recovery Fund, approved 141 transactions to the value of about R1.1 billion and disbursed R723 million to date. This assisted businesses which employ 7 991 workers, to survive.

The report shows increased approval of loans of R1.3 billion compared to R520 million in the previous financial year.

Disbursements of NEF funds increased by 147%, to R1.05 billion. This increased funding activity strengthened development outcomes. The NEF's impact on jobs for committed transactions in its core activities increased from 2488 in 2021 to 6044 (excluding the projects in the Post-unrest Economic Recovery Fund numbers).

In the new financial year, the work of **the dtic** and its entities will be evaluated in relation to three over-arching Outcomes namely:

- industrialisation;
- transformation; and
- building state capability.

I thank the previous Board and its Chairperson, Mr Rakesh Garach, as well as the CEO Philisiwe Mthethwa, the management team and the staff of the NEF for their contribution to the performance and impact of the NEF for the year. I welcome the new Board led by Dr Nthabiseng Moleko and wish them a productive and successful tenure.

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

ABOUT THIS REPORT

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 positions it as a significant entity through which economic transformation is being facilitated. It is intended that, through this report, our stakeholders will be provided with a sufficiently informed view of the organisation and the value it creates for them.

This report is prepared in accordance with the International Integrated Reporting Council's Integrated Reporting (IR) Framework, its fundamental concepts, guiding principles, content elements and presentation guidance. This is the eighth year the NEF presents its Integrated Report, consistently applying good corporate governance guidelines. The NEF's Integrated Report provides material information relating to the organisation's 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 2022. The report details the activities of the NEF Trust as well as its subsidiaries. A high-level overview of the five subsidiaries in the Group is provided on page 24.

Our annual financial statements are prepared in accordance with standards of Generally Recognised Accounting Practice and, where relevant, the International Financial Reporting Standards. Additionally, the requirements of the Public Finance Management (Act 1 of 1999 as amended ("PFMA")) and the National Empowerment Fund Act (Act 105 of 1998 ("NEF Act")) have been complied with. The NEF financial statements are included in full in this report as part of our regulatory reporting obligations in terms of the PFMA.

The NEF's ongoing stakeholder engagements, as well as ongoing scanning of the external macro-environment (these entail, among others, economic, regulatory and policy factors) allow us to identify material and relevant issues that warrant inclusion in 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 the organisation's ability to be sustainable, impact our ability to discharge our mandate or influence decisions of the Trust and its stakeholders.

The financial and key performance information in this report has been independently assured by our external auditor, SNG Grant Thornton. In

> *The commitments announced this year at the conference include projects worth R36,7 billion by black industrialists. the dtic, IDC and NEF's support to black industrialists unlocked over R2,5 billion in new support to about 180 black industrialists in 2021. These initiatives help create a new generation of committed local industrialists whose work benefits everyone in South Africa. Over the next three years, the IDC and NEF have committed just over R20 billion in investment support which can unlock a further R20 billion in counter-party investment for Black Industrialists, and women-, youth- and worker-owned companies, through their funding and that of counter parties.*
>
> **Budget Vote speech by Minister of Trade, Industry and Competition, Ebrahim Patel, 20 May 2022**

addition, the Internal Audit Department of the NEF 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 financial year end. We welcome your views on this integrated report and the manner in which we approach strategic priorities. Please send us your feedback on info@nefcorp.co.za.

Approval of the Integrated Report

The Board of Trustees, 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. Board of Trustees, therefore, advises readers to use caution regarding interpretation of any forward-looking statements in this report.

Board of Trustees approved this report.

Dr Nthabiseng Moleko
Chairperson of the Board of Trustees

Ms Philisiwe Mthethwa
Chief Executive Officer

NEF PERFORMANCE AT A GLANCE

2021/22

203 TRANSACTIONS APPROVED

R1.333 billion

AGAINST A TARGET OF R800 MILLION

COMMITMENTS

R1.053 billion

AGAINST A TARGET OF R624 MILLION

DISBURSEMENTS

R1.050 billion

AGAINST A TARGET OF R562 MILLION

SOCIAL FACILITATION

39 sessions

AGAINST A TARGET OF 29 SESSIONS

INVESTOR EDUCATION

73 sessions

AGAINST A TARGET OF 45 SESSIONS

ENTREPRENEURIAL TRAINING

174 sessions

AGAINST A TARGET OF 135 SESSIONS

BUSINESS REFERRALS & INCUBATION

332 & 86 referred & incubated

AGAINST A TARGET OF 150 & 30 RESPECTIVELY

JOBS SUPPORTED

11 429 JOBS

AGAINST A TARGET OF 3 456

RETURN ON INVESTMENT

8.3% ROI

AGAINST A TARGET OF 7% ROI

PARTNERSHIPS WORTH R2.245 billion

Dr Nthabiseng Moleko
Chairperson of the Board of Trustees

CHAIRPERSON'S REPORT

The resolve to be forces for good

Among the most seminal quotations attributed to the global icon of leadership and pan Africanism, is his assertion that **"it is clear that we must find an African solution to our problems, and that this can be found in African unity. Divided we are weak; united, Africa could become one of the greatest forces for good in the world", Kwame Nkrumah.** There is no better time than now to be forces for good, given the status quo.

Over the past decade, South Africa has witnessed some of the most horrific and debilitating examples of public and private sector lapses in corporate governance. In 2017, then Minister of Economic Development, Mr Ebrahim Patel, estimated that "corruption costs the SA gross domestic product (GDP) at least R27 billion annually as well as the loss of 76 000 jobs that would otherwise have been created".

Mogoeng Mogoeng former Chief Justice states that "things have gone wrong, and we were watching. We were too concerned about our careers, our money making opportunities and possibilities to ascend to positions of leadership more than we were, it we were at all, about the plight of the suffering masses of SA, Africa and the rest of the developing world. Thus, we saw the impact of systemic corruption and state dysfunctionality in all aspects of life.

As the South African society transforms, becoming forces for good of which Dr Nkrumah speaks, there is reason for hope in the horizon following the recommendations of the Judicial Commission of Inquiry into Allegations of State Capture regarding the proposed establishment of an independent agency to protect whistle blowers and to combat corruption in public procurement. Because of the lapses that have beset the private sector as well, it is critically important that all remedies apply evenly across the economy in its entirety.

For 19 consecutive years the National Empowerment Fund (NEF) has achieved yet another clean external audit opinion, attesting to the high standards of **"hard work, honesty and integrity, being forces for good"** because Trustees and management insist that a mandate as noble and esteemed as the quest for economic liberation, dare not be soiled.

A tribute to the torchbearers who came before

This sturdy reputation and track-record is the direct result of the ethical leadership that the NEF has entrenched since operational inception in 2004, having had the privilege of stewardship under Trustees of unstinting credibility, vision and integrity.

The phenomenal achievements of the NEF over the past 19 years have been made possible by the exceptional talents of respective members of the Board of Trustees, management and staff, who have brought together

> *"The past 19 years have been made possible by the exceptional talents of respective members of the Board of Trustees, management and staff, who have brought together their intellectual and professional prowess to contribute towards economic transformation."*

their intellectual and professional prowess to contribute towards economic transformation. We are particularly gratified to have served under the remarkable stewardship of our past immediate Chairman, Mr Rakesh Garach.

Former Chairman Garach was first appointed to the Board of Trustees of the NEF in 2009 and subsequently served the maximum two terms as Chairman until December 2021, and leaves behind a vibrant and robust organisation that is poised to make a sterling contribution to South Africa's resolve to achieve meaningful volumes of employment-creating inclusive growth.

Economic overview

The global economy posted strong recovery in 2021 but provisional data points to a weaker growth prospect for 2022. The International Monetary Fund (IMF) projects the global growth to slowdown to 3.6% in 2022 and 2023 from 6.1% in 2021. This slow down is partly attributable to the rapid withdrawal of policy support especially in monetary policy support as central banks around the globe hike interest rates to curb inflation. In addition, the Russia – Ukraine war has also inflicted ominous economic damage that is likely to further weaken the pace of global economic recovery.

This conflict is expected to have a direct bearing on growth prospects of the European Union economy whilst the United States is expected to be affected largely from the spill over effect of the war emanating mostly from adversely affected trading partners. The emerging and developing economies especially in Sub-Saharan Africa are also vulnerable to inflation emanating from the Ukraine – Russia conflict.

These countries, among which South Africa is integral, are already experiencing higher energy prices which result in higher prices of goods and services especially food, and this will hinder demand and consequently weigh on domestic demand and economic activities. The IMF forecasts Sub-Saharan Africa growth slowdown to 3.8% in 2022 relative to 4.0% reported in 2021.

Following a rebound from a low base during the pandemic in 2021, growth reached 4.9% in 2021 from a contraction of 6.4% in 2020, and the domestic economy is projected to decelerate in 2022. This is a result of the services led growth path accompanied by de-industrialisation, whose productivity is not enhanced and the continued oligopolistic market structure in most sub sectors does not bode well for new economic entrants.

During 2021, growth was mainly driven by the finance, real estate and business services industries which contributed 0.9 percentage points (from growth of 3.7%), followed by manufacturing and personal services both at 0.8 percentage point contributions, as well as trade, catering and accommodation at 0.7 percentage points. The economic structure remains unchanged and unemployment remains a national crisis, the labour market showing inability to absorb the large majority of the labour force into jobs.

The sole industry that posted a zero percentage point contribution and negative growth (-1.9%) was the construction industry.

The South African Reserve Bank (SARB) forecast the domestic economy to slowdown to 2.0% in 2022. The South African economy appears to be reverting to lacklustre growth levels experienced during the pre-pandemic period. In the last decade pre-COVID we have experienced an average 1.8% growth rate showing the South African economy has entered into a low growth trap. The notable slowdown in growth post-COVID could be attributed to rising production costs, recent high frequency loadshedding, low industrial and productive capacity, and weak global and domestic demand.

In addition, lower interest rates played a vital role in supporting demand and growth in the prior year and the swift hiking of interest rates is also expected to contribute to the slowdown. It is disenchanting to note that the economic recovery and growth of last year did not translate into a lower unemployment rate for South Africans. This calls for a change in the economic strategy for greater focus of resources on the spheres of the economy with the potential to absorb the unemployed, with particular emphasis on placing the black majority firmly at the centre and at the forefront of the national economy.

Given its unique transformative and developmental mandate, a better-resourced NEF remains an ideal catalyst in that quest.

Resourcing the mandate to confront the greatest challenges of our time

South Africa's economy has been worsening for most of the past five decades. Despite 28 years of democratic rule, South Africa remains one of the most unequal countries in the world.

Government, regardless of a plethora of policies, plans and programmes, along with the private sector, have been unable to dislodge and transform the historical economic legacy of colonialism and apartheid.

Inequality is persistent between upper- and lower income levels, between races, and between sexes with poverty concentrated among black people in general and black women in particular, especially those living in townships and rural communities across South Africa. The apartheid-era limited access to quality, appropriate and relevant education for most South Africans, but even post-apartheid the majority of South Africa's youth are not being equipped with the skills necessary to enter the formal sector. Thus, unemployment remains a stubborn challenge across South Africa.

In this context, the existence of the NEF as a creature of statute is validated and certified by Section 9 of the Constitution of the Republic of South Africa, 1996, which asserts that "equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken".

Deriving from this constitutional injunction, the NEF Act of 1998 empowers the development financier "to establish structures and mechanisms to redress the inequalities brought about by apartheid by facilitating the broader economic ownership by historically disadvantaged persons".

Since operational inception in 2004, the NEF has approved 1 349 transactions worth more than R12.466 billion across the country with a total project value of R21.44 billion.

Over R8.488 billion has been disbursed to these companies since inception, resulting in the support of 114 189 jobs, of which 72 363 were new.

Equally noteworthy, in the quest to contribute to industrial growth, the NEF has developed 23 strategic and industrial projects worth R13.2 billion, with the potential to support over 52 000 jobs. Around 86% of the transactions are at an advanced development stage, with over 3 600 job opportunities having been created in this environment.

Even though the recapitalisation challenges of the NEF are far from over, the NEF is exceedingly grateful to the Minister of Trade, Industry and Competition, Mr Ebrahim Patel, as well as to **the dtic** for having entrusted the NEF with meaningful allocations over the past two financial years. These allocations include:

- R142 million for the NEF Women Empowerment Fund;
- R200 million for the COVID-19 Black Business Fund;
- R150 million for the SME Distress Fund to support businesses that were affected by the COVID-19 pandemic and the consequent lockdowns;
- Another allocation of R150 million was made by **the dtic** to the NEF for the Black Business Manufacturing Enhancement programme;
- Equally significant, through facilitation by **the dtic**, the Department of Transport allocated over R1.135 billion to the NEF for disbursement to the taxi industry, as part of Government's commitment to providing relief for businesses that have been affected by the pandemic;
- Following the social unrest that devastated businesses in Gauteng and KwaZulu-Natal during the month of June 2021, **the dtic** allocated a total of R650 million to the NEF, for the Economic Recovery Fund, and
- From the Solidarity Fund the NEF secured R259 million to support businesses that were affected by the slump in the economy as a result of the pandemic as well as the social unrest referred to above.

This brings the total secured over the past 24 months to R2.7 billion, a most auspicious development in the resource journey of the NEF.

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

Before the allocations of the past two years, the NEF was capitalised in 2005 by Government to the value of R2.4 billion, all of which was fully disbursed by 2010, as planned. Since then, the NEF has been self-financed with proceeds from dividends and interests from its investments and proceeds from the sale in 2007 through the Asonge Share Scheme of a portion of the NEF's holding in the MTN Group. This resulted in more than 87 000 black South Africans becoming investors in one of the country's leading cellular operators, and generated R1 billion revenue for the NEF.

Additional capital was generated from loan repayments in excess of R4 billion, which are still being collected in the normal course for reinvestment into funding operations.

Following the establishment of the NEF Supplier and Enterprise Development Fund in 2012, the NEF has been entrusted with amounts in excess of R3 billion by a variety of private and public sector investors, and in accordance with the commitment of funding on a 60:40 basis the latter constituting the NEF's portion, the co-investment has helped black entrepreneurs in their commitment to taking the economy forward by creating jobs and propelling growth.

> *"The NEF has a sound and effective governance ecosystem which has ensured that the entity remains one of the model agencies across the public service."*

With its operational capacity having effectively reached full maturity for several years now, the NEF requires an annual allocation of R1.5 billion over the next five years to be able to address the huge demand for funding among black entrepreneurs who hope to grow economic value across township, peri-urban and rural communities, as well as black women entrepreneurs, black youth and black industrialists in order to help bridge the country's formidable historical divide.

In this regard the NEF is optimistic that through **the dtic** and National Treasury, a durable recapitalisation solution for the NEF will soon consign this longstanding strategic risk to a distant past.

Corporate governance – the mainstay of the NEF's sustained performance

Disclosures of conflicts of interest remain an established practice both at Board level and across the six Board subcommittees, namely the Audit Committee (AC), the Risk and Portfolio Management Committee (RPMC), the Board Investment Committee (BIC), the Human Capital and Remuneration Committee (HCRC), the Nomination Committee (NOMCO) and Social and Ethics Committee (SEC), where members are required to recuse themselves from deliberations on matters where conflict is identified.

As outlined in the Governance report, "the current NEF Board of Trustees comprises eight (8) members as of 31 March 2022, i.e seven (7) non-executive trustees, and one (1) executive trustee; seven (7) out of eight (8) trustees are African and one is Indian. Six (6) out of eight (8) (75%) trustees are women and two (25%) are men", a composition that reflects the transformative and progressive character of the NEF.

The Board of Trustees and the six committees referred above, and which are chaired by a non-executive Trustee, are buttressed on committee charters that are reviewed periodically to align with international best practice. The charters regulate the parameters within which the Board and sub-committee members operate, ensuring application of the principles of good corporate governance at all material times. The charters set out the roles and responsibilities of the individual Board trustees and subcommittee members, including their composition and the relevant procedures.

The above governance and oversight structures comprise seasoned professionals, each with a track-record of distinction in their various spheres. Given the Board's role as the guardian of good corporate governance and the torchbearer for operational excellence, as well as the strategic importance of the delegated subcommittees, the effectiveness and performance of the Board and its committees are evaluated periodically against their mandates to maintain the highest standards of accountability, diligence, foresight and patriotic service.

At the heart of this conviction, is our own convictions for service **"through hard work, honesty and integrity, being deliberate forces of good".**

Appreciation

To echo the timeless counsel of past Chairman Mr Garach, "the NEF is both a product of South Africa's past and an important instrument in healing that very past by bringing greater numbers of black entrepreneurs and communities into the economic mainstream. The continued existence of an efficient, adequately resourced, responsive and clean NEF, one that does its work with empathy and fairness, is fundamental to growing jobs, deepening entrepreneurship and contributing to the fortunes of South Africa's national economy".

The Executive core, management and employees of the NEF have been instrumental in ensuring this distinction, and together are the sinews and mortar that hold the DNA of the NEF aloft, ensuring it remains unyielding and unbreakable, inspired by its pristine values and mission.

As a confluence of hope and the quest for dignity, the NEF is a river that flows ebulliently, nourished by the many streams among which are Government, Parliament, civil society, black entrepreneurs, the NEF's enterprise development partners and co-funders.

On behalf of the black entrepreneurs and investee employees who put shoulder to wheel everyday across the contours of South Africa's economy, the NEF is grateful to Cabinet for the continued trust in its abilities and for the resources that shall come to make the economic citizenship of future generations of black entrepreneurs and industrialists, a certainty. Thus can the mandate flourish in the knowledge that **"being forces for good"** we will become the greatest force in our quest for development.

Dr Nthabiseng Moleko
Chairperson of the Board of Trustees

CEO'S REPORT

Ms Philisiwe Mthethwa
Chief Executive officer, NEF

> *"Championing the cause of transformation"*

The Regeneration of Africa

At the turn of the 20th Century, in the summer of 1906, Pixley ka Isaka Seme, a South African pathfinder of deep foresight, held New York's Columbia University spellbound when he delivered an oration on the future of the African continent entitled the Regeneration of Africa. Through this address he prevailed over three other competitors to earn the university's most prestigious oratory award, the George William Curtis gold medal.

Having begun with the resounding declaration, "I am an African", Seme later proclaimed: "The giant is awakening! From the four corners of the earth Africa's sons, who have been proved through fire and sword, are marching to the future's golden door bearing the records of deeds of valour done".

Seme's triumphant vision was to be deferred by decades of colonial oppression and its attendant tribulations of economic exploitation, social degradation and cultural domination, along with the neo-colonial setbacks that would hold hope in abeyance.

Now the tide is changing. The giant is awake. The commencement of the African Continental Free Trade Area (AfCFTA) on 1 January 2021 portends a historic turning point. According to the World Bank, the AfCFTA agreement will create the largest free trade area in the world measured by the number of countries participating. The pact connects 1.3 billion people across 55 countries with a combined gross domestic product (GDP) valued at US$3.4 trillion. It has the potential to lift 30 million people out of extreme poverty, presenting the historic wave of economic liberation that millions have dreamt of, for generations.

This Integrated Report of the National Empowerment Fund (NEF) is an account of the strides and deeds of valour that the development financier has made during the period under review through the implementation of its mandate of growing black economic participation, in pursuit of Seme's historic vision.

Triumph beyond the pandemic

After it was first detected in China in late 2019, the COVID-19 pandemic soon arrived in South Africa in March of 2020, and in no time began to inflict unprecedented devastation across the economy and society.

The NEF leadership and staff rolled up their sleeves in joining hands with **the dtic**, to which the NEF reports, alongside various other institutions towards a new way of working to support the national effort against the pandemic.

Following an allocation of R200 million by **the dtic**, the NEF supported 33 black-owned businesses across the country to capacitate local manufacturing of personal protective equipment and essential food products that were in short supply.

Adversity shows the true strength of character and resilience. Despite the anguish and sorrow that visited the organisation on various fronts, the NEF remained open for business throughout the lockdown period, successfully reengineering systems and processes that will improve efficiencies for the period ahead. Among these are:

- Shortened turnaround times for application processes;
- A more robust Business Continuity regimen;
- A hybrid remote and office work plan;
- A robust and adaptable Information Technology infrastructure and systems;
- Faster due diligence reviews without compromising effectiveness;
- Smarter and continuous investee monitoring and risk analysis to mitigate challenges.

An economy ravaged by civil unrest

In July 2021, South Africa witnessed a spate of devastating civil unrest that swept across parts of KwaZulu-Natal and Gauteng, resulting in damage estimated in excess of R20 billion with more than 150 000 jobs placed at risk. The manufacturing and retail sectors were dealt the hardest blow, and 161 malls in both provinces experienced severe damage to property and stock. There was damage of varying degrees at 200 shopping centres and approximately 3 000 stores were looted. Stock losses estimated at over R1.5 billion were reported. Some NEF investees were also caught in the crossfire.

It was in this context that Government, through **the dtic**, set aside R5.15 billion to rebuild damaged businesses, save jobs and restore the provision of goods and services to affected communities.

As part of this commitment **the dtic** allocated a total R650 million for the NEF to come to the rescue of the businesses that were affected by the unrest. The NEF set aside R100 million from its own balance sheet, while the Solidarity Fund's Humanitarian Crisis Relief Fund (HCRF) entrusted R259 million for the NEF to provide a concessionary blended facility to affected businesses. The total funds under the management of the NEF for the Economic Recovery Fund amounted to just over R1 billion.

Among the criteria for funding, applicants had to be a registered company, close corporation or co-operative in good standing with the South African Revenue Services. Applicants were also required to demonstrate that jobs lost would be restored or increased within 12 months of receiving the funding, and to demonstrate that they were negatively impacted by the riots and unrests in both provinces.

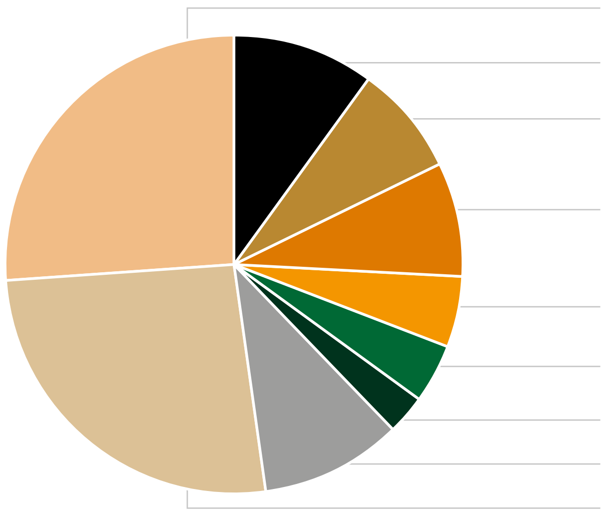
For the effective implementation of the post-unrest relief, the NEF deployed teams of investment professionals across both provinces two weeks after the riots subsided, and these teams comprised finance and risk assessment specialists, engineers, legal advisors and others, who were deployed directly to the trouble spots to interact with and assist entrepreneurs whose businesses had been harmed and whose operations had ceased as a result. The areas where the teams were physically on the ground included destinations such as KwaNongoma, iXopo, uMkhanyakude, King Cetwsayo, Jozini, Umlazi, Newcastle, uMgungundlovu, uMzinyathi, Ugu, KwaMashu, Soweto, Alexandra, Katlehong, Daveyton, Vosloorus, Soshanguve, Orange Farm and Sebokeng, among others.

The deployment was over a period of several weeks where NEF investment teams engaged different stakeholders including entrepreneurs, local government, property owners and business organisations, having adopted a district development municipality approach to ensure that all affected areas were reached.

As a partner trusted by many entities across the public and private sectors, the NEF has received a clean external audit for the management of the funds. A total 203 transactions (supporting 211 firms) were approved, with a combined value of R1 074 million through which 9 452 jobs were supported in both provinces.

The funded businesses operate across various sectors of the economy as outlined hereafter.

Approvals by sector – value approved



Economic recovery on the horizon

During the period under review, the global economy continued a slow and tentative recovery, with the certainty that the growth momentum to the pre-covid era would be moderated in the long term.

The domestic economy grew strongly in the first half of 2021, but the growth impetus in the second half was curtailed by the social unrest in July. Growth declined by 1.5% in the third quarter of 2021 from 1.1% in the second quarter of 2021.

GDP was expected to grow by 1.7% in 2022 and by 1.9% in 2023. However, the conflict between Russia and Ukraine has affected fuel prices, compounded by the recent high frequency loadshedding are expected to curtail the domestic economic recovery as inflation soars. What NEF will be focusing on, going forward, is to intensify mentorship support and turnaround efforts for businesses in distress, in line with the injunction of the Board.

With herd immunity on the rise, towards the end of the period under review, President Cyril Ramaphosa announced the end of lockdown, when the country would lift stringent economic and social restrictions in line with the decline of the pandemic, to herald a new era of economic recovery, hope and growth.

Generally, there was a great level of optimism at the beginning of the year as the World Bank indicated that the global economy was set for the biggest post-recovery pace in 80 years. However, the invasion of Ukraine by Russia is set to propel the deceleration of global economic activities. The much-anticipated path to economic recovery now, more than ever appear to be more challenging. Nonetheless, the NEF will seek to leverage the current economic opportunities to ensure that black entrepreneurs are at the centre, shaping the direction of the economic mainstream.

NEF back to the mountain-top

The period under review will go down in memory as one of the NEF's most significant, having approved funding transactions in excess of R1 billion, compared against the previous financial year at R520 million, despite the disruptions of the COVID-19 pandemic and the civil unrest that erupted in July 2021.

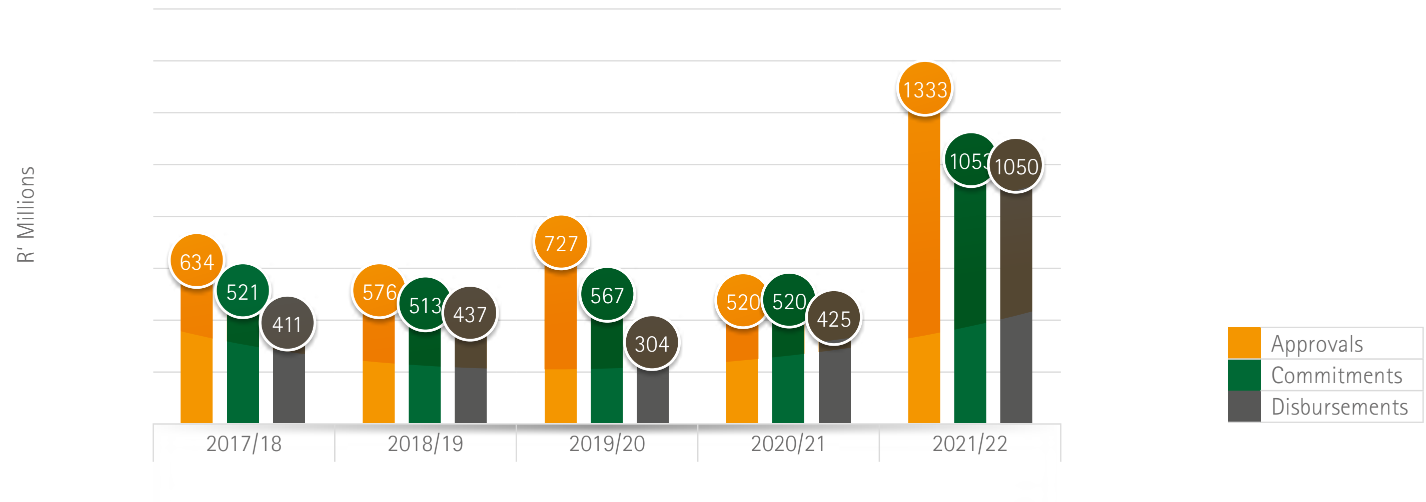
This is consistent with the NEF's determined rise in the value of transactions approved and disbursed over the past 10 years, and this attests to the assertion that the NEF is a high-performing organisation.

Since inception in 2004 the NEF has been on a veritable upward trajectory, demonstrating market demand and diligence in fulfilling the requirements of the target market.

A return of 8.3% on the loan book funded from the NEF's balance sheet was achieved against a target of 7%, contributing to the sustainability of the business. In line with continuation of operations, the business has enjoyed the support of **the dtic** through allocations that help drive the mandate. We remain encouraged that this support is a precursor to the recapitalisation of the organisation.

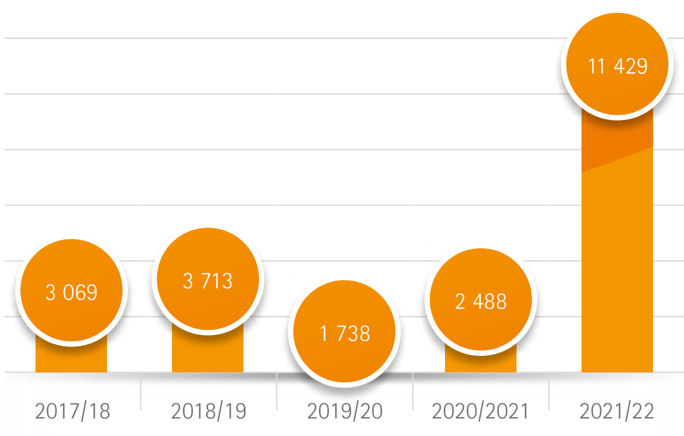
Performance highlights as at 31 March 2022.

- 203 (89:2020/21) transactions to the value of R1.333 billion (R520 million:2020/21) were approved year-to-date, as outlined below:



- The values of committed and disbursed transactions are R1.053 billion (R520 million: 2020/21) and R1.050 billion (R425 million: 2020/21), respectively.
- 11 429 jobs (2 488: 2020/21) have been supported, representing the highest during any single year, in recent years, as shown below:

Jobs supported



- 135 Economic Recovery Fund (ERF) transactions totalling 172 sites to the value of R872 million were approved. ERF is a partnership between the NEF, **the dtic** and the Solidarity Fund. These partners have expressed great satisfaction with how the NEF has managed ERF.
- Approximately R183 million disbursed into industries vital for industrialisation.
- R61 million disbursed to youth owned businesses.
- Achieved 11 out of 14 KPIs or a 79% accomplishment despite economic challenges from COVID-19 and July 2021 civil unrest in KZN and Gauteng.

Alignment with Government priorities

The COVID-19 pandemic changed the landscape within which **the dtic** entities operate and the entities were, therefore, expected to adjust their operations to address the new environment and new priorities.

Within the context of a national economy that has been characterised by stagnation for a decade as a result of sustained low levels of investment and growth, as well as a series of global ratings that have impacted adversely on the cost of borrowing, there still remains the exigent need to boost the levels of economic growth and recovery, support transformation and build a capable state.

In particular, the NEF Annual Performance Plan (APP) for the 2021/22 financial year needed to reflect the policy priorities set out in Budget Vote statements tabled at Parliament during the period, and these included:

- The Economic Recovery and Reconstruction Plan tabled at Parliament in October 2020 by His Excellency President Cyril Ramaphosa;
- The priorities set out in the 2021 State of the Nation Address;
- The new performance compacts between members of the Executive and the Presidency signed in November 2020, and
- The New District Development Model as an integration of development efforts at local level.

This then is the national policy milieu that defined the broad strategic parameters of the NEF's operation during the period, constituting the organisation's Joint Key Performance Indicators (J-KPIs). The main purpose of the J-KPIs is to increase the level of coordination and alignment of efforts between different programmes of **the dtic** and all its entities. The introduction of J-KPIs also envisaged greater coordination between financial and non-financial measures, and between the resources on-budget and those that can be leveraged across society. **the dtic** has since revised the J-KPIs from the current seven to three for the financial years beginning in the 2022/23 financial year. The NEF has, as such, reported on all the seven J-KPIs for the 2021/22 financial year, however these will be reduced to three J-KPIs (Industrialisation, Transformation and Capable State) from the 2022/23 financial year onwards:

- **JKPI 1 – Industrialisation**: R183 million disbursed to manufacturing, agro-processing and textile industries such as Wyn Foods.
- **JKPI 5 – Inclusive Economy**: R1.333 billion disbursed to black-owned and managed businesses, R290 million of which was disbursed to black women-owned and managed entities while R61 million thereof benefitted black youth-owned businesses.
- **JKPI 6 – Capable State**: After the civil unrest, the NEF, IDC and SEFA established a war-room that operated under the stewardship of the Minister Ebrahim Patel to coordinate resources and assist in the swift economic recovery of all affected businesses. The NEF also participated in workshops and meetings and submitted necessary reports on **the dtic** initiatives such as the District Development Model and the Industrial Parks Programme (IPP). The NEF has continued to attract and retain highly skilled young black professionals with a range of expertise inclusive of chartered accountants, engineers, corporate lawyers, investment professionals and specialists across various spheres of endeavour.

Performance against target for the Annual Performance Plan

1. **Approvals** – funding approved for black-owned businesses amounted to 203 transactions worth R1.333 billion against a target of R800 million.
2. **Commitments** – a total R1.053 billion was committed against a target of R624 million.
3. **Disbursements** – the sum of R1.050 billion was disbursed against a target of R562 million.
4. **Jobs** – in pursuit of one of South Africa's most critical priorities, 11 429 job opportunities were supported against a target of 3 456.
5. **Disbursement to black women entrepreneurs** – 28% disbursed to businesses that have black women ownership against a target of 40%. This target was not achieved as most supported businesses in 2021/22 were the Economic Recovery Fund (ERF) transactions related to the July 2021 civil unrest, most of which had, regrettably, lower black-women ownership.
6. **Targeted Provinces** – a total R191 million was invested in the Northern Cape, Free State, Limpopo, Mpumalanga, Eastern Cape and North West, representing 18% of annual disbursements against a target of 25%. This target was also not met due to a large share of NEF disbursements directed to Gauteng and KwaZulu-Natal as Government had prioritised speedy reopening of businesses that were affected by the civil unrest of July 2021 which had affected Gauteng and KwaZulu-Natal provinces.
7. **Investor Education** – to promote a culture of savings and investment among black people, 73 investor education sessions were held against a target of 45, countrywide, benefiting 6 177 261 people in villages and townships through 661 community seminars since the programme began in 2007.
8. **Entrepreneurial Training** – 174 entrepreneurial training sessions were held across the country, against a target of 135.
9. **Business Incubation and referrals** – 332 entrepreneurs were referred for incubation and 86 entrepreneurs were fully incubated against a target of 150 and 30, respectively.
10. **Social Facilitation** – 39 social facilitation sessions held during the period against a target of 29%.
11. **Impairments** – Impairment of 29% against a target of 25%. This target was not achieved owing to the remnants of COVID-19 lockdown restrictions and the civil unrest which led to distressed economic conditions for local businesses with the NEF investees, unfortunately, also bearing the brunt of such adverse conditions.
12. **Return on Investment (ROI)** – ROI at 8.3% against a target of 7%.
13. **Collections** – 83.7% against a target of 80%.

14. **Partnerships** – concluded partnerships valued at R2.245 billion against a target of R50 million.

Life and year-to-date performance

Since operational inception in 2004 up until 31 March 2022, the NEF had approved funding of **1 349** transactions worth more than R12.35 billion across the country with a total project value of R21.44 billion. Disbursement of more than R8.2 billion has supported 114 189 jobs countrywide, of which **72 363** were new.

Through financial and non-financial support, as well as ongoing mentorship support across virtually all sectors of the economy, these businesses have manufactured and supplied railway components, industrial steel wheels and rims, roof tiles, bricks, mining technology, furniture, pesticides, building panels, condoms and much more. Some have built state-of-the-art hospitals, affordable housing units, student accommodation complexes, community-owned shopping malls, office parks, hotels and lodges, placing the NEF and its investees at the heart of the nation's commitment for redress, renewal, recovery and growth.

Empowering women and youth in business

In pursuit of maximising the Empowerment Dividend, the provision of financial and non-financial support for black women and youth is at the centre of the organisation's empowerment philosophy. In this regard, over the past decade close to **40%** of the NEF's total disbursements have benefitted businesses that are partially or wholly owned by black women entrepreneurs.

This has been made possible by the dedicated efforts of the NEF's Women Empowerment Fund (WEF), established in 2014 to drive the value and volume of approvals for and disbursement to businesses that are owned and managed by black women.

The NEF has also continued to support youth-owned businesses primarily through entry into the Fourth Industrial Revolution, manufacturing as well as the creative industries, particularly in film and television production.

An example in this space is in mining services where Mohlalefi Engineering, a black youth-owned and managed business, manufactures roof support structures that improve safety in the mining sector. The company now exports to four SADC countries: Zambia, DRC, Zimbabwe and Mozambique.

Enterprise and Supplier Development partnerships

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

An example is the NEF's partnership with the Sishen Iron Ore Community Development Trust (SIOCDT), established to provide financial and non-financial support to SMMEs in Limpopo and the Northern Cape that were affected by the COVID-19 pandemic. A total 152 businesses benefitted from disbursements of R4.7 million. This was a 100% grant to relief SMMEs from the effects of the pandemic.

Stretching across some of South Africa's borders, the Northern Cape and Limpopo provinces are filled with endless natural, commercial and human potential. However, these provinces remain underdeveloped and record some of the highest unemployment and poverty rates in the country. Mining and agriculture are the long-standing pillars of economic activity in these regions, but these have been eroded by falling commodity prices, droughts and constrained regional and national economic growth.

The potency of these partnerships with both the private and public sectors enable the NEF to provide concessionary funding, including grant funding, which reduces the cost burden on black SMMEs to enable far greater traction for stability and growth. Government therefore urges more and more private and public sector entities to enter into these enterprise and supplier development partnership with the NEF and other development financiers, to help deepen the quest for inclusive growth.

State visit to West Africa in support of intra-African trade

The NEF was instrumental in supporting Government to execute the state visit to West African countries in December last year, in support of increased intra-African trade. A total of 173 South African businesses accompanied the delegation on the state visit where President Cyril Ramaphosa called on, "investors, banks and development finance institutions to partner in projects such as gold and oil refineries, aluminium smelters, renewable energy, information and communications technology and agro-processing. Let us intensify efforts to build strong industrial bases and expand our exports to create more employment opportunities".

On 1 January 2021, the African Continental Free Trade Area (AfCFTA) came into operation, realising the vision of the founders of our continental body, the African Union, for economic integration and development. Through the state visit, the South African Government and business representatives from various sectors engaged with the Governments and private sectors of Côte d'Ivoire and Ghana as a meaningful expression of the quest to deepen integration, cooperation and development for the benefit of our people and for generations to come.

Intra-Africa trade is estimated at 13%, compared to intra-regional trade of approximately 60%, 40% and 30% achieved by Europe, North America and the Association of Southeast Asian Nations respectively. As South African businesses continue to help grow intra-African trade, it is the intention of Government, through entities such as the NEF, for more and more black businesses to be part of the commitment to trade with their counterparts across the continent.

Supporting the taxi industry

As a vote of confidence in the fund-management and disbursement expertise of the NEF, the Department of Transport set aside R1.135 billion to provide once-off financial relief payments to qualifying South African taxi operators to help the sector following the devastating effects of COVID-19 lockdowns and to implement additional safety measures. The Taxi Relief Fund is managed and administered by the NEF and is not intended to compensate taxi owners for loss of income.

The NEF was selected as the implementer of the fund because of its unique track-record as a development finance institution that plays a crucial role in supporting black entrepreneurs across various sectors of the South African economy.

As a result of COVID-19 lockdown measures and more employees being encouraged to work from home, the transport sector globally experienced a significant loss of passengers and revenue. Under the first lockdown introduced in South Africa, taxis were allowed to carry 50% of their licensed vehicle capacity and this was later increased to 70% when the lockdown restrictions were eased. The industry also had to contend with the increased cost of procuring cleaning materials for vehicles and sanitisers for passengers.

The effect of these measures on the industry was a diminished revenue base and an increase in costs, which undermined the financial viability of many operators.

South Africa has approximately 142 000 taxi operating licences. The NEF has received 31 247 applications representing a total 75 441 operating licences valued at more than R377 million, and these are at various assessment stages. A total R219 million, or 58% of the operating licences, have been disbursed by the NEF.

The Taxi Relief Fund will be in operation until March 2023 and we are confident that, with increased buy-in from the sector through roadshows across the country, the full allocation of R1.1 billion will be achieved before its deadline.

In the effort to combat the unemployment rate especially among the youth, which currently stands at just over 75%, the NEF has since employed eighty (80) trainees as part of the implementation of the Taxi Relief Fund, where 50 (63%) are female and 30 (37%) are male throughout its nine regional offices.

Enterprise and supplier development partnerships

Over the years the NEF has attracted in excess of R2.1 billion for enterprise and supplier development partnerships with entities from the public and private sectors, and these include the likes of Nissan South Africa; BP South Africa; Bakubung Minerals; Sun City; the Department of Tourism; **the dtic**; the Department Sport, Arts and Culture; the Northern Cape, Limpopo and Western Cape provincial governments as well as the Steve Tshwete and Ekurhuleni Municipalities, among others.

The NEF is in discussion with various entities to continue the task of supporting the growth of black businesses through concessionary funding.

Supporting flood victims

Soon after the end of the reporting period, both KwaZulu-Natal and the Eastern Cape provinces experienced days of heavy rain which led to floods. At the last official announcement a minimum of 435 people were reported to have lost their lives due to the floods and many others were still missing. The economic devastation was considerable because this was considered the worst natural disaster in the country and the deadliest storm since 1987. The cost to repair the damage was estimated in excess of R10 billion. As a patriotic corporate citizen, the NEF responded to the humanitarian and economic catastrophe that impacted some of the organisation's investees by supporting the rehabilitation of uninsured businesses that were damaged by the floods, to restore jobs and the provision of goods and services to neighbouring communities.

Amid concerns that many businesses were diverting business to other countries the NEF stepped to the forefront with the same resilience that was in evidence after the unrest last year in support of business recovery and community relief through the distribution of food parcels, clothing, school uniform, blankets and sanitary towels for communities whose homes had been damaged.

Funding for growth

To date, the NEF has successfully attracted in excess of R10 billion in third-party funding. This is because the NEF is a catalyst for unlocking economic value by de-risking transactions, providing business incubation support and training where applicable, especially in the SMME and rural transactions, as well as feasibility and related funding, thus providing third-party funders greater comfort and confidence to support what the market considers high-risk transactions. The NEF's record of clean external audit opinions for 19 successive years has been a catalyst in unlocking third-party funding.

Appreciation

As a significant player in the financial services sector, 66% of the NEF's staff complement is in the core areas of fund management, with the balance of professionals spread across various fields in support functions.

The NEF's greatest asset is its highly skilled and driven human capital that is both dynamic and youthful. We are proud of the fact that 60% of the employee complement is female, and 41% of members of the Management Committee are women.

It is to these gallant pillars of the mandate that the Executive Committee is grateful. The NEF also owes a debt of gratitude to Minister Ebrahim Patel and **the dtic** for continuous wise counsel and for supporting the mandate of inclusive growth.

The NEF is thankful to the Shareholder for appointing a Board comprising patriots and seasoned leaders of mettle who have begun to serve with dedication and verve. Together with our investees and their employees, the NEF is grateful to Government, Parliament, co-funders, the mass media and the empowerment fraternity for continuing to champion the cause of transformation.

Together we stand at the golden door of growth, bearing the records of deeds of valour done in the interminable quest for Africa's regeneration.

PMtetwa

Ms Philisiwe Mthethwa
Chief Executive Officer

ABOUT THE NEF

VISION

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

MISSION

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

MANDATE

Established by the National Empowerment Fund Act (Act 105 of 1998), the NEF is the only Development Finance Institution (DFI) mandated to be a driver and thought leader in promoting and facilitating black economic participation.

It has been diligently and passionately undertaking this mandate for 18 years and has achieved significant milestones through the provision of financial support worth more than R12.46 billion to 1 349 black-owned and managed businesses since inception, in turn assisting these businesses to maintain over 114 189 jobs. It also achieved this through various non-financial support tools provided to black-owned and black-managed business.

POLICY REGULATORY FRAMEWORK

The NEF's strategy and operations are informed by various government policies as well as the NEF Act. Other policies to which the NEF strategy and operations are aligned include those directing macro-economy and governance.

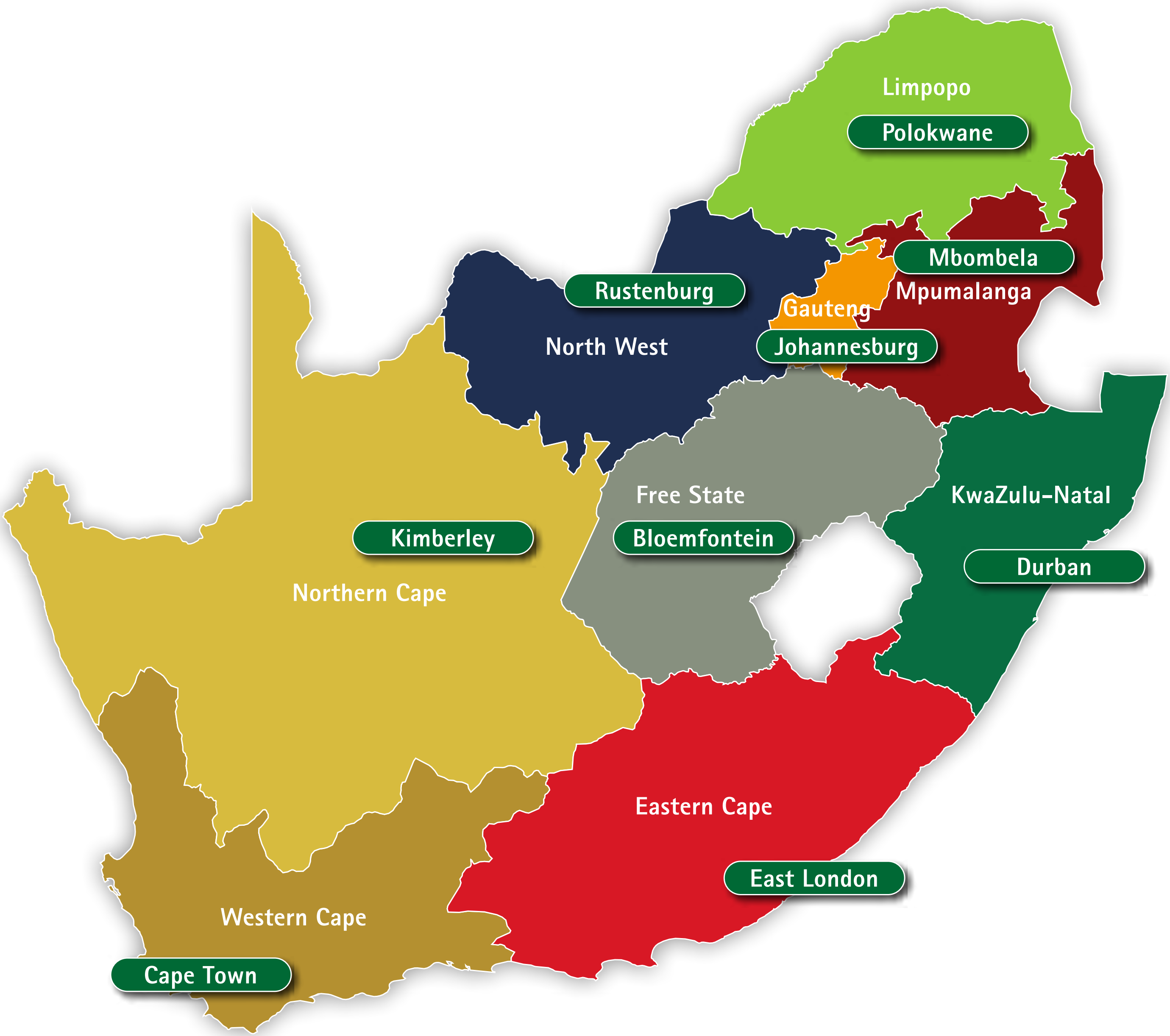
Relevant legislation and policies include, but are not limited to the following:

- Basic Conditions of Employment Act (Act 75 of 1997);
- Broad-Based Black Economic Empowerment (Act 53 of 2003, as amended (B-BBEE Act)), and the B-BBEE Codes of Good Practice;
- Companies Act (Act 71 of 2008);
- Employment Equity Act (Act 55 of 1998);
- Financial Intelligence Centre Act (Act 38 of 2001, as amended);
- Industrial Policy Action Plan (IPAP);
- Integrated Small Business Strategy, 2004;
- Labour Relations Act (Act 66 of 1995, as amended);
- Occupational Health and Safety Act (Act 85 of 1993);
- Preferential Procurement Policy Framework Act (Act 5 of 2000);
- Promotion of Access to Information Act (Act 2 of 2000);
- Protected Disclosures Act (Act 26 of 2000, as amended);
- Protection of Personal Information Act (Act 4 of 2013);
- Protocol on Corporate Governance in the Public Sector, 2002;
- Public Finance Management Act (Act 1 of 1999, as amended (PFMA)), including National Treasury regulations; and
- The National Development Plan (NDP).

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

Our regional presence

NEF has its regional presence in all nine provinces of South Africa, with its head office located in Johannesburg, Gauteng.



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 tool used to drive business strategy to create a strong competitive advantage by aligning our people to the mission, purpose and vision of the organisation.

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

E — **Ethics**
Choosing to do what's right over what's wrong

M — **Motivation**
Being self-driven and passionate in what we do

P — **Performance**
Achieving results timeously and with impact

O — **Ownership**
Owning our actions, our decisions and consequences of actions

W — **Worthy**
Recognising the value of others' contribution

E — **Excellence**
Exceeding our clients' expectations

R — **Respect**
Treating everyone with dignity and meaning

Group structure

NATIONAL EMPOWERMENT FUND TRUST

NEFCorp SOC Ltd	Zastrovect Investment (Pty) Ltd (Trading as Goseame)	Surgetek (Pty) Ltd	Delswa (Pty) Ltd	Golden Dice Foods (Pty) Ltd
100%	100%	100%	100%	49%
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.	The NEF invested in Goseame in June 2012. The business is involved in the wholesale and retail of fresh produce, groceries, flowers and meat in Limpopo. In September 2013, the NEF took over ownership and management of the business. It is currently going through a rigorous turnaround. Since the take-over of the business by the NEF, it has shown steady profitability supported by new markets. Thanks to steady financial performance, Goseame is able to honour its monthly financial obligations and to support 300 permanent jobs.	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 experienced financial distress and was placed under business rescue. The business is currently undergoing a turnaround after which a suitable equity investor will be identified.	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 shares in Delswa.	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 was financially distressed in November 2017 and this resulted in its closure. The business was subsequently placed under business rescue. The NEF elected to take the lead in the turnaround of the business (including its management), and this has resulted in it becoming a subsidiary of the NEF (management control). The business subsequently increased its product lines and capacity, and has received a pipeline of orders.

Our strategic objectives

As depicted below, our business model is premised on the four main strategic objectives that advance the creation of value for the NEF.

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. Advance 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. • Collection ratio • Target ROI before impairments.	• Number of entrepreneurial training sessions provided. • Number of entrepreneurs referred to and successfully completed business incubation. • Number of social facilitation sessions for NEF investees. • Number of investor education sessions held across the country. • Number of enterprise development partnership agreements concluded and amounts raised.

NEF business – financial support

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. NEF funds projects from R250 000 to R75 million.

Projects that require an investment larger than R75 million are assisted through co-funding arrangements, in conjunction with other financing institutions appropriate to the structure and developmental mandate of transactions under review. The involvement of NEF regional offices extends through various stages of a transaction relevant to the province in question.

The funds

	Strategic Projects Fund	iMbewu	uMnotho	Rural, Township and Community Development	Women Empowerment Fund
Objectives	• Funds the development of projects which undergo various stages.	• Supports start-up businesses. • Provides start-up and expansion capital required for SMMEs.	• Provides financing for expansion. • Funds the acquisition of equity in existing businesses. • Funds new ventures.	• Supports businesses that are broadly owned by communities and entrepreneurs. Such transactions are located in rural areas, townships or peri-urban areas with the aim 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 finance. • Procurement/ contract finance. • Entrepreneurship funding.	• Business acquisition 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 from R2 million to R75 million.	Funding from R1 million to R50 million.	Funding from R250 000 to R75 million.

NEF business – non-financial support

The non-financial support below is extended through various functions within the NEF at various stages of a transaction, from the initiation stage to the end.

Pre-Investment Unit (PIU) and Regional Offices	Post-Investment Unit (POIU) and Regional Offices	Turnaround Workouts and Restructure Unit (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; but 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 is responsible for the turnaround and restructuring of distressed investees within the portfolio of the NEF. In addition, all investees who are in business rescue fall within the TWR Unit. Should a turnaround not be possible, the TWR Unit attends to a managed exit for the NEF by disposal of assets or shares.	The Department's function is to protect the legal interests of the NEF. It is responsible for the conducting of legal due diligence as well as the drafting, negotiation and conclusion of legal agreements on behalf of the NEF. It also has the obligation to institute legal action to recover losses incurred, including recoveries in instances of illegal and criminal conduct.	**Social Facilitation** 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. **Enterprise Development** The Unit also mobilises funding for the NEF Enterprise and Supplier Development Fund to benefit targeted investees in different sectors of the economy. **Investor Education** In addition, the team facilitates a culture of savings and investments through the NEF Investor Education programme. **Corporate Social Investment (CSI)** SEDU also manages the NEF CSI programme.

Value creation business model

The NEF executes its business model through these operational processes:

Processes

ENQUIRIES AND APPLICATIONS

▼

SCREENING AND DUE DILIGENCE

▼

DEAL APPROVAL

▼

LEGAL IMPLEMENTATION

▼

FINANCE

▼

POST-INVESTMENT SUPPORT

Functions

- PRE-INVESTMENT REGIONAL OFFICES
- SME AND RURAL DIVISION
- VENTURE CAPITAL AND CORPORATE DIVISION
- APPROVAL COMMITTEES
- LEGAL DEPARTMENT
- FINANCE DEPARTMENT
- POST-INVESTMENT UNIT, TWR, REGIONAL OFFICES AND LEGAL

Activities

- ENQUIRIES AND PRODUCT ADVISORY
- BUSINESS INCUBATION
- BUSINESS PLANNER TOOL
- ENTREPRENEURIAL TRAINING

- DEAL EXECUTION
- DUE DILIGENCE
- DEAL STRUCTURING

- COMMITTEE DEAL APPROVAL
- CREDIT RISK ASSESSMENT

- LEGAL AGREEMENT DRAFTING
- TRUST AND BOND REGISTRATION
- CONDITION PRECEDENT (CP) COLLECTION AND DISBURSEMENT COMPLIANCE

- DISBURSEMENT OF FUNDS
- COLLECTIONS

- PORTFOLIO MONITORING, MENTORING
- BACK-OFFICE SUPPORT
- TURNAROUND AND RESTRUCTURING
- LITIGATION

Maximising value creation

The NEF continued to deliver on its mandate through various funding initiatives and partnerships. The table below highlights the inputs of the four forms of capital that have enabled us to achieve key performance measures (outputs) and ultimately the strategic objectives aligned to them in order to have meaningful impact towards our mandate and our stakeholders.

CAPITALS	INPUTS & BUSINESS ACTIVITIES	OUTPUTS	IMPACT
FINANCIAL CAPITAL	• Cash generated from investments made. • Cash raised through partnership agreements. • Recoveries from Post Investment, TWR and Legal Services Unit.	• A total of 203 transactions approved valued at R1.333 billion. • Committed transactions valued at R1.053 billion. • Disbursement of funding to the value of R1.050 million.	• Financial sustainability. • Continued achievement of the NEF mandate to empower and enable Black-owned businesses to participate and contribute to economic growth.
HUMAN CAPITAL	• Positive ethical culture, skills, capacity and motivated staff. • Trainee programme. • HR policies and systems.	• 167 employees (2021:152) 54% of which are female. • Females account for approximately 43% of senior management staff. • Employee turnover is at 9%. • The value of training and bursaries spent on the employees is R529 540.	• Career development through training interventions. • Increased level of skills, education, and financial literacy. • High levels of employee engagement and longevity. • Positive employee morale.
SOCIAL AND RELATIONSHIP CAPITAL	• Funding activities to maintain jobs in new investments, increase investment in Black women-owned business and provincial distribution. • Stakeholder engagements. • Bursary scheme and other CSI programmes. • Socio-economic development and investor education seminars. • Activities to increase brand reputation.	• 28% of disbursements to Black women-owned investments. • 30 transactions worth approximately R191 million (18% of disbursements) have been invested in targeted provinces. • 11 429 jobs were preserved, of which 2 999 were new. • 134% social facilitation against a target of 70% and 174 entrepreneurial training sessions held against a target of 135. • 73 investor education sessions, impacting 2 945 956 beneficiaries. • Actual media advertising valued at R24 million.	• Continued achievement of mandate to empower and enable Black-owned businesses to participate and contribute to economic growth. • Our brand is viewed in a more positive light than in the prior year.
INTELLECTUAL CAPITAL	• Development of new IT systems.	• Developed and implemented secure IT systems for Taxi Relief Fund (TRF) applications processing.	• Efficient implementation of the TRF project.

STAKEHOLDERS AND STRATEGIC PARTNERS

> *"During the period under review, the NEF participated in 131 stakeholder engagements despite COVID-19 restrictions."*

As a consequence of the apartheid dispensation, Black people, who were the majority of the population in South Africa, were excluded from meaningful participation in the mainstream economy. The NEF was established, through legislation, with the sole mandate of facilitating Broad-Based Black Economic Empowerment aimed at growing meaningful Black economic participation. The NEF was therefore established as one of the government instruments to ensure inclusive economic development and growth while at the same time nurturing new democracy and freedom.

Secure support for the mandate of the NEF

The programmes created by the NEF, in order to deliver on its mandate, attempt to leverage on social capital from other sections of society that historically have had economic advantage. The NEF has thus long accepted the importance and value of engaging the broadest possible spectrum of its public stakeholders, to achieve the following broad strategic outcomes:

- Grow awareness of the mandate, milestones and plans of the NEF;
- Secure support and endorsement for the transformation imperative;
- Marshal moral, financial and organisational endorsement for the programmes and activities of the NEF;
- Mobilise direct financial investment in the various funds and initiatives of the NEF and in the growth of its investees, and
- Achieve the sustainable recapitalisation of the NEF so that it may maximise the implementation of its mandate successfully.

An enduring commitment to performance, integrity and transparency

The critical success factors that had, over the past years, shaped the NEF's approach to stakeholder relations are the following (among others):

- A commitment to operational excellence in pursuing the goals of the organisation;
- Cementing governance and integrity as the foundation of the NEF's DNA; and
- Upholding commitment to service, transparency and accountability.

The various sections of this Integrated Report 2022 are an account of these seminal breakthroughs.

It is these imperatives that have enabled the NEF build solid and dependable relations with entities across the public and private sectors, deepening its reputation and credibility as a model patriotic corporate citizen. During the period under review, the NEF participated in 131 stakeholder engagements despite COVID-19 restrictions. These included (but were not limited to) webinars, investor education seminars, enterprise and supplier development workshops, community presentations on access to funding, and media interviews.

Engagement, consensus and shared values

The NEF commits to continue to nurture and develop with fortitude and commitment, to deepen the bonds of shared vision for transformation and growth. This is the camaraderie that the NEF shares with many pillars of civil society inclusive of the mass media, the Black Business Council, the Black Management Forum, Business Unity South Africa, Businesswomen's Association of South Africa, Association of Black Securities and Investment Professionals, African Women Chartered Accountants Association and many other organisations across the length and breadth of South Africa's socio-economic landscape.

Public accountability

The NEF is an agency of government, which reports directly to **the dtic**, and is accountable to the Select Committee on Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour, as well as to the Portfolio Committee on Trade and Industry, both of which represent the two Houses of the Parliament of South Africa. The NEF is called upon to report to other Committees of Parliament such as the Standing Committee on Appropriations, among others, from time to time.

Having secured clean external audit opinions for 18 successive years, the NEF has long become a partner of choice among public and private sector entities seeking to advance transformation and growth by supporting Black entrepreneurs.

Placing people at the heart of stakeholder relations

In addition to growing public awareness and market demand for the products and services of the NEF, the endgame in championing a successful stakeholder relations strategy is to offer the public true and meaningful solutions in the legitimate quest for economic inclusion.

In this regard, a key pillar of the NEF's non-financial support includes investor education, especially across rural, peri-urban and township communities, where over the years 2 945 956 people have participated in seminars on how to save and invest in alternative assets such as shares, dividends, bonds, property and money markets. The seminars have also focused on personal financial discipline to assist Black people to make informed decisions on their personal financial matters.

To propel entrepreneurship, business skills training has been provided to 4 997 budding entrepreneurs, while many entrepreneurial dreams have also been unlocked through incubation support.

KEY RISKS AND MATERIAL ISSUES

The NEF manages all key risks and material issues through a continuous assessment of current and emerging risks facing the organisation and the country at large. This risk management approach is the foundation of its enterprise-wide risk management (ERM) process.

The NEF further augments its ERM process by reviewing its risk appetite regularly through considering the changes in the business environment in which the NEF operates and then managing the risk exposure accordingly. Risk management activities cut across the entire organisation and cover each and every process, from investment to business support processes such as facilities and human resources management, with the aim of maintaining an effective risk management culture.

The NEF is a Development Finance Institution (DFI) whose primary role is provision of finance to Black entrepreneurs and Black-owned and managed enterprises. The enterprises supported by the NEF are characterised by insufficient financial equity or assets to make their own meaningful equity contributions or provide collateral to access traditional financing instruments. In essence, the majority of these entrepreneurs and enterprises would, otherwise, not qualify for funding from traditional finance institutions. This means that the NEF is exposed to higher credit risk than traditional finance providers. The credit risk assessment of the funding applications is, consequently, focused on commercial viability or the ability of these enterprises to service debt facilities. Less emphasis is placed on the ability of the applicants to provide large equity contributions and collateral to secure debt facilities raised to finance their business ventures.

Thus, the propensity of the NEF to taking on high risk is elevated and, as such, it becomes imperative that the NEF maintains a strong risk management process to manage internal and external risks.

The dominant and key risks which are tracked on a quarterly basis by the management of the NEF include recapitalisation risk, credit risk, market risk, sustainability risk, risk of missed opportunities and reputational risk. Several events that dominated the periods between 2020 and 2022 such as the COVID-19, civil unrest and natural disasters which adversely impacted the South African economy further intensified the level of distress and necessitated interventions and extensive monitoring.

NEF's management recognises the danger of failing to manage the above risks appropriately and its adverse effect to the performance of the organisation and the promise to all stakeholders and members of the public. As such, the NEF manages its risks within the following risk management framework which depicts the important elements necessary for effective risk management:

The NEF Risk Management framework seeks to entrench sound risk management processes and structures that are aimed at effectively managing potential threats while taking advantage of opportunities within the NEF's operating environment and cultivating a risk conscious organisational culture.

As can be seen in Figure 1, the NEF adheres to and is aligned with the best practice risk management standards and good corporate governance depicted in Figure 2.

Figure 1: NEF Risk Management Framework

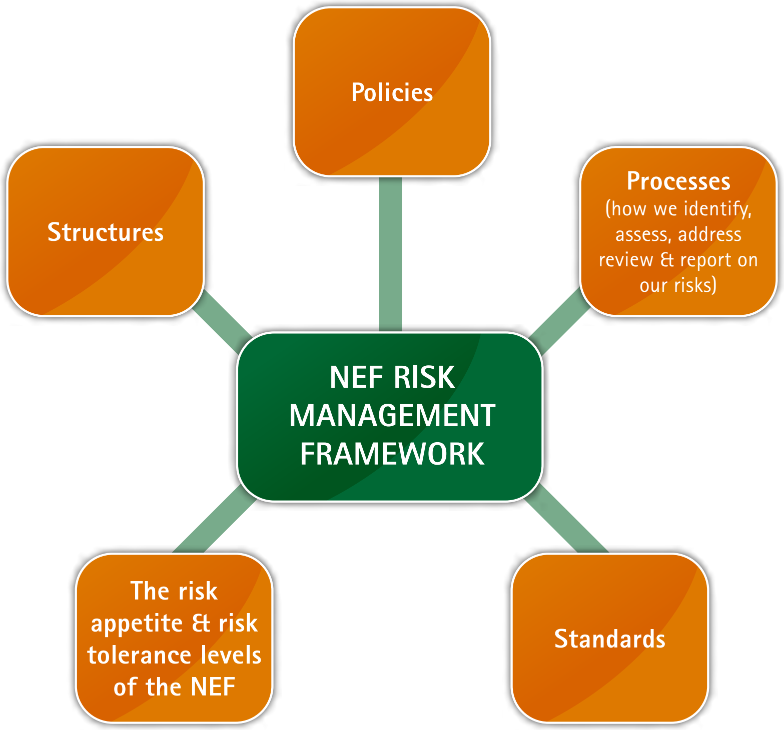


Figure 2: Risk Management Standards and good corporate governance

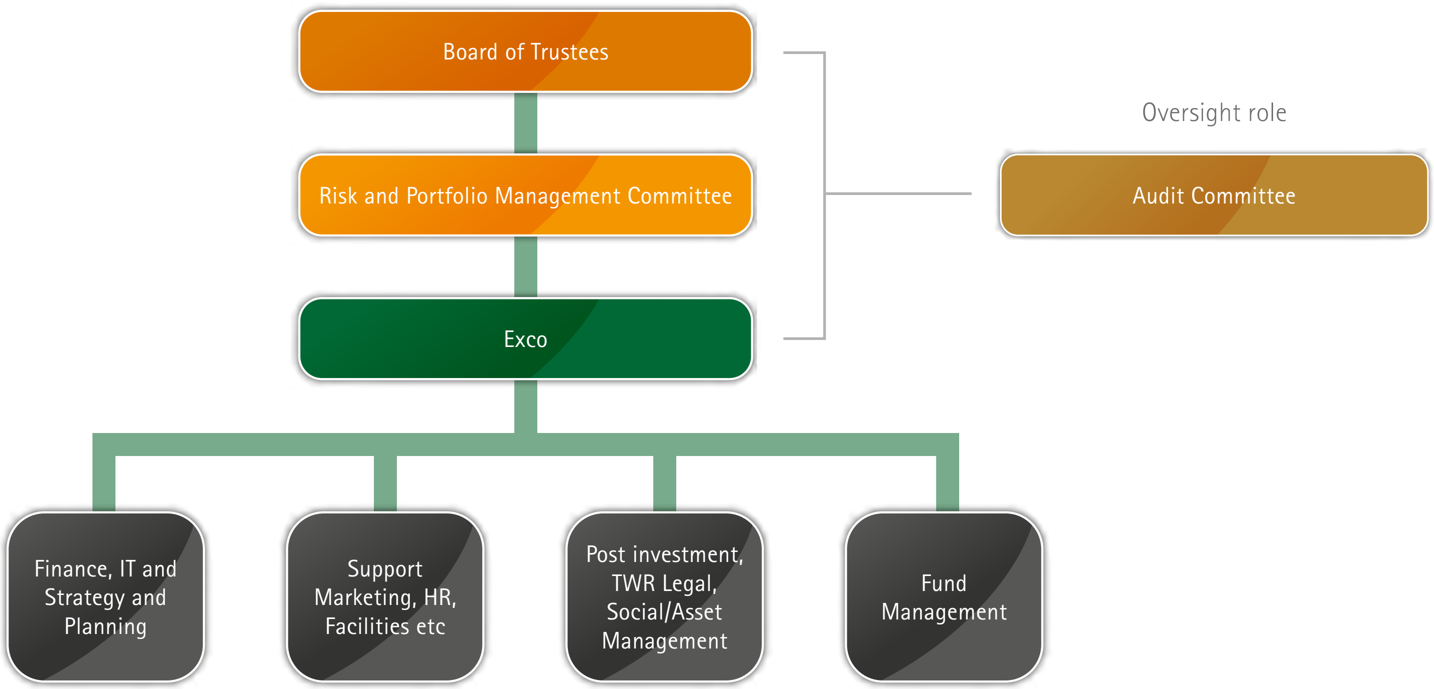
The Board of Trustees of the NEF is responsible for oversight and is accountable for directing and monitoring the NEF's risk management performance in a structured framework in line with best governance practice. The Board established the risk and portfolio management committee (RPMC), as its sub-committee, to govern and oversee the risk management function of the NEF. The Board, therefore, performs this oversight through RPMC.

The NEF's executive committee, with the assistance of the Chief Risk Officer, in turn, is tasked with the responsibility of implementing the enterprise-wide risk management process. The Board also established the audit committee to provide the necessary oversight over assurance obtained mainly on financial reporting, the risk management process and internal controls on an annual basis.

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

The risk management structure of the NEF is elaborated in Figure 3.

Figure 3: Risk Management Structure



Strategic risks

The NEF identifies strategic risks as part of its risk management process undertaken on an annual basis. All material issues that could prevent the organisation from achieving its key objectives are identified. Mitigating measures are considered simultaneously. The resultant residual risks are rated in terms of probability of occurrence and the severity of the impact they may have in the achievement of the organisational objectives if such risks occurred. Where there is a risk, there is –equally– 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.

Key risk heat map

The heat map shown in Figure 5 is a graphic representation of the residual risk and the rating thereof after management has applied all necessary control measures to mitigate the key risks.

Figure 5: Key Risk Heat Map

Risk #	Strategic Risks
R1	Global Pandemic Risk
R2	Recapitalisation Risk
R3	People Risk
R4	Fraud and Cyber Crime Risk
R5	IT Risk
R6	Market Risk
R7	Reputation Risk (due to failure to manage Third party funds)
R8	Credit Risk and Portfolio Impairment
R9	Change in DFI Landscape Risk
R10	Concentration Risk
R11	Organisational Change Risk
R12	Business Disruption
R13	Legal and Regulation Compliance Risk
R14	Liquidity Risk

The heat map depicts 14 key risks that the NEF has identified and monitored during the 2021/22 financial year. Three of the 14 key risks identified and monitored remained very high due to the adverse events that occurred between 2020/21 and 2021/22. Such events include the COVID-19 pandemic, July 2021 civil unrest and Russia-Ukraine conflict as discussed below:

- **Global Pandemic Risk** - It remains unclear whether the rollout of COVID-19 vaccines in 2021 will curb the future spread of COVID-19 and its negative impact on economic growth. There are indications that subsequent waves of infections may continue to affect the macro and micro economy.
- **Changes in local and international macro-economic conditions** - The changes in local and international markets due to the COVID-19 pandemic and various other market elements have continued to have an adverse effect on the prospects of South African economic growth which have been revised down to 2% for the 2022/23 financial year.
- **High levels of impairments and credit risk** - COVID-19, the Russia-Ukraine conflict and the July 2021 civil unrest in KZN and Gauteng have severely affected the NEF's investees and their ability to service debt facilities extended by the NEF. This has led to the impairment rate remaining at 29% of the NEF portfolio for 2021/22.

Figure 6 shows the movement in the rating of the key risks from the previous financial year:

Figure 6: Movement in Key Risk ratings

Risk #	Strategic Risks	Movement in residual risk from prior year
R1	Global Pandemic Risk	▶
R2	Recapitalisation Risk	▼
R3	People Risk	▶
R4	Fraud and Cyber Crime Risk	▶
R5	IT Risk	▶
R6	Market Risk	▶
R7	Reputation Risk (due to failure to manage Third party funds)	▶
R8	Credit Risk and Portfolio Impairment	▶
R9	Change in DFI Landscape Risk	▶
R10	Concentration Risk	▼
R11	Organisational Change Risk	▶
R12	Business Disruption	▼
R13	Legal and Regulation Compliance Risk	▶
R14	Liquidity Risk	▶

▲	Increase in the residual risk rating from the prior financial year
▶	No change from the previous year
▼	Decrease in residual risk rating from the prior financial year

While the majority of the key risks have remained unchanged, there were movements in three of the 14 tracked key risks as follows:

- Recapitalisation risk – This risk has improved due to the confidence shown by third-party funders such as **the dtic** and Department of Transport by allocating funds to the NEF in excess of R2.2 billion in 2021/22.
- Concentration risk in the MTN Group Limited and retail petroleum industry – Although the NEF portfolio is still concentrated on MTN Group shares and the retail petroleum industry, the prospects have improved with the MTN share price rising and fuel service stations performing well. This led to downwards adjustment of the risk rating.
- Business disruption risk – The emergence of COVID-19 pandemic caused anxiety in the general business environment and the NEF due to lockdowns that disrupted business operations. However, the circumstances have improved and led to the downward revision of the risk rating. This downgrade was also supported by the fact that the State of National Disaster ended in April 2022.

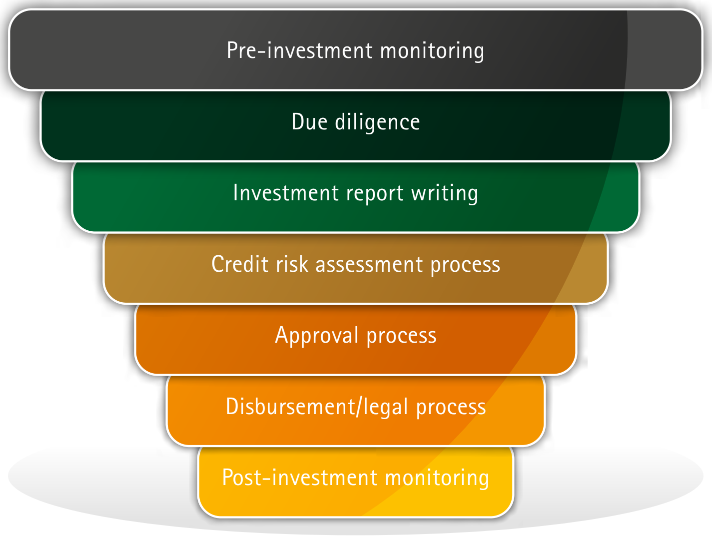
Credit risk management

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 thus 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.

Credit risk is the risk of a borrower or a counterparty falling short of honouring 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 credit worthy and have proven commercially viable enterprises and business models. In other words, the function plays an active role in the investment process as shown in Figure 7.

Figure 7: Investment Process



Although there is a dedicated and independent department responsible for credit risk assessment of all applications presented to approving committees, the NEF Board of Trustees apportions the responsibility for credit risk management across all departments making up the investment process (as detailed below).

Responsible team	Credit Risk Management actions	Desired outcome
Investment Team Interdisciplinary team of financial, technical, community development and legal specialists	• Identification of factors that may expose the 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.	• Informed decision to proceed to due diligence investigation or to decline the application. • Approved or declined by a delegated committee based on an investment proposal presented by the investment team. • Transactions structured to mitigate risks and instruments and priced accordingly. • Committee decisions based on sound business cases presented by teams.
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 bound for the approval committee. • 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.

Responsible team	Credit Risk Management actions	Desired outcome
Post Investment Unit Division supported by portfolio management committee responsible for managing the portfolio during the life cycle 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 repay the NEF loan. • Monitoring of non-performing or slow paying investees and collection of outstanding debts promptly. • Provision of mentorship and other support deemed necessary in areas of business management in which the NEF investees lack adequate experience, skills and capacity to successfully operate their enterprises for which funding was provided.	• Financially sustainable enterprise that is profitable, capable of making debt repayments and/or dividend distribution while enhancing its equity value. • Timely interventions and collections.
Legal Services Unit Unit responsible for ensuring legal compliance in the funding process.	• Performance of independent legal due diligence for each credit application to identify legal risk factors. • Drafting, negotiating and concluding 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 the legal services unit to handle in case of default. • Credit recovery or acting on security. • 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 services 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

The 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 steady increase in the impairment ratio from 27% in 2019/20 to 29% in 2021/22. NEF's loan portfolio was not spared from the devastating effects 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. The impairment ratio remained high but constant at 29% in both 2020/21 and 2021/22.

- **Financial performance**
  Return on investment (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 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 increased from 7.33% in 2020/21 to 8.3% in 2021/22 which could be attributable to the following:

- Increase in the prime rate in the 2021/22 financial year.
- Increase in approvals and disbursement of funds into the economy. This allowed the organisation to earn interest at a higher rate than the rate earned on funds sitting in the bank.

- **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, notwithstanding the effects of COVID-19 pandemic.

- **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 (excluding early settlements) over instalments raised. Scheduled or periodic instalments (monthly, quarterly or annually) are raised on investments structured as debt/senior loan. Cashflow waterfall 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. An increase in collections ratio from 74.7% in 2021 to 83.7% in 2022 was recorded.

- **Security cover/collateral**
  The security cover for the NEF's investments is generally low due to the nature of the 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.

- **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 of the past few years, the economic downgrades and the devastating effects of the COVID-19 pandemic. The South African Government has been constantly working on various strategies to improve the economy of the country and has been working overtime to shield SMMEs from the adverse effects of COVID-19. The COVID-19 relief funds have also been made available by the government in the forms of funds such as the Presidential Employment Stimulus and Economic Distressed Funds which assist in the reduction of the overall credit risk.

Concentration risk

The concentration risk in the investment portfolio is decreased through industry diversification. The more than 342 investment projects with a cumulative exposure of R2.7 billion in the portfolio are representative of most sectors of the economy, with no specific industry or geographical area representing undue risk. 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 45% of the total portfolio by value. There are continuous efforts to decrease the concentration risk through the following:

- Active operation and presence of NEF regional offices in all provinces;
- Increasing the NEF's exposure to potential transactions in other economic areas of the country through referrals from other provincial DFIs such as Small Enterprise Finance Agency (SEFA), Small Enterprise Development Agency (SEDA), National Youth Development Agency (NYDA), etc;
- Co-funding strategic partnerships with both private and public sector such as the Limpopo Economic Development, Environment and Tourism Department, Northern Cape Department of Economic Development and Tourism, Steve Tshwete Local Municipality, Bakubung Minerals etc. by providing blended funding (grants and concessionary loans) to SMMEs that are domiciled in their respective under-served provinces; and
- Supporting the stimulation of rural and township economies. Currently, the NEF has partnered with **the dtic** to fund businesses that are majority-owned by women (at least 51%) and are based in rural, township or economically underdeveloped areas.

Compliance management

The past reporting period has seen the NEF compliance function become agile and proactive in responding towards an ever-changing regulatory environment which was not only precipitated by the COVID-19 pandemic, but also by the economy. As a result, the compliance function played an active role in critical NEF projects and initiatives and ensured that a compliance culture was maintained across the organisation through various training and awareness programmes.

The activities of the NEF compliance function throughout the current reporting period is summarised as follows:

Compliance initiatives

- Taxi Relief Fund: The Taxi Relief Fund (TRF) was launched as a means of mitigating the effects of the COVID-19 pandemic on the taxi industry. The compliance function was part of the NEF team overseeing the implementation of the TRF and advising on various relevant legislative requirements, including those prescribed in the Financial Intelligence Centre Act and the Protection of Personal Information Act.

NEF regulatory environment

The past year saw significant changes and amendments to the regulatory environment of the NEF. These may be summarised as follows:

- Financial Intelligence Centre Act (FICA): The NEF is an accountable institution in terms of FICA. Compliance with this extensive piece of legislation means that the NEF was under an obligation to perform screening, risk rating, monitoring and training of activities pertaining to money laundering and terrorist financing, and a project plan to adhere to these duties was compiled accordingly. Implementation and adherence to the act is an ongoing and robust exercise that the compliance function attends to vigorously.
- Protection of Personal Information Act (POPI Act): The NEF, as with all other organisations within the Republic, was also faced with having to meet the operative deadline of the POPI Act. The compliance function acted as a custodian of this act by applying an integrative approach to its adherence. Additionally, various initiatives have been put in place to ensure that the NEF is an organisation that respects the personal information of its investees, business partners and stakeholders alike.
- Cybercrimes Act: Another piece of legislation that became enforceable during the past year is the Cybercrimes Act. This act expands on the provisions of the POPI Act, albeit from a cybercrimes perspective, and provides consequences for individuals who don't comply accordingly. The NEF provided training and awareness sessions on this act, and compliance with the act remains a critical ongoing initiative.

It is critical that organs of state remain the cardinals of abiding by the legislation of the Republic. The NEF compliance function continues to work tirelessly in this respect to ensure that a strong culture of compliance is established throughout the organisation.

CFO'S REPORT

Ms Boitumelo Gasealahwe
Chief Financial Officer, NEF

The NEF Trust has yet again achieved positive results under difficult circumstances. The organisation has reported a surplus of R1.214 billion when compared to R244 million reported in the previous financial period. The actual total revenue exceeded the target by R623 million while operating expenditure (excluding social benefit and deferred conversion grant expense) was contained within the budget by R23 million. The NEF has also realised a fair value gain of R1.055 billion from investments, a year-on-year increase of 242%.

The NEF has realised a significant growth in the gross investment portfolio, driven by annual disbursements that have more than doubled from R446 million in 2020/21 to R1.050 billion in 2021/22, whilst the unencumbered cash balance has also increased from R431 million to R538 million in the same period. The huge increases are primarily due to third party funds received from **the dtic** and the Department of Transport.

The NEF Trust has also reported an increase in collections from investees of more than 100% year-on-year from R219 million to R476 million due to growth of investment portfolio.

The NEF received third party funds amounting to R2.245 billion during the 2021/22 financial year compared to R340 million in the previous year. The NEF has also met most of the key financial ratios, except for the impairment ratio of 29% which was anticipated due to the impact of COVID-19 on the loan book.

MTN declared a final dividend of R30 million to the NEF after two financial years. Two of the unlisted investees, namely, Colliery Dust Control (Ptd) Ltd and Ithuba Holdings have declared dividends of R3 million and R30 million respectively, totalling R33 million.

> *"The NEF has realised a fair value gain of R1.055 billion from investments, a year-on-year increase of 242%."*

Figure 8: Financial metrics

Financial Indicator	2022	2021	
Overall Surplus	R1 214m	R244m	
Unencumbered Cash	R538m	R431m	
Fair Value Gain	R1 055m	R309m	
NAV	R5 107m	R3 893m	
Cost-to-Income	41%	64%	
Collection Ratio	83.7%	76%	
ROI	8.3%	7.33%	
Impairment ratio	29%	29%	

	Improved performance
	Neutral performance

- Most of the financial indicators improved year on year.
- Three of the four ratios are above the target for the year.

Supply chain management (SCM)

During this financial year, seven new tenders were issued and four tenders were awarded including two which had been issued in the prior year. These tenders were evaluated against the process set out in the NEF Supply Chain Management Policy, the National Treasury Supply Chain Management Regulations, the Preferential Procurement Policy Framework Act, and all the relevant practice notes.

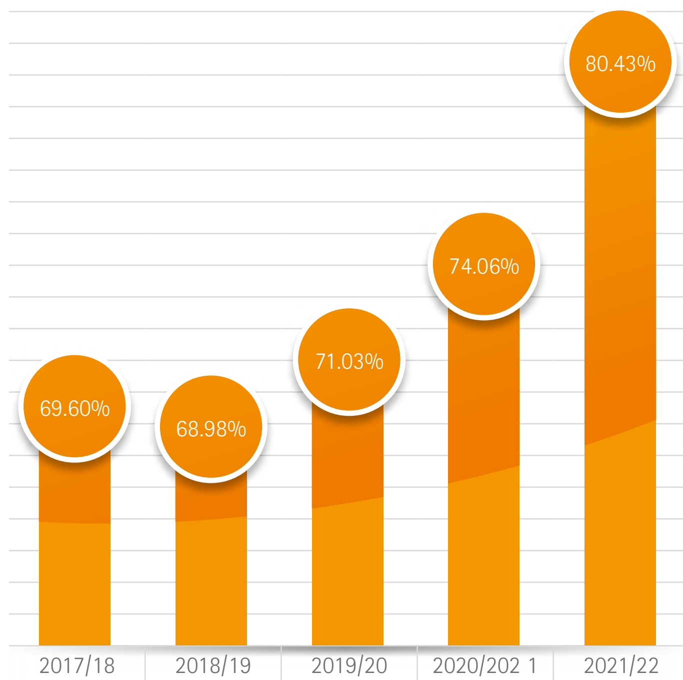
To ensure business continuity in terms of SCM processes during the COVID-19 pandemic, an online tendering process has been implemented where suppliers are able to respond to the NEF requests for proposals online. The evaluations are also conducted online, making it easy for the evaluators to perform their evaluations while working from home. This implementation has been working successfully and has also reduced printing costs significantly. SCM has been able to achieve its deliverables using this online method. We anticipate continuing to use this method going forward – post COVID-19 pandemic.

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 the business. 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 R36 million from 189 suppliers. Included in this performance is an achievement of 80.43% against a target of 65% for suppliers with Black ownership of between 51% and 100%. 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 Exempted Micro-Enterprises from 46.71% during the 2020/21 financial year to 47.17% in 2021/22.

The traction we have made in the past five years in procuring from majority Black-owned entities is demonstrated in Figure 9 below.

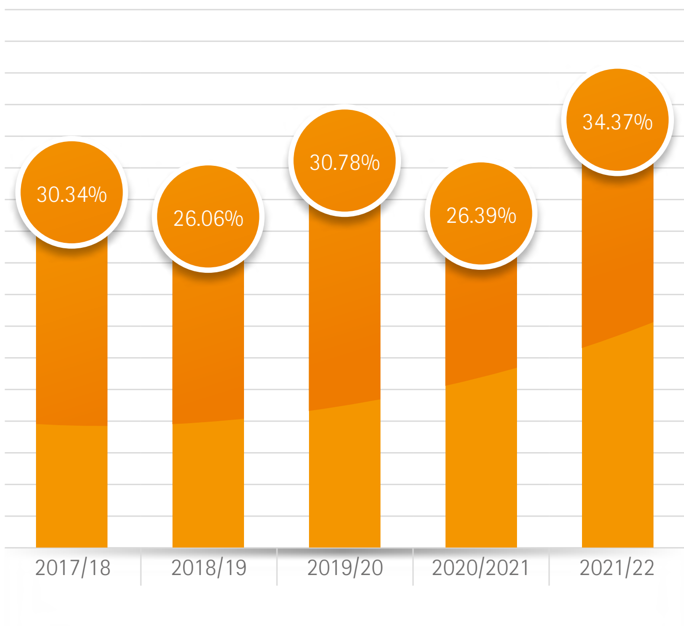
Figure 9: Five year trend on spend towards Black-owned entities



Even more satisfying is the achievement of 34.37% procurement from the majority (>51%) of Black women-owned businesses against a target of 30%, while procurement from 25.1% and above of Black women-owned businesses was at 44.36%. The NEF continues to support and empower Black women-owned businesses.

The traction we have made in the past five years in procuring from majority Black women-owned entities is demonstrated in Figure 10 below:

Figure 10: Five year trend on spend towards majority Black-women-owned entities



Supply Chain Management practice has been maintained at the highest levels of good governance with no adverse audit findings during the financial year. There were no procurement irregularities identified and reported in the 2021/22 financial year.

Information systems and technology (IST) management

Technology is one of the leading market forces and increasingly emerging as a critical success factor for the achievement of organisational goals. The IST department is therefore an important support activity in the value chain of the NEF. With the improved user adoption of technology worldwide due to the COVID-19 pandemic, exponential growth in value-added services emerged worldwide from expanded market needs.

The IST department went through a rigorous diagnosis and updated its strategy to align with the NEF vision and objectives. The strategy is to achieve an improvement in business system automation and user satisfaction using innovation and rapid product development, leveraging on the ability to collaborate, innovate, adapt, and persevere to achieve technology solutions that will enable the NEF to achieve greater success.

South Africa remains a target for cybercrime and the IST department continues to invest in systems that aim to improve defense mechanisms using a multi-layered approach, ensuring that the server environment is safe, as well as the home offices of employees. Updated fraud and cybersecurity training was provided during the year to ensure employees are aware of any new threats that emerged. Data allocation of employees was increased but at a cost-saving due to the contracts available through the National Treasury transversal agreement. With unlimited work-related data, the IST department can ensure that employees' computer software remains updated and protected while working from home.

The global shortage of microchips has been impacting the supply of laptop computers severely over the past two years. The IST department ensured that all laptops due for replacement were upgraded in time with proper planning and communication with suppliers in order to ensure that employees' ability to perform their duties were not impacted. Data centre rationalisation, realignment, and refinement of IST resources to meet the organisation's business, operational and technology requirements is another project initiated to ensure optimal use of the NEF's investments in technology.

With fluctuating exchange rates, it was difficult to contain unexpected inflation of procurement during the year, but the IST department managed to keep their spending within approved budget. Monitoring the external environment and seeking future cost savings are important measures to implement in order to limit unnecessary increases in expenditure.

A strong control environment in IST continues to be maintained, with only one audit finding outstanding at year-end. Good governance in the areas of IST general controls, business continuity, cyber and network security remain a priority.

Throughout the year the IST department was intricately involved in the implementation of the Taxi Relief Fund (TRF) project. NEF customer relationship management systems were adapted to integrate with the Department of Transport for processing applications. The IST department successfully assisted with the establishment of the call centre to support the applicants while also ensuring that temporary staff were equipped with the necessary tools of trade to process and execute the applications received under TRF.

PERFORMANCE REVIEW

ACHIEVEMENTS AGAINST STRATEGIC OBJECTIVES

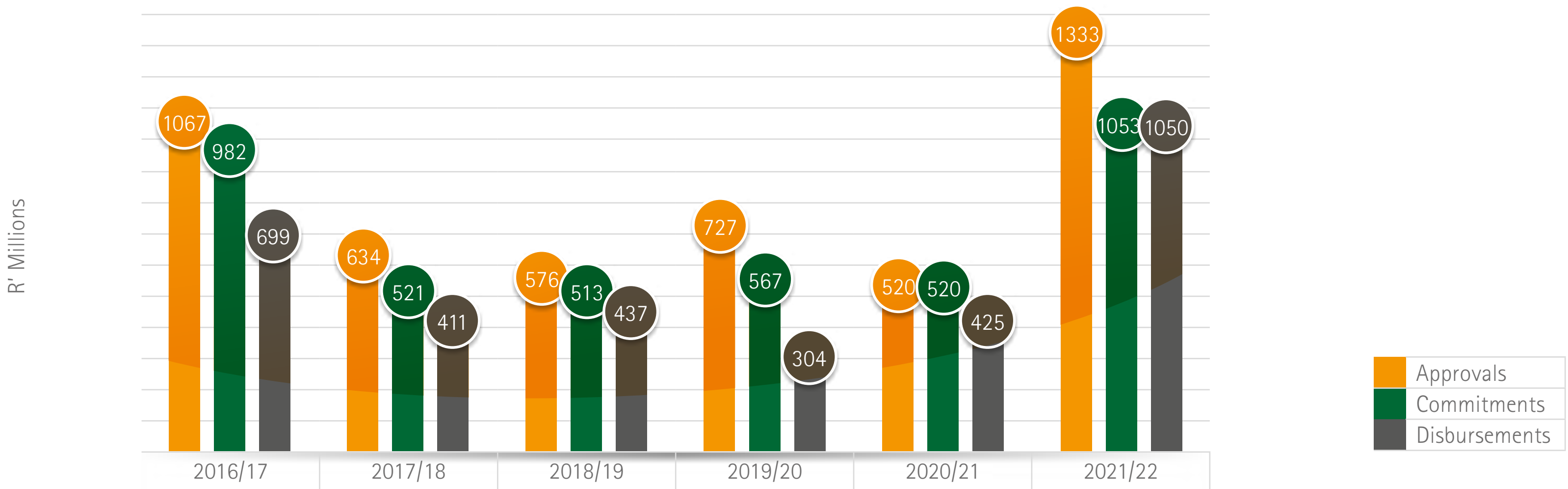
1. ADVANCING B-BBEE PROVIDE FINANCE TO BUSINESS VENTURES

Approvals
R1.333b

Commitments
R1.053b

Disbursements
R1.050b

In the 2021/22 financial year, the NEF significantly exceeded the targets set out for approvals, commitments, and disbursements. The NEF approved 203 deals to the value of R1.333 billion against a target of R800 million, committed R1.053 billion against a target of R624 million and disbursed R1.050 billion against a target of R562 million into the economy. This was achieved through great agility shown by the organisation and its people in the implementation of the various third party funds, including making internal process changes that are fit for purpose to avoid extensive red tape and bottlenecks.



In review of the historical performance, the NEF's most notable performance was recorded during the 2016/17 financial year when applications worth R1 billion were approved. This peak was supported by (among others) the partnership with the Department of Rural Development and Land Reform. This trend of circular R1 billion annual approval was achieved again in the 2021/22 financial year, supported by various fund partnerships, including funding allocation received from **the dtic** purposefully for economic recovery objectives. The performance demonstrates that the NEF has the capacity to deliver in excess of R1 billion in annual approvals – provided funding injections are made available.

2. MAXIMISING EMPOWERMENT DIVIDEND

	Jobs supported	2021/22	2020/21	2019/20
11 429 Jobs	Target	3 456	1 846	2 031
	Actual	11 429	2 488	1 738

	% of disbursements to women	2021/22	2020/21	2019/20
28% of disbursements to women	Target	40%	40%	40%
	Actual	28%	35%	38%

	% of disbursements targeted provinces	2021/22	2020/21	2019/20
18% of disbursements to targeted regions	Target	25%	25%	25%
	Actual	18%	18%	27%

	Disbursements	2021/22	2020/21	2019/20
Disbursements R1.050b	Target	R562m	R300m	R330m
	Actual	R1.050b	R425m	R304m

Jobs supported

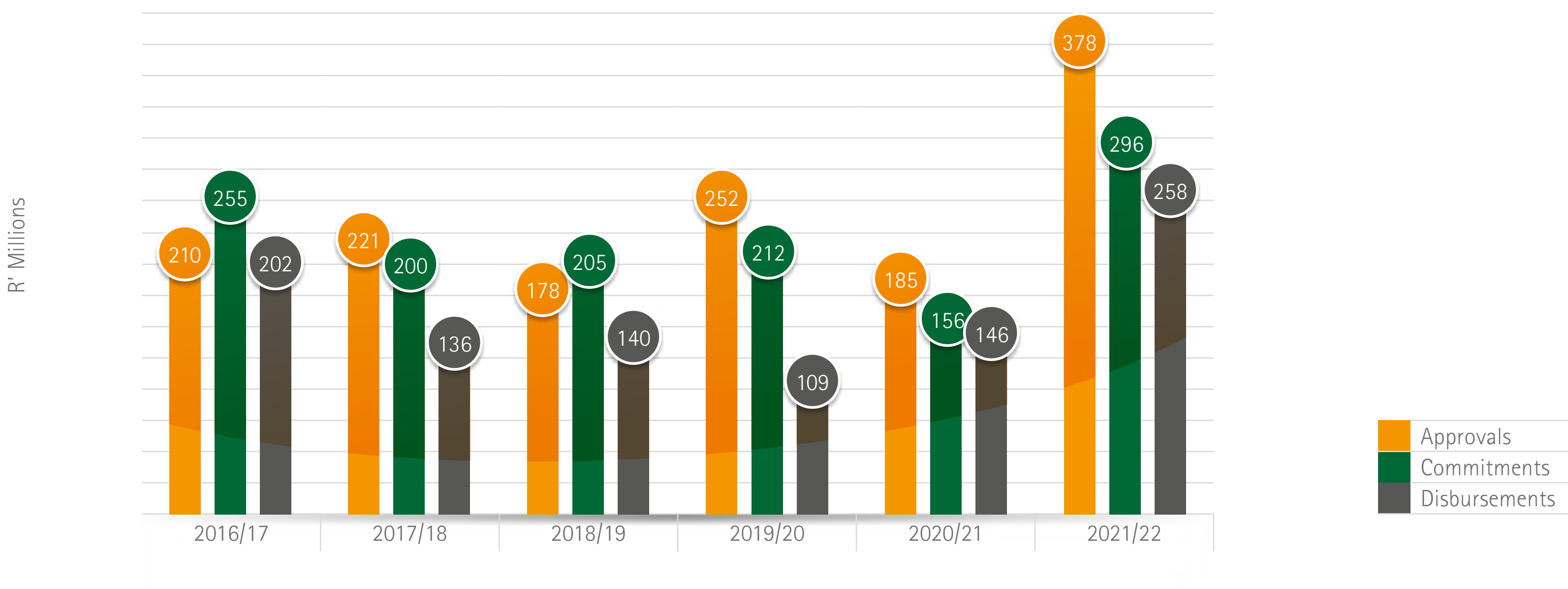
The organisation facilitated and supported 11 429 job opportunities (of which 2 999 were new) against a set target of 3 456. Since inception, the number of job opportunities geared to be supported increased to 114 189 (of which 72 363 were new).

> *The purpose of the WEF is to accelerate the growth of businesses owned by black women*

Women Empowerment Fund

The funding criteria of the NEF Women Empowerment Fund includes funding support to businesses that are 51% or more owned and managed by Black women. The purpose of the fund is to accelerate the growth of businesses owned by Black women.

The graph below shows the performance of the Women Empowerment Fund over five years. It shows a significant growth in the 2021/22 financial year when compared to previous year as it pertains to values of approvals (104% growth), commitments (90% growth), and disbursements (77% growth). This record performance across these three key indicators of WEF is attributed to the partnership with **the dtic** on the Women Empowerment Fund, resulting in the NEF receiving a dedicated R142 million from **the dtic**.



Regional activity

The NEF remains committed to increasing the value of the collective portfolios in the six targeted provinces being North-West, Northern Cape, Free State, Limpopo, Mpumalanga and Eastern Cape. Due to greater focus being placed on increasing the geographical reach, a total funding investment of R191 million was injected in the six provinces representing 18% of annual total disbursements against a target of 25% in the current year. The actual value invested reflects a 169% improvement from R71.3 million in the 2020/21 financial year.

3. OPTIMISING NON-FINANCIAL SUPPORT

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

73 Investor education sessions

Investor education	2021/22	2020/21	2019/20
Target	45	45	45
Actual	73	95	74

174 Entrepreneurial training sessions conducted

Entrepreneurial training	2021/22	2020/21	2019/20
Target	135	35	30
Actual	174	141	134

332 Businesses incubated and referred

Business referral and incubation	2021/22	2020/21	2019/20
Target	150	130	125
Actual	332	440	151

86 businesses fully incubated

Business incubation completed	2021/22	2020/21	2019/20
Target	30	20	15
Actual	86	124	16

39 Social facilitations

Social facilitation	2021/22	2020/21	2019/20
Target	29	20	36
Actual	39	28	36

Investor education

The investor education programme has been rolled out in all the nine provinces, mainly targeting LSM-1 individuals, with the purpose of encouraging Black people, who are members of stokvels, cooperatives, SMMEs or the general public, to save and invest. The programme also targets young people at tertiary institutions through industrial theatre performances.

During the period under review, the NEF employed the hybrid model between contact or face-to-face workshops and webinars in order to comply with the COVID-19 regulations. The model has worked well and NEF aims to continue implementing it in the future to maximise the number of beneficiaries reached.

The NEF's investor education programme has reached over 2 945 956 beneficiaries across the country through 649 interventions since the programme's inception.

In the year under review, 73 workshops were conducted against a target of 45.

Entrepreneurial training

The objective of the training is to provide emerging Black empowered SMMEs with lessons, education and exposure in understanding basic business principles and business management competencies in the areas of finance, HR and legal compliance. The programme also serves as a marketing tool for NEF funding products. This is typically a four-day training programme that enrols 10-24 SMMEs per session.

Upon completion, the trained individuals will have:

- The ability to understand the structure of a business plan and produce one;
- An ability to understand and interpret financial statements;
- Competencies in marketing the business and in sales; and
- The understanding of the significance of creating business networks, and the techniques required to foster their own.

The infographic demonstrates that performance in the past three years exceeded the set targets with a year-on-year growth of 23% achieved for the period under review of (174 in 2021/22 against 141 entrepreneurial training sessions in 2020/21).

Business incubation

Business incubation nurtures entrepreneurial ideas into feasible business opportunities. The infographic above reflects the number of entrepreneurs referred to the incubation programme and equally a measurement of success rates of those fully incubated over a three-year period.

Social facilitation

Social facilitation forms part of the NEF's non-financial support services. The NEF facilitates social interventions in its funded transactions that have broad-based groups, communities or employee empowerment structures. The SEDU team identifies business opportunities for the targeted beneficiaries in investments and assists in creating market linkages and identifying other developmental intervention areas for meaningful participation in the economy.

The function of social facilitation is to furnish the beneficiaries of a broad-based group or community involving investments with an understanding of how the transactions have been structured to address beneficiaries' expectations and to facilitate the implementation of necessary governance structures.

In the year under review, 39 social facilitations against a pipeline of 29 envisaged facilitations were undertaken, translating to 134% achievement against a target of 70% of the pipeline. The over performance was as a result of increased demand of this NEF product during the year.

4. ESTABLISH THE NEF AS A SUSTAINABLE DFI

Active portfolio monitoring is crucial to ensure the continued sustainability of the organisation. The performance of the NEF is measured through impairments, returns on investment and collection ratio.

Impairment of 29%

Impairments	2021/22	2020/21	2019/20
Target	25%	18%	18%
Actual	29%	29%	27%

ROI at 8.3%

ROI	2021/22	2020/21	2019/20
Target	7%	7%	9 – 10%
Actual	8.3%	7.33%	9.04%

Collection ratio at 83.7%

Collection ratio	2021/22	2020/21	2019/20
Target	80%	80%	80%
Actual	83.7%	74.7%	143.81%

R2.245b worth partnerships concluded

Partnerships	2021/22	2020/21	2019/20
Target	R50m	R50m	N/A
Actual	R2.245b	R541m	N/A

Performance against the Annual Performance Plan

Output	Performance Measure or Indicator	Annual Target 2021/22	YTD Target as at Quarter 4 2021/22	YTD Achievement	Variance	Reason for Variance	Corrective Measures
Provide finance to Black-owned businesses by extending funding structured in the form of loans, quasi-equity and equity finance. The funding support is packaged by various funds divisions in line with the approved funding products, targeting Black rural enterprises, SMMEs, corporate finance and venture capital.	Value of deals approved (R million)	R800	R800	R1 333	R533	The target was achieved and exceeded. This is due to the extensive work done in response to the July 2021 civil unrest and work done towards other programmes like WEF, BBMF, etc.	None.
	Value of new commitments (R million)	R624	R624	R1 053	R429	The target was achieved and exceeded owing to same reasons as above.	None.
	Value of Disbursements (R million)	R562	R562	R1 050	R488	The target was achieved and exceeded. A good pipeline of approved and committed transactions contributed to the disbursement targets as many businesses needed to urgently rebuild destroyed properties following the July 2021 civil unrest.	None.
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 3 456 new and existing job opportunities	Support 3 456 new and existing job opportunities	11 429	7 973	The target was achieved and exceeded. Transactions that were approved, committed, and disbursed assisted businesses to retain and create new jobs.	None.

Output	Performance Measure or Indicator	Annual Target 2021/22	YTD Target as at Quarter 4 2021/22	YTD Achievement	Variance	Reason for Variance	Corrective Measures
Source investment opportunities for funding programmes that support ventures owned and managed by Black women.	Percentage of portfolio disbursements to businesses (partially/wholly) owned by women	40% of annual disbursements	40% of disbursements	28%	-12%	The target was not achieved largely due to the fact that the work of the NEF in the current year was focused on the response to the July civil unrest. The organisation fell short by 12% of the target.	Management would like to improve this performance by ensuring that the disbursement pipeline process is fast tracked and favours the targeted group.
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	25% of disbursement target to be invested in EC, NC, NW, MP, FS and LP	R191 million of disbursed funds comprising of 35 deals, translating to 18% of total disbursement.	-7%	The target wasn't achieved as the largest disbursements came from the provinces that fall outside the targeted provinces (GP & KZN).	Investment in these targeted provinces remains a priority. A strong pipeline is in place for the new financial year. Funds continue to work on WEF, Black Business Manufacturing and Economic DistressFund transactions.
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	45 Investor education seminars per year	73	28	The target was achieved and exceeded. A hybrid model between face-to-face interventions, online seminars and radio interventions proved successful in reaching a large number of beneficiaries.	None.

Output	Performance Measure or Indicator	Annual Target 2021/22	YTD Target as at Quarter 4 2021/22	YTD Achievement	Variance	Reason for Variance	Corrective Measures
The provision of non-financial support and training for Black-owned businesses and Black entrepreneurs.	Number of entrepreneur training sessions provided	135 entrepreneurial training sessions, with an average score of 60% required in the post-training assessment	135 entrepreneurial training sessions, with an average score of 60% required in the post-training assessment	174	39	The target was achieved and exceeded. Extensive marketing towards entrepreneurs to participate in this programme was made.	None.
The provision of non-financial support and training for Black-owned businesses and Black entrepreneurs.	Number of entrepreneurs who successfully complete business incubation	Refer 150 entrepreneurs for incubation: and 30 entrepreneurs in the final incubation stage	Refer 150 entrepreneurs for incubation: and 30 entrepreneurs in the final incubation stage	332 86	182 56	The target was achieved and exceeded. Extensive marketing towards entrepreneurs to participate in this programme was made.	None.
The provision of non-financial support and training for Black-owned businesses and Black entrepreneurs.	Number of social facilitation sessions for NEF investees	70% of the SEDU pipeline (Total number of pipeline is 29)	70% of the SEDU pipeline (Total number of pipeline is 29)	134% (39) Social Facilitation sessions were conducted	64%	The target was achieved and exceeded. Some deals required additional engagements and facilitation to be held, while other deals which were not in the SEDU pipeline were also facilitated, hence the target was exceeded.	None.
Increase positive brand awareness of the NEF.	Brand audit survey findings	Increase brand awareness to 90%	Increase brand awareness to 90%	N/A	N/A	The organisation undertakes the Brand audit at determined intervals and it was not performed in the current year.	None.

Output	Performance Measure or Indicator	Annual Target 2021/22	YTD Target as at Quarter 4 2021/22	YTD Achievement	Variance	Reason for Variance	Corrective Measures
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	25%	25%	29%	-4%	The target was not achieved owing to tough economic conditions which were exacerbated by lockdown restrictions as a result of COVID-19.	Management is making a concerted effort to manage and reduce pre-investment credit risk. Management is also actively monitoring this target through its Post Investment and Turnaround, Workouts and Restructuring units.
	Target ROI before impairments (to be reviewed annually)	*7%	*7%	8.3%	1.3%	The target was achieved and exceeded. This is due increased prime lending rates of SA in the current year but more so attributable to the interest earned on cash in bank.	None.
	Collections ratio	80%	80%	83.7%	3.7%	The target was achieved and exceeded. Although the target is achieved, clients are still struggling to pay because of the National State of Disaster still being in place. There is however, improvement compared to 2020/21.	None.
Establish partnerships for increased economic investments.	Value of concluded partnerships per year (or value of mobilised resources) (R million)	R50	R50	R2 245	R2 195	Target achieved and exceeded. This is mainly as a result of the unbudgeted funds received for the Taxi Relief Fund.	None.

GROWING B-BBEE THROUGH PARTNERSHIPS

The NEF Enterprise and Supplier Development Fund (ESDF)

The NEF Socio-economic Development unit's ESD team continued to implement the strategy developed for raising funds for businesses affected by the COVID-19 pandemic in line with the Economic Reconstruction and Recovery Plan (ERRP). 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 to beneficiaries adversely affected by COVID-19.

Furthermore, the team developed a proposal for presentation to the Solidarity Fund to raise funds for businesses affected by COVID-19 and to alleviate the effects of the civil unrest that took place in July 2021 in parts of KwaZulu-Natal and Gauteng. These funds were used to support affected business in those regions. Support has also been provided to other regions through the establishment of the Northern Cape Blended SME Fund, the Limpopo Economic Development, Environment & Tourism Department's COVID-19 Relief Fund and the Steve Tshwete Local Municipality Enterprise Development Fund in Mpumalanga.

The NEF has identified an opportunity to partner with and provide a mechanism to private and public sector organisations for the delivery of sustainable BBBEE 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 enterprise and supplier development fund (the NEF ESD Fund), and the NEF utilising these contributions to co-finance its investments in ED and SD beneficiaries, in order to facilitate their development as well as their financial and operational independence.

The NEF ESD Fund has received contributions from entities in both the private and public sectors such as Sun City, Steve Tshwete Local Municipality, the Department of Transport, **the dtic**, the Limpopo Department of Economic Development, Environment and Tourism (LEDET) Department, the Northern Cape Department of Economic Development and Tourism and the Solidarity Fund, to the value of R2.245 billion in 2021/22 against a target of R50 million. The table below provides details of the contributions:

	THIRD PARTY CONTRIBUTIONS			
No.	**Funder**	**Actual Funds Received**	**Primary Objective**	**Sector**
1	Sun City	R2 925 000	Empower SMMEs in Sun City value chain & tourism sector.	Tourism
2	Steve Tshwete Local Municipality	R20 000 000	Co-funding Black entrepreneurs domiciled in Steve Tshwete Local Municipality.	All
3	Department of Transport	R1 135 000 000	Establish the Taxi Relief Fund.	Transport
4	**the dtic**- Black Business Manufacturing Fund	R150 000 000	Establish the Black Business Manufacturing Fund to promote local manufacturing and exports.	Manufacturing
5	**the dtic**- Economic Recovery Fund	R650 000 000	Establish fund to alleviate the effects of COVID-19 on majority Black-owned and managed businesses.	All
6	Solidarity Fund	R259 000 000	Support businesses affected by civil unrest in KZN and Gauteng.	All
7	Northern Cape Department of Economic Development, Environment and Tourism	R27 225 000	Co-funding Black entrepreneurs domiciled in the Northern Cape. Establishment of the Northern Cape Blended SMME Fund to empower SMMEs in the Northern Cape.	All
8	Free State Department of Economic, Small Business Development, Tourism & Environmental Affairs	R920 000	Co-funding Black entrepreneurs domiciled in the Free State for empowerment.	
	Total Contributions received	**R2 245 070 000**		

INVESTING IN HUMAN CAPITAL

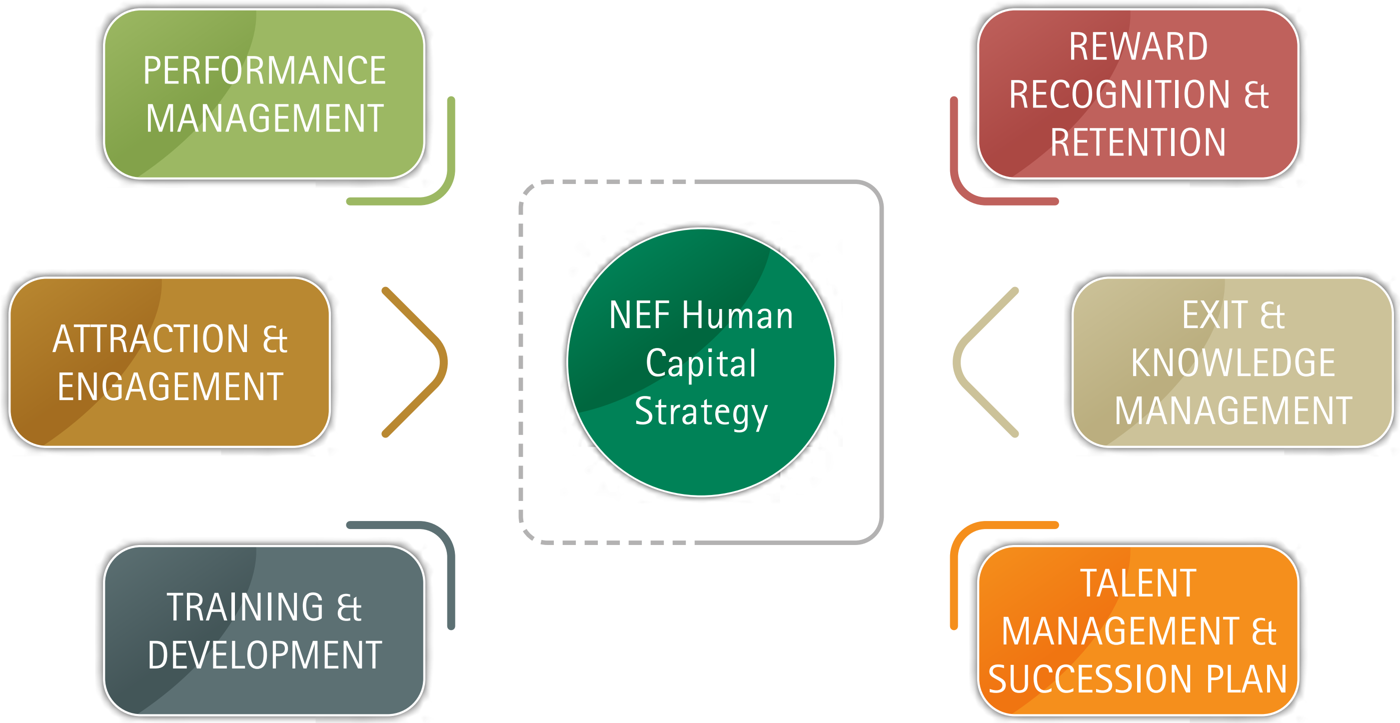
Delivering sustained value through human capital

As COVID-19 has forced the universe into the new world of work, the NEF was not spared. It had to respond accordingly by implementing policies that would provide a safe and an enabling environment for its employees. The Health and Safety of our employees remains paramount in all our dealings. Despite the adversities and tough economic climate that were brought about as a result of COVID-19, the NEF employees continued to be resilient throughout. Their agility and nimble footedness meant that they could move with relative ease by adapting to these new conditions and continued to deliver sustained business results for the NEF. In the quest to deliver sustainable results, the HR department assisted with capacitating the NEF teams to respond accordingly to the Economic Recovery Fund (ERF) and the Taxi Relief Fund.

Human capital strategy

Attracting and retaining high calibre and suitably qualified individuals who would contribute to the NEF being a High Performing Organisation is critical for the NEF.

> *"Employee Assistance and Employee Wellness Programmes were intensified to deal with an increased number of employees who were affected by COVID-19. Various interventions had been implemented."*



Growing our employee capability

Training & Development is a critical aspect to the success of any organisation. The NEF is consistently upskilling its employees and leadership cohort. The NEF has taken a deliberate strategic decision to develop, empower and grow its own "timber" by identifying talent which through a succession planning programme can be upskilled and developed into future leaders. Building internal capacity and bench strength within the NEF remains an imperative for the leadership of the NEF.

Pursuing gender equality and inclusivity

The NEF is a woman-led organisation, as such Women Empowerment remains one of our key focal points and this key strategic pillar permeates throughout the organisation as witnessed in our staff complement that has a gender split that is strongly leaning towards women. Further, we as the NEF pride ourselves in pioneering and placing Women Empowerment on the forefront of economic activity, as we say at the NEF that, "*When you Fund a Woman you Fund a Nation*".

Entrenching a values-driven corporate culture

The NEF is underpinned by the Values of E-M-P-O-W-E-R that all our employees live by. These noble values are the ethos by which our employees solemnly swear by. Our values drive our corporate culture in support of achieving our mandate. As a demonstration of commitment to this solemn pledge to the nation, these values are embedded in our employees' performance contracts and on an annual basis there is a values driven performance measure which each employee is measured against.

Focusing on employee wellbeing, health and safety

COVID-19 has placed employee wellbeing, Health and Safety into sharp focus. Our Employee Assistance and Employee Wellness Programmes were intensified to deal with an increased number of employees who were affected by COVID-19. Various interventions had been implemented to assist affected employees.

COVID-19 Vaccination drive

The NEF conducted an employee survey to establish the number of employees who are vaccinated. It was encouraging to note that 77% of our employees are vaccinated. The NEF continues to strongly urge employees who have not been vaccinated to do so.

Employee demographics

TOTAL NO OF EMPLOYEES (Permanent)	2021/22		2020/21	
	Number	Percentage	Number	Percentage
African	158	95%	143	94%
White	2	1%	1	1%
Coloured	2	1%	3	2%
Indian	5	3%	5	3%
GRAND TOTAL	**167**	**100%**	**152**	**100%**

Occupational levels

Current employee split by occupational level				
	2021/22		2020/21	
Employee Level	Headcount as at 31 March 2022	Headcount % per band as at 31 March 2022	Headcount as at 31 March 2021	Headcount % per band as at 31 March 2021
	167	**100%**	**152**	**100%**
Executive Management	6	4%	5	3%
Senior Management	37	22%	39	26%
Professional Staff	63	37%	58	38%
Skilled	38	23%	39	26%
Semi - skilled/ Unskilled	23	14%	11	7%

Gender and age distribution

Gender	20 - 29	%	30 - 39	%	40 - 49	%	50 - 59	%	60 - 69	%	TOTAL
Male	2	1%	28	17%	34	21%	11	6%	1	1%	46%
Female	5	3%	34	20%	44	26%	6	4%	2	1%	54%
TOTAL	**7**	**4%**	**62**	**37%**	**78**	**47%**	**17**	**10%**	**3**	**2%**	**100%**

It is important to note that 84% of the NEF employees are between the ages of 30 to 49 years and this demonstrates that the NEF is a maturing organisation.

Tenure

Years of service	No	%
0 - 3 years	43	26%
4 - 5 years	24	14%
6 - 10years	41	25%
11 years >	59	35%
TOTAL	167	100%

It is worth noting that 60% of NEF employees have had a career with the NEF spanning between six to eleven years (and above). This clearly indicates that the NEF has succeeded in creating a work environment that offers diverse opportunities to grow within the organisation. Equally, the solid 60% representation indicates the longevity and commitment to the NEF mandate by its employees.

Training and development

Gender	Number of training interventions	% of training cost	Training expense
Male	17	28%	134 441
Female	43	72%	345 704
Total	60	100%	480 145

A significant percentage of the training budget is allocated to female employees. NEF employees, as part of their performance outputs, are required to attend training interventions that will assist them develop and grow in their fields of expertise.

Bursaries

Bursaries			
Female	2	100%	49 395
Total	2	100%	49 395

Learnership programme

The NEF has been in a fortunate position as a funder and employer with a soul to partner with the Department of Transport to appoint 80 unemployed graduates into its trainee programme on a 12-month contract to assist with the Taxi Relief Fund. Furthermore, the NEF has an ongoing trainee programme to support young unemployed graduates, in which new intakes are onboarded every two years. The NEF also absorbs graduates from the NEF bursary programme, which is highlighted in the CSI section of the report, into the trainee programme. These trainees are getting the much needed work experience that will launch their careers into the future.

Qualifications

The table below demonstrates the qualifications that NEF employees possess and it is through this highly qualified employee cohort that the NEF has consistently managed to be a high performing organisation.

No	Qualification	Number
1	Chartered Accountants	12
2	Master's degree	13
3	Engineers (additional two hold Master's degree)	2
4	LLB degrees (eight are admitted attorneys and two possess LLM)	10
5	Honours degree	24
6	Bachelors degree	44
7	Advanced Diploma	1
8	Diplomas	19
9	Certificates	39
10	ABET	3
Total:		167

Looking ahead

The Human Resources Division plans five interventions in the financial year ahead:

- Piloting a hybrid work from home model;
- Building a resilient workforce;
- Enhancing leadership and management skills required to motivate staff in this "new normal";
- Reskilling and upskilling certain occupations to be adaptable to change; and
- Intensifying employee wellness interventions.

CORPORATE SOCIAL INVESTMENT (CSI)

The NEF CSI programme is aimed at improving quality of life through key focus areas, namely nutrition, health and welfare, environment, education, job creation, poverty alleviation and enterprise development.

Through its support and involvement in different projects and initiatives, the NEF makes a difference in the lives of the identified communities by injecting valuable resources into sustainable social projects using the triple bottom line measurement tool. The program is guided and informed by a policy and a framework that provides a guideline on the projects that may be considered under the CSI program. The total CSI budget was R3 million, with R2 million dedicated towards the external bursary programme and the balance for other targeted CSI interventions.

New CSI requests are received annually. However, there are other ongoing CSI programmes such as the external bursary programme which was established in 2016 and mainly targets top performing learners from rural areas. There are also the annual Mandela Day CSI programme and the annual "Take a girl child to work" programme, although both projects were put on hold in 2021/22.

The NEF continues to seek opportunities to make a difference through its Corporate Social Investment funds. The year under review was no exception. The following are the institutions that were assisted in the CSI programme.

Name of Institution	Province	Sector	Amount contributed
Entandweni Development Centre	Eastern Cape	Education & Social Welfare	R60 000
New life Centre	Gauteng	Social Welfare	R70 000
Sizwe's Grill	Gauteng	Entrepreneurial	R300 000
External Bursary programme	National	Education	R1 780 224
Total Contribution			**R2 210 224**

Entandweni Development Centre

The NEF advanced funds to Entandweni Development Centre in Bathurst in the Eastern Cape firstly for Wi-fi Installation and the respective 12 months instalments for the purpose of assisting centre learners to access online curriculums, secondly for the construction of ablution facilities for teachers and students, and lastly for food and school uniforms, with the support all in all totaling R60 000.

Established in 2015, Entandweni Development Centre caters to 35 orphaned and needy learners of Nolukhanyo Township in Bathurst and provides aftercare services as well as meals to the learners. Out of the 35 learners, 31 are female and 4 are male. The centre currently provides the following services:

- Homework assistance;
- Warm and fresh meals;
- A place of safety;
- Life skills programmes;
- Recreational programmes; and
- Material assistance (in the form of clothing and school uniform).

New Life Centre

Another institution that benefited from the NEF CSI funds was New Life Centre. Based in Midrand, New Life Centre is a registered Non-Profit Organisation (NPO) and Public Benefit Organisation (PBO) that has been in existence since 2005. It began as an outreach programme in the areas of Hillbrow, Berea, Yeoville, and the Johannesburg CBD, with the goal of assisting and empowering sexually exploited children and young women, victims of human trafficking, victims of gender-based violence, orphans, and other abuse victims. An amount of R70 000 was approved by the NEF to assist the institution pay its rent and water and electricity bills and repair windows. A small sum was for groceries for the centre.

Sizwe's Grill

The NEF supported Mr Sizwe Sekgopi with funding to formalise his quick service food business in Kagiso Township in Mogale City Municipality, Gauteng.

Mr Sekgopi founded Sizwe Grill in 2009 using a measly R70 as start-up capital. After many challenges over the years, he found himself in substance abuse which led to the business being run down. In May 2017, Mr Sekgopi checked himself into a rehabilitation centre. After the rehabilitation, he restarted his business.

Mr Sekgopi approached the NEF to assist him expand and formalise his business as he was running the kitchen in a small unenclosed, hidden and ill-equipped area which was not easily visible to customers. The NEF approved an amount of R300 000 towards the acquisition of a six-metre shipping container that is fully furnished with fast-food equipment and appliances, fitted with electricity, gas and water supply and branded accordingly.

External bursaries

As a Developmental Finance Institution (DFI), the NEF has a legislated responsibility to play a pivotal role in the skills development of graduates in the country. Skills development is one of the key pillars of the BBBEE Codes of Good Practice, of which the NEF is a custodian. During the financial year under review, the NEF awarded twenty-five external bursaries to South African students from disadvantaged backgrounds to the tune of R1 780 224. Four students completed their academic qualifications in 2021.

External bursary graduates

It is important to note that, since inception of the programme in 2016, 22 students have completed their qualifications, 15 of them are working (68%), one is self-employed (5%) and six are furthering their studies (27%).

> *"The total CSI budget was R3 million, with R2 million dedicated towards the external bursary programME and the balance for other targeted CSI interventions."*

Company Name	Number of Graduates	Job Title	Qualifications	Sectors
NEF	6	TRF Trainees	Bachelor of Development Studies BSc Engineering (Civil) Diploma in Logistic Management Bachelor of Arts Bachelor of Pharmacy BCom Accounting	DFI
Kimberley Hospital	2	Doctors	Bachelor of Medicine & Surgery (MBChB)	Health
MTN	1	Data Scientist	BSc: Engineering: Mechanical Studying Masters sponsored by MTN	Telecommunications
PwC	1	CA (SA) Trainee	Bcom Accounting	Finance
Santam	1	Intelligence Analyst Graduate	BSc Mathematics and Mathematical Statistics	Finance and Insurance
Anglo American	1	Graduate Metallurgy	National Diploma: Metallurgical Engineering	Mining
Concor Western	1	Junior Quantity Surveyor	BSc in Construction	Construction
Department of Health: Limpopo	1	Grade 1 Pharmacist	Bachelor of Pharmacology	Health
Khangwe Intelligent Technology Solutions	1	Electrical Engineer Graduate	National Diploma: Electrical Engineering	Energy
Relevant Technology	1	Founder	Diploma in Agriculture: Nature Conservation	Agriculture

GOVERNANCE

> *The Minister appointed seven new trustees, including a new Board chairperson.*

NEF Approach to governance

At all levels, the NEF subscribes to the highest standards of corporate governance, integrity, and ethics. This is enabled by the standing governance structures that ensure efficient and effective operations within the NEF. The corporate governance structures are underpinned by rational and up-to-date policies that support the NEF mandate to ensure that the organisation is appropriately delivering on its mandate in line with good governance and ethical standards. The NEF continues to uphold the highest corporate governance standards to underpin its reputation and its effectiveness as an organisation.

NEF Governance structures

The Executive Authority of the NEF is the Minister of Trade, Industry, and Competition, who in terms of sections 8 (1) and 9 (2)(b) of the NEF Act, appoints the Board trustees to the NEF Board. In terms of section 4(2) of the NEF Act, the NEF Board of Trustees shall consist of no less than seven but not more than 11 trustees appointed in terms of section 8 of the NEF Act. In addition, section 6 (1)(b) (ii) of the Act stipulates that those members of the Board shall be appointed on the grounds of their ability and experience in the fields of, among others, law, economics, business practice, development practice, capital markets, and finance.

During the year, the Board of Trustees had six vacancies. These vacancies resulted from the expiry of the term of office of one non-executive trustee who also served as the chairperson of the Board and whose term ended in December 2021, as well as the vacancies that remained open since the expiry of the five trustees' terms in 2020. In line with good governance, the Minister of Trade, Industry, and Competition has appointed seven new trustees (as at 5 August 2021), including a new Board chairperson who was appointed on 4 January 2022. Five out of the seven newly appointed trustees have been appointed for a tenure of two years while the tenure of the remaining two trustees, including the newly appointed chairperson, is three years. These terms may be extended by an additional one term, in terms of the NEF Act.

The current NEF Board of Trustees is comprised of eight (8) members as of 31 March 2022, i.e seven (7) non-executive trustees, and one (1) executive trustee; seven (7) out of eight (8) trustees are African, and one is Indian. Six (6) out of eight (8) (75%) trustees are women and two (25%) are men.

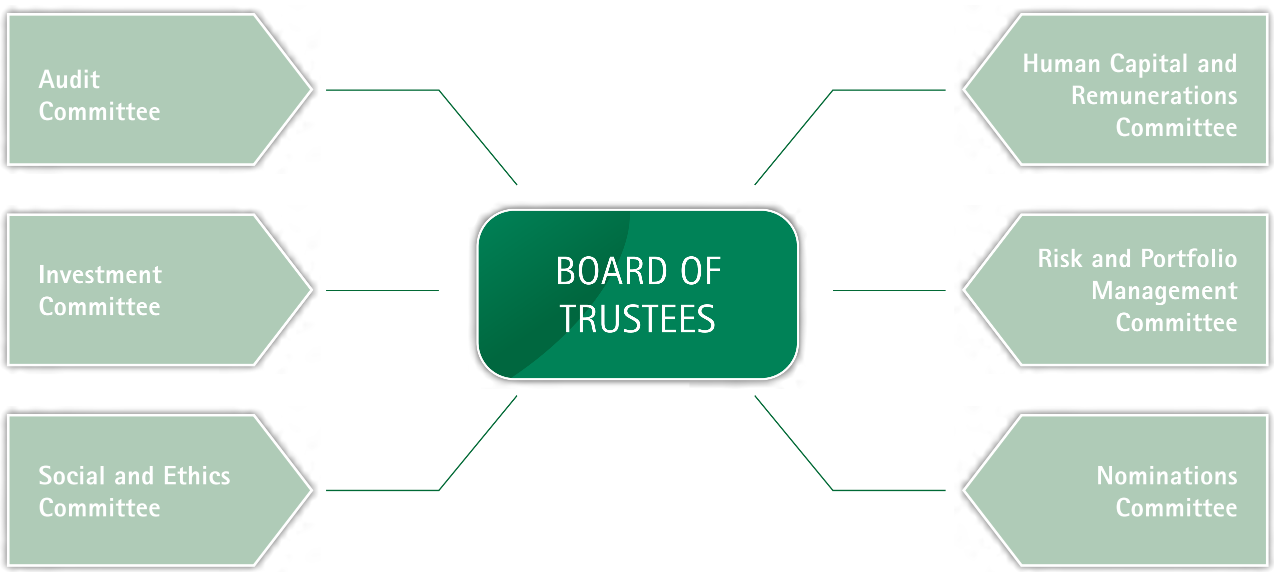
The role of the NEF Board of Trustees

The Board of Trustees plays a key role in setting the strategic direction of the NEF. The Board also provides continuous oversight of material matters, acting as an independent check and balance for the executive management team, whose main responsibility remains the management of the NEF business. The Board is diverse in its academic qualifications, industry knowledge, experience, and gender. This diversity encourages robust debate at Board and committee level to ensure that appropriate and effective judgment and guidance are provided to management in delivering on the strategic objectives of the NEF.

The Board charter is in place and is updated regularly to regulate the parameters within which the Board operates. It ensures the application of the principles of good corporate governance in all its dealings. The charter sets out the roles and responsibilities of the Board and individual trustees, including its composition and the relevant procedures of the Board.

The charter is aligned with the provisions of the NEF Act (No. 105 of 1998) and the Public Finance Management Act (No. 1 of 1999) and the Companies Act (Act 71 of 2008) (where applicable). The NEF Board of Trustees has deployed sound governance structures and operating policies and procedures through every level of the NEF's functions and hierarchy. These include the Board Committee charters, Delegation of Authority Framework, Board's Conflict of Interest Policy, Board's Code of Conduct, Employees Conflict of Interest Policy and Code of Conduct, and whistleblowing fraud line.

Governance structure



Board committees

In carrying out its oversight responsibility, the Board of Trustees has established and delegated responsibilities to six (6) committees, namely the Audit Committee (AC), the Risk and Portfolio Management Committee (RPMC), the Board Investment Committee (BIC), the Human Capital and Remuneration Committee (HCRC), the Nomination Committee (NOMCO), and Social and Ethics Committee (SEC). In addition, the Board establishes and sets the charters of the Board committees, which provide for the composition, roles, delegation of authority, and responsibilities of each of the Board committees listed below, all of which report on their activities to the Board.

While the Board remains the overall custodian of good corporate governance, each committee promotes integrity and transparency throughout the organisation. Board committees promote independent judgment and enhance the balance of power in decision-making, enabling the Board to discharge its duties effectively. The committees' terms of reference are reviewed regularly to ensure alignment with legislative developments and governance best practice. The following applies to Board Committees:

(i) A non-executive Trustee chairs each Board committee;
(ii) The Board appoints members of committees;
(iii) Executive management attend meetings where appropriate or by invitation; and
(iv) Board committee chairpersons report to the Board on deliberations, conclusions, and recommendations of each board committee.

Conflicts of interest

Trustees must avoid situations that expose them to conflicts with the NEF's interests. Disclosures of conflicts of interest is a standard practice at every meeting and, where required, members are required to recuse themselves from deliberations on matters where they are conflicted. In addition, members submit an updated list of their directorships and interests to the company secretary annually. The conflict of interest policy manages potential conflicts of interest.

Board and committee evaluation

The effectiveness and performance of the Board of Trustees and its committees are evaluated periodically against their mandates. The company secretary collates and communicates the feedback to the committee chairs for action. The evaluation of the Board will be conducted in the following financial year.

Non-executive trustees' remuneration

Non-executive Trustees do not have employment contracts with the NEF and do not participate in any of its incentives. Non-executive trustees' remuneration is determined by market benchmarking conducted annually. The fees paid to non-executive directors appear in the annual financial statements for the reporting period.

Board's key focus areas

The NEF did not have a fully constituted Board from 1 April 2021 until August 2021, when the new board was appointed. Since its appointment, the Board has held a number of meetings including a Board strategy session to consider detailed presentations by the Chief Executive Officer reporting on the NEF's performance and financial results, as well as the five-year forward-looking strategic positioning of the organisation. The Board will be focusing on the long-term financial sustainability of the organisation as part of its key focus areas going forward.

Leading through the pandemic and civil unrest

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 with which the Board dealt with these challenges arising from the COVID-19 fallout, as well as the civil unrest that affected KZN and Gauteng in July 2021. Some of the measurements adopted by the NEF in response to the COVID-19 challenges included the decision to grant some existing investees a loan repayment holiday for a certain period. This was to help safeguard the sustainability of the businesses whose operations had been affected by the lockdown. These concessions ensured that when the lockdown was eased, the businesses were not confronted by onerous debt obligations.

Board meetings and attendance

An annual work plan against agreed Board objectives and goals is in place to ensure that the Board attends to its responsibilities in a structured and orderly manner throughout the year. The Board meets at least four times a year and holds a two-day strategy session every year. Special Board meetings are convened when necessary. The Board strategy session was held in December 2021 with its continuation held in March 2022. The table on the next page sets out the composition of the Board and attendance by Board Trustees at Board and committee meetings.

	Scheduled Meetings	Special Meetings	Strategy Sessions	Induction
Total Number of Meetings	**2**	**4**	**2**	**1**
Non-Executive Trustees				
Mr Rakesh Garach (term of office ended in December 2021)	1/2	2/4	1/2	1
Dr Nthabiseng Moleko	2/2	4/4	2/2	1/1
Ms Thinavhuyo Mpye	2/2	3/4	2/2	1/1
Ms Rethabile Nkosi	2/2	3/4	2/2	1/1
Ms Philile Mbokazi	1/2	4/4	2/2	1/1
Dr Monde Tom	2/2	4/4	2/2	1/1
Ms Lucretia Khumalo	2/2	4/4	1/2	1/1
Mr Roy Harichunder appointed in January 2022	1/1	1/1	1/1	n/a
Executive Trustees				
Ms Philisiwe Mthethwa (Chief Executive Officer)	2/2	3/4	2/2	1/1

Board committees and attendance

Audit Committee

The NEF Audit Committee is a statutory committee constituted in terms of the Public Finance Management Act, as amended, and the Companies Act, (No.71 of 2008), as amended. The committee assists the Board in discharging its integrated reporting and combined assurance duties, and has oversight of the finance function (in consultation with the office of the Chief Financial Officer), Internal Audit and Risk Management as it relates to financial matters, and external audits.

Composition and attendance

The committee consists of five members, three non-executive trustees, and two independent non-executive members. In addition, the Chief Executive Officer, Chief Financial Officer, Internal Auditor, External Auditor, and a representative from the Auditor-General's office are permanent invitees to committee meetings.

The quarterly meetings of the Audit Committee are aligned with the key reporting and regulatory timelines. During the period under review, the committee held five meetings in line with its work plan and an additional special meeting. The table alongside sets out the composition of Audit Committee and attendance at the meetings by its members for the 2021/22 financial year.

Member	Number of Meetings
Mr Roy Harichunder (acting Chairperson until 30 October 2021)	6/6
Ms Thinavhuyo Mpye (appointed in October 2021(Chairperson))	2/2
Dr Monde Tom (appointed in October 2021)	2/2
Ms Lebogang Ndadana	6/6
Mr Tyrone Soondarjee	5/6

Key activities and outcomes of the Audit Committee during the period under review included:

- The approval of the audit planning memorandum for the external audit of the financial year ended 31 March 2022, which included additional scope on COVID-19 distress funds;
- Consultations and agreements with executive management on the engagement letter, terms, audit plan, scope of work and audit fees for the financial year ended 31 March 2022;
- Monitoring the effectiveness of internal controls and compliance with the ERM Framework to ensure the reliability of financial record keeping for preparing the consolidated annual financial statements;
- Reviewing reports from the internal auditors;
- Assessing the consistency of information disclosed in the integrated report with the annual financial statements and information contained in operational reports;
- Assessing the NEF's finance function to ensure that it has established appropriate financial reporting procedures and that those procedures are operating effectively;

- Reviewing the appropriateness of the expertise and experience of the Chief Financial Officer and the financial management team;
- Monitoring the adequacy and reliability of management information and efficiency of management information systems;
- Reviewing fraud and litigation matters with potentially significant impacts on the financial statements;
- Assessing combined assurance from the external auditors, internal auditors and management to ensure that the combined assurance was adequate to address all material risks; and
- Overseeing the internal audit in the implementation of audits in the risk-based audit plan to evaluate the efficacy of risk.

Risk and Portfolio Management Committee (RPMC)

The Risk and Portfolio Management Committee provides risk governance and independent oversight of the NEF. The RPMC assists the Board in carrying out its risk responsibilities to ensure that the NEF has implemented effective strategies and plans for risk and portfolio management that will enhance its ability to achieve its strategic objectives – and that the disclosure regarding risk is comprehensive, timely, and time relevant. The RPMC oversees the development of the NEF's risk appetite framework and ensures that the risk profile is within the risk appetite parameters. It also provides oversight of the performance of the NEF funded portfolio and the quality of the loan book, ensuring compliance with risk policies and reviewing the overall risk profile of the NEF as well as the sufficiency of capital.

Composition and attendance

The committee comprises of five members, three of which are non-executive trustees, including the Board Audit Committee Chairperson. The Chief Executive Officer and the Chief Risk Officer are permanent invitees to committee meetings.

The table below sets out the composition of the Risk and Portfolio Risk Committee and attendance at the meetings by its members for 2021/22:

Member	Number of Meetings
Ms Lucretia Khumalo – Chairperson (appointed in October 2021)	2/2
Ms Thinavhuyo Mpye (appointed in October 2021)	2/2
Mr Roy Harichunder (reappointed in January 2022)	2/2
Mr Gerrit Van Wyk	4/4
Ms Rethabile Nkosi (appointed in October 2021)	2/2
Mr Rakesh Garach (term ended in December 2021)	3/4

Activities and focus areas

The RPMC's key activities and outcomes for the year under review included:

- Consideration of strategic risks and their impact on the achievement of the organisation's strategic goals, and assessment of the adequacy of strategies and action plans formulated to mitigate identified risks and the combined assurance provided;
- Close monitoring of the top 20 non-performing exposures in the NEF investment portfolio;
- Reviewing performance and the NEF's investment portfolio under challenging economic conditions and global uncertainty related to COVID-19 and social unrest; and
- Consideration of the NEF's return-to-work plan and the strategies implemented to ensure business continuity while safeguarding the health and safety of employees and other stakeholders.

Board Investment Committee (BIC)

The BIC is a credit-granting committee with delegated authority to consider transactions of up to R50 million per applicant. It considers and recommends transactions above this threshold to the Board for approval.

Composition and attendance

The committee consists of six members, three of which are non-executive trustees while the other three are independent non-executive trustees (including the Board Chairperson) and the CEO as an executive member. Executives are permanently invited to attend committee meetings. The committee held six meetings during the reporting period. Committee members and meeting attendance are indicated in the table below.

Member	Number of Meetings
Ms Rethabile Nkosi – Chairperson (appointed in October 2021)	2/2
Mr Gerrit Van Wyk	6/6
Ms Philisiwe Mthethwa	6/6
Ms Cora Fernandez	5/6
Ms Sawa Nakagawa	5/6
Dr Nthabiseng Moleko (appointed in October 2021)	2/2

BIC approved 19 transactions amounting to R552 million. These transactions are expected to create 3 565 jobs.

Social and Ethics Committee (SEC)

The SEC is a statutory committee constituted in terms of Section 72 read with Regulation 43 of the Companies Act. This committee assists the Board in discharging its duties relating to the oversight of organisational ethics, responsible corporate citizenship, sustainable development, and stakeholder relationships.

Composition and attendance

The committee currently has four members, two non-executive trustees, one executive trustee, and one independent non-executive trustee. The General Counsel and the Chief Risk Officer are permanent invitees to the committee meetings.

Other executives and senior management are invited to join meetings when matters within their respective areas of responsibility form part of the agenda. During the period under review, the committee held two out of the three scheduled quarterly meetings due to the previous members' terms coming to an end. The table below sets out the composition of SEC and attendance at the meetings by its members for the 2021/22 financial year.

Member	Number of Meetings
Dr Monde Tom – Chairperson (appointed in October 2021)	1/2
Mr Setlakalane Molepo	2/2
Ms Philile Mbokazi	2/2
Ms Noxolo Mtembu	1/2

Activities and focus areas

The SEC's key activities and outcomes for the year under review included:

- Promotion of equality, prevention of unfair discrimination, and corruption;
- The NEF's contribution to the development of the communities in which its activities are predominantly conducted, or within which its products or services are predominantly marketed;
- Recording of sponsorship, donations, and charitable giving;
- Ethical procurement of goods and services for the NEF and ensuring that clients and customers of the NEF conduct themselves in an ethical manner in their dealings with the NEF;
- The environment, health and public safety, including the impacts of the activities of the organisation and of its products or services;
- Consumer relationships, including advertising, public relations, and compliance with consumer protection laws; and
- Labour relations and employment activities of the NEF.

Human Capital and Remunerations Committee (HCRC)

The HCRC supports the Board to enable alignment of the NEF's business and people strategies. To this end, the committee ensures a current and future focus on key people-related matters, which include:

- Advising and guiding on relevant and appropriate remuneration policies, plans, trends and practices;
- Reviewing and confirming the performance of the organisation to ensure alignment of people performance to the NEF mandate and strategies;
- Overseeing people-related matters to ensure a robust and people-focused strategy – and to ensure effective and continued leadership capacity; and
- Guiding and advising on human resources policies to ensure appropriate governance while simultaneously ensuring that these policies enable the leadership to attract, retain and manage employees.

Composition and attendance

During 2021/22, the committee consisted of five non-executive trustees, including the Board Chairperson as a committee member. Due to the unconstitutionality of the Board which resulted in this committee not having a quorum for its meetings, the committee held two out of four scheduled meetings during the reporting period. Attendance for the meetings is depicted in the table below.

Member	Number of Meetings
Ms Philile Mbokazi – Chairperson (appointed in October 2021)	2/2
Dr Nthabiseng Moleko (appointed in October 2021)	2/2
Ms Rethabile Nkosi (appointed in October 2021)	2/2
Ms Getty Simelane	2/2
Mr Sifiso Cele	2/2

Nominations Committee (NOMCO)

The NOMCO supports the Board by operating as an overseer and a maker of recommendations regarding board committee vacancies for the Board's consideration and final approval.

Its duties include:

- Ensuring that the board committees have the appropriate composition to assist the Board to execute its duties effectively;
- Ensuring that non-trustee members of NEF board committees are appointed through a formal process;
- Ensuring that formal succession plans for the CEO and executives are in place;
- Ensuring the establishment of a formal process for the appointment of board committee members, including vetting nominations made for non-trustee members and interviewing potential candidates;
- Identifying suitable non-trustee members for board committees;
- Performing reference and background checks of candidates prior to recommendation to the Board;
- Formalising the appointment of non-trustee members by means of an agreement between the NEF and the non-trustee member; and
- Overseeing the development of a formal induction programme and continuing professional development programmes for new trustees and non-trustee members.

Composition and attendance

During 2021/22, the committee consisted of two non-executive trustees, including the Board Chairperson as a committee member. Two additional trustees attend the meeting as standing invitees.

The committee held two meetings during the reporting period. Attendance for the meetings is depicted in the table below.

Member	Number of Meetings
Dr Nthabiseng Moleko – Chairperson (appointed in October 2021)	2/2
Ms Thinavhuyo Mpye	2/2
Ms Philisiwe Mthethwa	2/2

GOVERNANCE

The Board of Trustees

Chairperson (Outgoing Chairperson – term ended in December 2021)

Mr Rakesh Garach (58)
Appointed in December 2009

Qualifications and directorships

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

Mr Garach qualified as a Chartered Accountant after completing his studies at the University of Natal and has gained diverse and in-depth experience in the Financial Services Industry. He has also had significant experience in the Mining, Retail and Manufacturing sectors of the economy. He has fulfilled multiple roles in both the private and public sectors. Mr Garach has been a Member of Board of Trustees of the NEF since 2010 and served as the Chairman of the Audit Committee as well as a Member of the Risk and Portfolio Management Committee prior to his appointment as Board Chair. He has made significant contributions to the NEF's leadership stability and capitalisation drive which remains ongoing.

Non-Executive Trustee and Chairperson (Incoming Chairperson – term commenced in January 2022)

Dr Nthabiseng Moleko (40)
Appointed as a non-executive trustee in August 2021 and chairperson in January 2022

Qualifications and directorships

- PhD in Development Finance
- MPhil in Development Finance
- B Bus Sci (Economics Honours)
- Commissioner for the Commission of Gender Equality (CGE)

Dr. Nthabiseng Moleko is a Development Economist who is core faculty member at the University of Stellenbosch Business School (USB) where she teaches Economics and Statistics as a Senior Lecturer since 2017. She completed her PhD in Development Finance at USB and is the first South African woman to be conferred a doctorate in this discipline.

As a former CEO at a development agency of the Eastern Cape Socio-Economic Consultative Council, she has worked extensively in the economic development landscape. She also serves as a Commissioner for the Commission for Gender Equality appointed by the President in 2017 and is currently the Deputy Chairperson of the Commission.

She was first appointed on the Board of Trustees of the NEF in the period 2018-2020, where she chaired the Board Investment Committee. In 2021, she was re-appointed as a trustee and was subsequently appointed as the Chairperson of the Board of Trustees of the NEF.

She also serves in the strategic advisory committee of the Development Bank of Southern Africa's Infrastructure Fund.

> *I thank the previous Board and its Chairperson, Mr Rakesh Garach, as well as the CEO Philisiwe Mthethwa, the management team and the staff of the NEF for their contribution to the performance and impact of the NEF for the year. I welcome the new Board led by Dr Nthabiseng Moleko and wish them a productive and successful tenure.*
>
> **Mr Ebrahim Patel, Minister of Trade, Industry & Competition, 2022 Integrated Report**

Chief Executive Officer

Ms Philisiwe Mthethwa (58)
Appointed in July 2005

Qualifications and directorships

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

Ms Mthethwa, through her former role as the Chief Director - BBBEE in the Enterprise and Industry Development Division, played a pivotal role in the conceptualisation, formulation and the finalisation of the Government's Broad Based Black Economic Empowerment strategy, the BEE Act and the various 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 BBBEE. 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.

Non-Executive Trustee and Business and Investment Committee Chairperson

Ms Rethabile Nkosi (37)
Appointed in August 2021

Qualifications and directorships

- MBA
- Postgraduate Diploma BSc in Agricultural Economics
- Chairman of Land and Agricultural Development Bank of South Africa
- Chairperson of the Board of Trustees, Coca-Cola Bottlers of South Africa Mintirho Foundation

Thabi Nkosi is an agricultural economist, business and investment strategist, and a seasoned development finance professional. Thabi has held numerous leadership positions across various sectors where she has served in both executive and non-executive capacities.

Thabi is currently the Non-Executive Chairperson of the Land Bank and is also the co-founder of a food and agri-business investment company. In addition to these roles, Thabi also serves as Chairperson of the Coca Cola Mintirho Foundation, an investment vehicle established to fund emerging enterprises in the food and agricultural value chain.

Non-Executive Trustee and Social Ethics Committee Chairperson

Dr Monde Tom (69)
Appointed in August 2021

Qualifications and directorships

- PhD in Management of Innovation & Technology
- MSc in Financial Economics
- BSc in Applied Mathematics & Physics
- G Dip in Economic Policy
- ND: Cost and Management accounting

Dr Tom has over 30 years' experience in the public sector, holding a wide range of senior management roles in the local, provincial and national government. He served as the first Head of Department: Economic and Environmental Affairs after democracy for three years. He later became the Superintendent General and Head Official of Provincial Treasury for the Eastern Cape Government for eight years. He was appointed as a Municipal Manager to turn around the dysfunctional King Sabatha Dalindyebo Municipality in Mthatha. He spent five years as a Corporate Turnaround Specialist at DBSA. He was seconded to National Treasury by the DBSA to serve as a Turnaround Specialist in five Limpopo Provincial government departments. Dr. Tom was then appointed as the Director-General (acting) of the Economic Development Department (EDD) facilitating the integration of national-level efforts for sustainable economic development in the reduction of economic non-inclusions such as unemployment and lack of effective participation of businesses controlled by historically disadvantaged individuals until he left EDD when it was merged with former "the dti" into current "**the dtic**".

Non-Executive Trustee and Audit Committee Chairperson

Ms Thinavhuyo Mpye (CA)SA (38)
Appointed in August 2021

Qualifications and directorships

- (CA)SA
- Non-Executive Director at PRASA

After qualifying as Chartered Accountant, Thinavhuyo became a Financial Manager at Barloworld Motor Retail under Toyota and Lexus Centurion for two years, then Club Motors Randburg (BMW Dealership) and Club Motors Fountains Approved BMW Repair Centre for a further two years. She also spent seven years at Kwikspace Modular Buildings (six years as Group Financial Manager and one year as Finance Executive).

Over the past three years, she has been running Mpye Consulting, a financial management firm assisting clients with finance-related work like financial policies and internal controls, preparing AFS, turnaround strategies, company registrations, company secretarial services, HR services, tax services and other related functions. She also serves as a Finance Executive of SEBVIL and is an Executive Committee member of the South African Council of Churches.

Non-Executive Trustee and Human Capital and Remunerations Committee Chairperson

Ms Philile Mbokazi (42)
Appointed in August 2021

Qualifications and directorships

- Bachelor of Science degree in Environmental Management
- Bachelor of Laws (LLB)

Philile Mbokazi is an admitted attorney of the High Court of South Africa with nine years of post-admission legal experience. Philile is practicing on her own account under the style and name of Mbokazi Attorneys Incorporated, a legal firm that has branches in KZN, Mpumalanga and Western Cape Provinces.

Non-Executive Trustee and Risk and Portfolio Management Committee Chairperson

Ms Lucretia Khumalo (42)
Appointed in August 2021

Qualifications and directorships

- BSC Engineering
- MBA
- Divisional Executive for Client Support and Growth at the IDC

Lucretia Khumalo is a qualified Electrical Engineer who studied at Wits University. She has worked in several industries including the water industry, working for Rand Water. She then progressed to work for the Telecommunication and Consulting industry where she spent several years working for Accenture Consulting. Having qualified as an engineer, she subsequently ventured into the mining industry in various engineering roles, this was through Rio Tinto's (Richards Bay Minerals) and later for BPB Billiton Energy Coal. In 2009, she completed her Masters in Business Administration at the University of Cape Town, after which she entered the finance industry by enjoining a programme aimed at introducing non-finance professionals to investment banking at the Rand Merchant Bank (RMB). Her role at RMB was primarily in Debt Capital Markets. She then joined HSBC where she was responsible for heading the Public-Sector business division on behalf of the bank. In September 2018, she joined the IDC and she is currently their Divisional Executive for Client Support and Growth. In this role, Lucretia is responsible for the IDC's existing portfolio with the responsibility of ensuring that IDC clients operate profitably, that they grow and can service IDC facilities. She provides strategic leadership to the portfolio team and implements turnaround strategies for struggling businesses. Lucretia is also responsible for overseeing the listed equity book and the maximisation of developmental impact.

Non-Executive Trustee

Mr Roy Harichunder (71)
Appointed in January 2022

Qualifications and directorships

- BCom, CA (SA)

Roy is a chartered accountant and retired partner of PwC. Post retirement he was the Chief Risk Officer of the Financial Sector Conduct Authority and its predecessor, the Financial Services Board for eight years. He has extensive experience in providing professional services to businesses in both the private and public sectors. Roy has a long association with the NEF extending from his PwC days as its audit partner for a number of years. He brings to the NEF indepth business experience in corporate governance, financial services, risk management, entrepreneurship and mentorship, and project management. He has served on the Audit Committee and the Risk and Portfolio Management Committee of the NEF for a number of terms and has a good understanding of the issues affecting the organisation. Roy has also served on councils of the Durban University of Technology and of its predecessor entity, the ML Sultan Technical College, and was also a member of the Risk Committee of the Legal Practitioners Fidelity Fund.

Executive Management

Ms Philisiwe Mthethwa (58)
Executive Trustee & Chief Executive Officer
Appointed in July 2005

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

Mr Mziwabantu Dayimani (44)
General Counsel
Appointed in November 2015

Qualifications
- LLB
- Masters in Tax Law
- Masters in Corporate Law
- Admitted Attorney, Notary and Conveyancer

Ms Boitumelo Gasealahwe (36)
Chief Financial Officer
Appointed in March 2022

Qualifications
- CA(SA)
- Bachelor of Accountancy
- Masters in Development Finance

Mr Setlakalane Molepo (60)
Divisional Executive: Strategy, Planning and Significant Investments
Appointed on December 2020
Retired at end of March 2022

Qualifications and directorships
- MBL
- BSC Civil Engineering
- Busamed Holdings

Mr Nhlanhla Nyembe (51)
Divisional Executive: SME and Rural Development
Appointed on May 2021

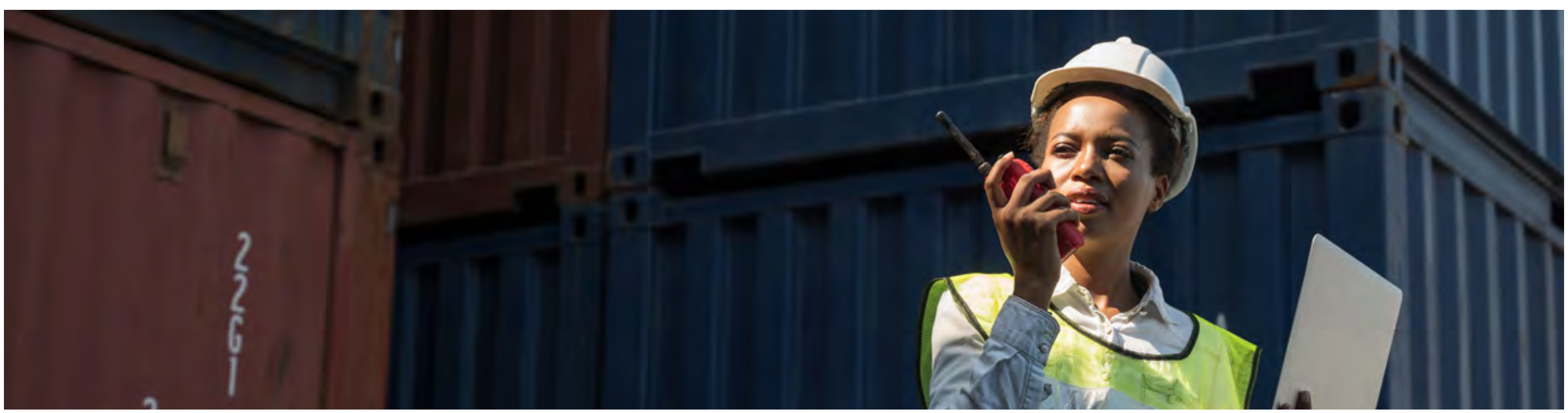
Qualifications and directorships
- BCom Finance
- Busamed Holdings
- BRICS Financial Services Working Group

Ms Zama Khanyile (38)
Divisional Executive: Venture Capital and Corporate Finance
Appointed in October 2021

Qualifications
- CA(SA)
- BRICS Financial Services Working Group

NEF INVESTEE PROFILES

Companies	Woman % shareholding	Province	Jobs	Strategic Sector	Partnerships	Amount
Atlantic Glass and Aluminium	0%	EC	88	Manufacture – glass and glass products	**the dtic** – BBMF	R10 million
Sogatal Investments (Pty) Ltd	100%	NW	66	Mining	**the dtic** – WEF	R15 million
Salamax	0%	GP	166	Renewable Energy	**the dtic** – SPII	R10.4 million
Joyhouse Academy	100%	KZN	34	Infrastructure	**the dtic** – WEF	R24 million
Tyre Energy Extraction (Pty) Ltd	0%	EC	60	Renewable Energy	n/a	R38 million
Icebolethu Burial (Pty) Ltd	100%	KZN	65	Funeral and related services	**the dtic** – ERF	R19.1 million
Electrotron (Pty) Ltd	20%	MP	33	Manufacture - Conveyor Safety and Control Equipment	**the dtic** – BBMF	R23 million
Wynfoods (Pty) Ltd	100%	GP	65	Manufacture of food products	**the dtic** – ERF	R18 million
Nguni Foods	100%	KZN	6	Restaurants - Food & Beverage	**the dtic** – ERF	R4.2 million
Nguni Brand	100%	KZN	20	Manufacture of clothing	**the dtic** – ERF	R3.8 million
SA Paint Distributors	0%	GP	17	Retail trade - paint distribution	**the dtic** – ERF	R17.3 million
Thabo Mphelo Films	0%	GP	28	Motion picture and other entertainment activities	**the dtic** – ERF	R33 million
OP Village Batlharo (Pty) Ltd	77%	NC	282	Property - a shopping centre	**the dtic** –WEF & NC ED Fund	R19 million
Vaphi and Mnomana Trading (Pty) Ltd	100%	GP	21	Manufacture of food products - poultry business	**the dtic** – WEF & NEF	R13.8 million
Matumaini Farming (Pty) Ltd	0%	MP	35	Manufacture of food products - poultry business	**the dtic** – EDF	R9.2 million
Gcwabaza Holding (Pty) Ltd	51%	MP	1 730	Recycling - waste management	**the dtic** – Covid-19 Black Business Fund	R8.2 million



Atlantic Glass and Aluminium

Atlantic Glass & Aluminium was founded in 1994 and is 100% owned and managed by Mr Mzimane. He acquired the business in August 2019. The business specialises in the manufacture, supply and installation of glass and architectural aluminium products for domestic and large commercial and industrial projects. The NEF approved funding to the value of R10 million through the Black Business Manufacturing Fund to acquire machinery and to fund working capital. The new machinery will improve efficiency which will allow the business to secure and honour new projects that were difficult to secure in the past due to limited capacity. Most of the processes (e.g. designing and cutting of steel) will be automated, resulting in shorter turnaround time on projects.

Location	Eastern Cape Province
Deal Stage	Expansion
NEF Approved Amount	R10 million
Disbursed	R7.9 million
Ownership	100% Black owned
Number of jobs	88
Product	Entrepreneurship

Sogatal Investments (Pty) Ltd

Sogatal Investments (Pty) Ltd ("Sogatal") is 100% owned by two women, Luyanda Sizani, a geologist and Mavis Mahlangu, a mining quantity surveyor. Sogatal is a mining company involved in exploration, mineral extraction, topsoil stripping, blast hole stripping, blasting services, loading and hauling, and beneficiation. Their mission is to create synergy with smallholder miners in Southern Africa. Sogatal was awarded a five-year contract by Sogima Mining (Pty) Ltd to mine 35 000 tonnes of chrome ore per month in Elandsfontein Mooinooi, Northwest. The NEF approved R15 million to fund the working capital needs of the business to execute the project of operating the mine on behalf of Sogima (Pty) Ltd. The project was co-financed by the Women Empowerment Fund of **the dtic** to the value of R10 million.

Location	Gauteng Province
Deal Stage	Expansion
NEF Approved Amount	R15 million
Ownership	100% Black owned and women owned
Number of jobs	66
Product	Procurement finance

Salamax

The use of biofuels as an energy source presents the potential for numerous environmental, employment, energy security and efficiency benefits to South Africa. A key challenge, however, is establishing a viable biofuels industry able to produce biofuels at a low cost. Salamax will be the first company to produce bioethanol from low-cost, non-food based, second generation biomass using enzyme technology. Its aim is to produce bioethanol from biomass such as grass and leaves. The promoter developed a novel dual-enzyme (MODAZYMETM) as a catalyst for sugar extraction from cellulose in grass or leaves, where the extracted sugar is then chemically broken down to produce ethanol. During the 2022 financial year, the project initiated the construction of the pilot plant in partnership with the CSIR. The project team is now commissioning the plant and selecting suitable feedstock sources. Salamax has already secured letters of intent with customers who are interested in taking up the potential capacity of the pilot plant once fully operational. Once the efficacy of the green energy extraction process is tested and confirmed viable, the ultimate purpose is to construct a first of its kind Biofuels plant to blend in with local fuel production in South Africa.

Location	Gauteng Province
Project Development Stage	BFS (Pilot)
NEF Investment to date	R10.4 million
Project Promoter	Daniel Mogano
Projected Financial Close Requirement	R161 million (phase 1) – completely commissioned project will require R4.1 billion
Jobs	166 direct jobs at full capacity

Joyhouse Academy

Joy House Private School, situated in the Maphaya area in Jozini (KwaZulu-Natal), is one of the newest schools in the area with 34 staff members and caters for 341 learners ranging from Grade R to Grade 7.

After recognising that rural Jozini in Northern KwaZulu-Natal and surrounding villages had inadequate early childhood development facilities, Mrs Jabulile Nyawo opened Magangane Crèche in Jozini in 2006. The entrepreneur funded the initial capex required for the school through her own savings. When she initially started the crèche she had 84 learners and was involved in the crèche on a part-time basis. Since 2013, she had been involved in the crèche on a full-time basis. Due to increased demand in the area, she then introduced two Grade R classes in 2014, and a further two Grade 1 classes in 2015.

The NEF invested R2 million in feasibility study funding in 2015 and a further R13 million for Phase I construction in 2017. By the year ended March 2022, Phase two construction was started and completed, expanding classroom capacity and staff facilities. The school is managed through a Non-Profit Company that is owned by Ms. Nyawo, a Black South African woman from the Jozini area. The total funding required for the completion of Phase II is R9 million and was funded through a partnership with the Women Empowerment Fund.

Location	KwaZulu-Natal
Project Development Stage	Operating
NEF Investment to date	R24 million
Project Promoter	Ms Jabulile Nyawo
Jobs	34

Tyre Energy Extraction (Pty) Ltd

Tyre Energy Extraction (TEE) is setting up a tyre pyrolysis plant to be located in the Coega IDZ, Port Elizabeth. The project team first approached the NEF in 2011 for the process of conducting BFS. In 2018, the project was revived under the stewardship of a promoter, a Black industrialist from the Eastern Cape. The current shareholding structure includes the promoter (51%), the NEF (30%) and a technology provider (29%). The technology provider has raised the rest of the funding from international funders and will inject both equity and debt into the project. The project will be set up to produce 10 million litres of oil per annum from waste tyres that are currently filling up landfills and waste tyre collection depots around the country. In addition, 8 000 tonnes of carbon char and 3 500 tonnes of steel will also be produced per annum.

Location	Eastern Cape
Project Development Stage	Financial Close & Capital Raising
NEF Investment to date	R38 million
Project Promoter	Lunga Limba
Projected Financial Close Requirement	R73 million
Jobs	60

Icebolethu Burials (Pty) Ltd

Icebolethu Burial Services (Pty) Ltd ("Icebolethu Burial") is a 100% Black woman-owned and managed burial company formed in 2011. Icebolethu Burial provides funeral, catering, and tombstones services to its clients through its 80 branches in and around KwaZulu-Natal (townships and rural areas). The group, through its financial services provider business, Icebolethu Funerals, boasts over 2 million clients who are funeral cover policy holders at an affordable minimum premium of R70 per single member. The company was looted and vandalised during the July 2021 riots. The NEF, in partnership with **the dtic** ERF fund, approved funding of R19.1 million to assist the company with replacement of equipment, shop fittings, stock and other working capital requirements for the affected branches. The company re-employed 65 employees.

Location	KwaZulu-Natal
Deal Stage	Operations
NEF Approved Amount	R19.1 million
Ownership	100% Black owned and black women
Number of jobs	65

Electrotron (Pty) Ltd

Electrotron was established in 1988. The company is a leading OEM and distributor of conveyor safety and control equipment under its own brand names: Scanbelt, Scandrive, Scancom and Scanweigh throughout South Africa and the SADC region. Electrotron operations comprise manufacturing, field service, and research and development. The company is based in Middelburg, Mpumalanga. Prior to the NEF funding, the company was owned 49% by Mr Robin Cullen and 51% Mr Riaz Gani who bought in the business 18 years ago.

The NEF funded Mr Jack Moshoeu and Ms Refilwe Moretsele to acquire 90% of the shares of the company. The NEF approved R23 milion in partnership with the Black Business Manufacturing Programme Fund (BBMPF) for the acquisition of shares and as well as working capital. The company was enabled to retain 33 jobs. The company is currently Black controlled and managed.

Wynfoods (Pty) Ltd

Wynfoods (Pty) Ltd is a 100% Black woman-owned and managed business and had been operating for 46 years when acquired in 2020. Wynfoods deals primarily in processing chicken, producing individually quick frozen portions for a wide market range, including restaurants, butcheries, distributors, and direct retailers. They also have a "Factory-to-Public" store which services the Alexandra community with frozen chicken at factory prices. Their main clients include Cambridge Foods, Romans Pizza, Papachinos, Vassco Distributors & Meat Express. The company was a victim of the vandalism that was caused by the riots in Alexandra township, Gauteng. The NEF assisted the company to rebuild the business following the damage sustained owing to the July 2021 unrest and looting. The NEF provided R18 million to replace equipment and shop fittings, replace stock and provide working capital. The company was able to re-employ 60 people and add 5 new jobs.

Nguni Group

Nguni Group is a collective reference to Nguni Foods (Pty) Ltd, an authentic Nguni cuisine restaurant and Nguni Brand, a clothing line that embraces the colourful Nguni patterns and colours. The group was formed in 2020 by two Black women, who are also youth and own shareholding equally in both entities. Both entities are based in KwaZulu-Natal, at Davernport Square in Glenwood, Durban. The companies were both negatively affected by the July 2021 looting and riots. The NEF approved R8milllion to assist both companies to recover shop fittings, computers and other IT systems, furniture, sewing machines, refrigerators, etc. 26 employees were re-employed through this intervention.

i) Nguni Foods

Nguni Foods is a restaurant that is dedicated to serving authentic South African cuisine and predominantly Nguni food. They draw inspiration from the Zulu, Xhosa, Swati and Ndebele cultures. They have several notable public figures as their patrons, such as Siya Kolisi, and Noxolo Grootboom. It is also a favourite spot for tourists who are looking for good South African food.

ii) Nguni Brands

Nguni Brand is a fast growing and proudly South African brand, born and produced in Durban. The brand is inspired by the beautiful and colourful Nguni culture. Nguni Brand products include bomber jackets, windbreakers, dresses, skirts, t-shirts, sweaters, hoodies, and sneakers. They have been to the SA Fashion Week with the likes of Maxhosa Africa and have been featured in several South African publicity platforms.

SA Paint Distributors

SA Paint Distributors ("SAPD") is a 100% black-owned paint distribution entity formed in 2018 by Mr. Sibusiso Thabethe. Prior to forming SAPD, Mr. Thabethe spent 13 years at Plascon, Africa's biggest paint company. He started as an internal sales consultant and left as the divisional head for the Plascon Midrand distribution centre. The company retails from Diepkloof and Roodepoort and uses the Roodepoort premises as its warehouse/distribution centre. They service hardware stores, contractors and specialty paint stores in townships and rural areas. The company has 17 employees at both stores and an additional six drivers that work as contractors. They source their paint from leading manufacturers such as Plascon, Dulux, Prominent Pants, Promac, and Stevensons Paint (which is an NEF investee). SAPD was not spared from the impact of the July 2021 looting. Both store locations of the company, in Diepkloof (Soweto) and Roodepoort, were looted and vandalised. The following are some of the items that were lost during the looting:

- Tint machines (used for tinting and colour-matching of paint);
- Shelving and racking;
- Shop fittings;
- Computers and other IT systems;
- Store furniture; and
- Paint stock.

The NEF approved an amount of R17.3 million in partnership with the dtic ERF fund. Not only was the company able to reopen and restore the 17 jobs, they also made a contribution to the Build Back Better efforts by sourcing some of its paint from Stevensons Paint, a locally owned manufacturer of paint (and an NEF investee).

Thabo Mphelo Films

Thabo Mphelo Films (TMF) is a 100% black owned film and TV production company that was founded 2012 and is based in Braamfontein, Johannesburg. TMF's productions include several well-known local productions including Jika Majika, Zaziwa, One Mic and the Daily Thetha. Their clients include the SABC, MNet and other independent production companies. TMF had previously been renting both their studio and the production equipment, paying inflated rental fees that were eroding margins.

The NEF approved funding of R33 million for the purchase of a studio and production equipment. This was in the form of blended finance whereby TMF was approved for funding of R8.7 million by **the dtic**'s Economic Distress Fund (EDF) and the balance came from the NEF's balance sheet. Both the NEF and **the dtic** EDF unlocked the following socio-economical developmental impact:

- TMF employs 28 predominantly Black film production professionals.
- Diversification of strategy to reduce risk and boost sales growth.
- Ownership of the studio, which will ensure that TMF produces more licensed shows. Licensing is when a show is sold to a broadcaster for a specified period. Rights remain with the producer, which means that the producer can move the same show between broadcasters or extend its showing over multiple periods of time.
- Improved margins.
- Retention of ownership rights.
- Venue rental: TMF started subletting studio space.
- Outdoor advertising. The studios are located facing the Nelson Mandela Bridge and major routes flowing through Braamfontein. It is a prime location for mounted rooftop digital adverts using LED screens.

OP Village Batlharo (Pty) Ltd

OP Village Mall
Boleng mo Gae

OP Village Batlharo (Pty) Ltd was established in 2015 with the purpose of converting a family supermarket into a shopping centre. OP Village is 100% Black-owned by Retail Business Trust (90%) and Ba-Ga Motlhware Community Development Trust (10%). Effective Black women ownership is at 77%. The centre is built on tribal land. The Minister of Rural Development and Land Reform approved a 30-year long term lease. OP Village was previously known as OP Supermarket and has been in existence since 1978 in Batlharos village which is situated 20km from Kuruman and 236km from Kimberley. OP Village intends to expand the existing Kesiamang family business (OP Supermarket) into a shopping centre where Shoprite and Shoprite Liquor will be anchor tenants.

The NEF approved a blended finance facility of R19 million for the project. The NEF contributed R4 million and sought the balance from its partners, **the dtic** Women Empowerment Fund (R10 million) and the Northern Cape Enterprise Development Fund (R5 million). The NEF has unlocked the following developmental impact:

- The shopping centre will enable OP Village to offer better shopping experience to the community of Batlharos.
- Rural economic revitalisation and economic livelihood generation.
- 282 sustainable job creation and local community empowerment.
- Meaningful participation in the efficient land utilisation and economic development for the community.
- Localisation and participation in the mainstream economy of the country.
- Setting-up a new taxi rank will assist villagers by cutting travelling cost and time to the congested Kuruman CBD.

Vaphi and Mnomana Trading (Pty) Ltd

Vaphi and Mnomana Trading (Pty) Ltd is an existing broiler business, expanding into an integrated poultry business with a hatchery, broilers and abattoir activities situated in Benoni Agricultural Holdings, Petit. The company was set up by a young Black female entrepreneur, Ms Naledi Ntondini, to exploit opportunities in the agro-processing space.

NEF has approved funding of R13.8 million expansion funding for the acquisition of equipment, abattoir container, working capital and vehicles (among others).

Location	Gauteng Province
Project Stage	Operational
NEF Approved Investment	R10 million (Women Empowerment Fund) R3.85 million (NEF)
Project Promoter	Ms Naledi Ntondini
Total Project Size	R16 million
Jobs	21 permanent jobs

Matumaini Farming (Pty) Ltd

Matumaini Broiler is an existing poultry processing business located in Kaapsehoop, Mpumalanga. The company was set up by Mr Mtimba, who raises chickens and processes them for various restaurants and establishments in the hospitality industry.

NEF has approved funding of R9.2 million to assist the business in distress as a result of the COVID-19 pandemic and the total shut down of the hospitality food services industry which severely stunted the business revenue, therefore directly affecting its performance. The business turnaround and expansion plans met the Economic Distress Fund's criteria.

Location	Kaapsehoop Mpumalanga province
Project Stage	Operational
NEF Approved Investment	R9.2 million
Project Promoter	Mr. Moosa Mtimba
Total Project Size	R9.2 million
Jobs	35 permanent jobs

Gcwabaza Holding (Pty) Ltd t/a Nathi Africa

Nathi Africa was established in May 2017 and is involved in waste management, focusing on collecting, crushing and bagging of glass waste (cullet) which is then supplied to glass manufacturers, like Isanti Glass. New products (paper, boards and plastic) were introduced during the COVID-19 pandemic to diversify its product range. The business is majority woman-owned and 100% Black owned.

Location	Gauteng province
Project Stage	Operational
NEF Approved Investment	R8.2 million
Project Promoter	Ms Nthabiseng Thoabala and Ms Gabisile Thusi
Total Project Size	R8.2 million
Jobs	863 permanent jobs and 867 temporary jobs (recycling support)

NATIONAL EMPOWERMENT FUND TRUST

CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS 31 MARCH 2022

CONTENTS

TRUSTEES' STATEMENT OF RESPONSIBILITY

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

The going concern basis has been adopted in preparing the Trust and the Group audited annual financial statements. The Trustees have assessed the impact of COVID-19 on the Group's ability to continue as a going concern, and are satisfied that the Group remains a going concern. The Trustees have no reason to believe that the Trust and the Group will not be a going concern in the foreseeable future based on forecasts, available cash resources and approval of new investment facilities. These consolidated financial statements support the viability of the Trust and the Group.

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

The audited consolidated financial statements, as set out on pages 92 to 165, have been approved by the Board of Trustees and are hereby signed on its behalf.

Ms Philisiwe Mthethwa
Chief Executive Officer
Friday 29 July 2022

Dr Nthabiseng Moleko
Chairperson of the Board
Friday 29 July 2022

ANNUAL FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON 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 92 to 165, which comprise the consolidated and separate statement of financial position as at 31 March 2022, 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 2022, and their financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practices (GRAP), the requirements of the Public Finance Management Act 1 of 1999 (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 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.

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

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

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 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 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 Trust's annual performance report for the year ended 31 March 2022:

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.	50

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, SMEs, corporate finance and venture capital.

Other matters

We draw attention to the matter below.

Achievement of planned targets

Refer to the Annual Performance Report on pages 50 to 53 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 R244 503 955 as disclosed in note 37 to the consolidated and separate 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 integrated report. 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.

Our opinion of the financial statements and my 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 10 years.

SizweNtsalubaGobodo Grant Thornton Inc.
Darshen Govender
Director
Registered Auditor
29 July 2022

20 Morris East Street,
Woodmead

Annexure – Auditor's responsibility for the audit

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

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 trustees, 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 th edisclosures, 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.

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

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

A separate Risk and Portfolio Management Committee monitors and oversees the assessment and mitigation of risk on a prioritised basis throughout the organisation. The internal auditors used this Risk Management Framework to prepare their audit coverage plans and to undertake audit work in the higher prioritised risk areas identified.

The committe is satisfied that the internal audit function at the NEF has provided adequate coverage for the year under review.

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

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.

Evaluation of Annual Financial Statements

The Audit Committee has:

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

The Audit Committee has discussed the conclusions of the external auditors on the annual financial statements, read together with the report of the external auditors and recommended these to the Board of Trustees for approval.

The NEF received funds from third-party partnerships to the total value of R2.245 billion for deployment in the 2021/22 and 2022/23 financial years. With a cash balance of R3 billion at 31 March 2022, 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 for the year ended 31 March 2022.

Thinavhuyo Mpye
Chairperson of the Audit Committee
29 July 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2022

	Notes	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
ASSETS					
Non-current assets		**3 681 428 316**	**2 641 072 957**	**3 721 351 488**	**2 698 970 709**
Property, plant and equipment	4	50 097 323	53 470 943	4 682 022	3 607 000
Investment property	5	12 000 000	12 000 000	-	-
Intangible assets	6	4 159 726	5 002 687	-	1 583
Goodwill	7	10 817 974	16 695 110	-	-
Deferred tax	8	-	641 301	-	-
Investments in associates	9	82 021 115	76 881 282	82 021 115	76 881 282
Investment in subsidiaries	10	-	-	19 876 603	19 876 603
Investments at fair value	11	2 208 126 843	1 147 417 428	2 208 126 843	1 147 417 428
Originated loans	12	1 179 765 300	1 187 698 497	1 272 204 870	1 309 921 104
Finance lease receivables	13	134 440 035	141 265 709	134 440 035	141 265 709
Current assets		**3 641 538 217**	**1 936 459 162**	**3 598 554 360**	**1 879 522 710**
Current portion of originated loans	12	410 504 542	292 283 791	413 266 051	292 283 791
Current portion of finance lease receivables	13	93 502 810	91 274 696	93 502 810	91 274 696
Investments held-for-trade	14	17 251 527	10 820 484	17 251 527	10 820 484
Current asset held for sale	15	600 000	-	600 000	-
Inventories	16	17 509 877	22 748 074	-	-
Trade and other receivables	17	42 689 846	46 883 451	18 335 859	17 142 812
Dividends receivables		30 344 598	-	30 344 598	-
Cash and cash equivalents	19	3 029 135 017	1 472 448 666	3 025 253 515	1 468 000 927
TOTAL ASSETS		**7 322 966 533**	**4 577 532 119**	**7 319 905 848**	**4 578 493 419**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2022

	Notes	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
NET ASSETS AND LIABILITIES					
Net Assets		**5 089 208 351**	**3 869 885 520**	**5 107 085 910**	**3 893 253 847**
Trust capital	20	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472
Accumulated surplus		2 630 858 787	1 405 972 850	2 638 654 438	1 424 822 375
Revaluation reserve		3 421 673	3 421 673	-	-
Non-controlling interest		(13 503 581)	(7 940 475)	-	-
Non-current liabilities		**238 590**	**515 816**	**9 249 151**	**9 249 151**
Instalment sale agreements	21	238 590	515 816	-	-
Investment in subsidiary	10	-	-	9 249 151	9 249 151
Current liabilities		**2 233 519 592**	**707 130 783**	**2 203 570 787**	**675 990 421**
Trade and other payables	22	107 766 038	105 592 911	78 295 030	74 714 493
Enterprise development fund	23	2 125 275 757	601 275 928	2 125 275 757	601 275 928
Instalment sale agreements	21	280 265	261 944	-	-
Deferred tax liability	8	197 532	-	-	-
Total Liabilities		**2 233 758 182**	**707 646 599**	**2 212 819 938**	**685 239 572**
TOTAL NET ASSETS AND LIABILITIES		**7 322 966 533**	**4 577 532 119**	**7 319 905 848**	**4 578 493 419**

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2022

		Group		Trust	
		2022	2021	2022	2021
	Notes	R	R	R	R
Interest and dividend income	**25**	**308 404 765**	**204 470 308**	**316 072 147**	**212 029 222**
Net sundry income	**26**	**694 202 727**	**261 105 579**	**622 370 302**	**184 374 476**
Net revenue		**1 002 607 492**	**465 575 887**	**938 442 449**	**396 403 698**
Finance charges		(62 840)	(96 448)	-	-
Deferred conversion grant expense	**12 & 13**	(38 703 028)	-	(38 703 028)	-
Social benefit		(82 858 683)	-	(82 858 683)	-
Administration expenses	**27**	(357 082 519)	(331 060 125)	(267 217 871)	(252 420 412)
Net operating income		**523 900 422**	**134 419 314**	**549 662 867**	**143 983 286**
Impairment charge	**29**	(356 772 949)	(200 322 954)	(391 278 817)	(208 823 580)
Investment write-offs		(1 906 561)	-	(361)	-
Net gain/(loss) before fair value adjustments		**165 220 912**	**(65 903 640)**	**158 383 689**	**(64 840 294)**
Fair value gain		**1 055 448 374**	**308 930 131**	**1 055 448 374**	**308 930 131**
- Investments in associates	**9**	(2 859 806)	37 983 805	(2 859 806)	37 983 805
- Investments at fair value - non associate equity investments	**11.1**	1 052 853 114	272 149 322	1 052 853 114	272 149 322
- Investments at fair value - unincorporated equity investments	**11.2**	(975 977)	(3 228 448)	(975 977)	(3 228 448)
- Investments held-for-trade	**14**	6 431 043	2 025 452	6 431 043	2 025 452
Surplus before taxation		**1 220 669 286**	**243 026 491**	**1 213 832 063**	**244 089 837**
Taxation	**28**	(1 346 455)	(935 973)	-	-
Surplus for the year		**1 219 322 831**	**242 090 518**	**1 213 832 063**	**244 089 837**
Surplus attributable to					
Owners of the parent of the entity		1 224 885 937	245 571 177	-	-
Non-controlling interest		(5 563 106)	(3 480 659)	-	-
		1 219 322 831	**242 090 518**	**1 213 832 063**	**244 089 837**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2022

Group	Note	Trust capital R	Accumulated surplus R	Revaluation reserve R	Non-controlling interest R	Total R
Balance 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**
Surplus for the year		-	1 224 885 937	-	(5 563 106)	1 219 322 831
Balance at 31 March 2022		**2 468 431 472**	**2 630 858 787**	**3 421 673**	**(13 503 581)**	**5 089 208 351**

Trust	Note	Trust capital R	Accumulated surplus R	Total R
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**
Surplus for the year		-	1 213 832 063	1 213 832 063
Balance at 31 March 2022	20	**2 468 431 472**	**2 638 654 438**	**5 107 085 910**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2022

	Notes	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
Net cash generated from operating activities	32	**1 884 606 062**	**143 568 988**	**1 880 584 378**	**146 243 667**
Cash received from customers		384 710 730	322 271 662	7 896 474	3 227 022
Cash paid to suppliers and employees		(745 174 668)	(519 161 604)	(372 382 096)	(197 442 285)
Cash received from enterprise development funders		2 245 070 000	340 458 930	2 245 070 000	340 458 930
Net cash utilised by investing activities		**(323 436 108)**	**(94 432 782)**	**(323 331 790)**	**(97 756 997)**
Additions to property, plant and equipment	4	(3 862 034)	(5 789 963)	(3 554 727)	(2 492 068)
Proceeds from disposal of property, plant and equipment		386 031	84 313	-	-
Investment disbursements	33	(922 344 138)	(431 958 368)	(932 644 138)	(445 823 133)
Dividends received		33 400 000	89 752 820	33 400 000	89 752 718
Interest received		103 946 882	41 808 112	103 933 467	41 715 182
Repayments on originated loans, leases and preference shares	34	465 037 151	211 504 804	475 533 608	218 924 804
Proceeds from sale of investments		-	165 500	-	165 500
Net cash utilised by financing activities		**(4 483 603)**	**(487 927)**	**-**	**-**
Repayment of instalment sale		(310 243)	(312 138)	-	-
Repayment in other financial liabilities		(4 173 360)	(175 789)	-	-
Increase in cash and cash equivalents		**1 556 686 351**	**48 648 279**	**1 557 252 588**	**48 486 670**
Cash and cash equivalents at beginning of the year		**1 472 448 666**	**1 423 800 387**	**1 468 000 927**	**1 419 514 257**
Cash and cash equivalents at end of the year	19	**3 029 135 017**	**1 472 448 666**	**3 025 253 515**	**1 468 000 927**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL
For the year ended 31 March 2022

	Notes	Trust Approved final budget R	Trust Actual R	Trust Variance R
Revenue	**35.1**	**258 814 051**	**316 072 147**	**57 258 096**
Sundry income	**35.2**	55 883 373	622 370 302	566 486 929
Total Income		**314 697 424**	**938 442 449**	**623 745 025**
Expenses				
Compensation of employees		(211 068 569)	(202 934 781)	8 133 788
Economic Recovery Fund (30% conversion grant)		-	(38 703 028)	(38 703 028)
Social benefit		-	(82 858 683)	(82 858 683)
Use of goods and services		(79 402 215)	(64 283 090)	15 119 125
Total expenses	**35.3**	**(290 470 784)**	**(388 779 582)**	**(98 308 798)**
Net operating income		**24 226 640**	**549 662 867**	**525 436 227**
Impairment charge	**35.4**	(33 272 423)	(391 278 817)	(358 006 394)
Write-offs		-	(361)	(361)
Deficit/surplus before fair value adjustments		**(9 045 783)**	**158 383 689**	**167 429 472**
Net fair value gain	**35.5**	-	1 055 448 374	1 055 448 374
Deficit/surplus for the year		**(9 045 783)**	**1 213 832 063**	**1 222 877 846**

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 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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.

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.4 Consolidation (continued)

Investments in subsidiaries

Subsidiaries are entities controlled by the NEF. Control exists when the NEF has the power, directly or indirectly, to govern the financial and operating affairs and policies of an entity so as to obtain benefits from its activities. In assessing control voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at its acquisition date fair value.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investments in subsidiaries in the Trust's separate financial statements are carried at cost.

National Empowerment Fund Corporation SOC Ltd is a subsidiary that was created by the NEF to fulfil specific functions of the NEF. The subsidiary is treated as a normal investee in the separate financial statements and consolidated under GRAP 6 in the Group financial statements.

National Empowerment Fund Trust acquired Delswa (Pty) Ltd, Surgetek (Pty) Ltd, 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.

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.5 Revenue recognition (continued)

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.

The Trust only recognises revenue and expense that it receives or incurs in return for executing the transactions on behalf of the principal. The NEF as an agent recognises the funds received as a liability on receipt of the funds.

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, plant and equipment 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.

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.6 Property, plant and equipment (continued)

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 machinery	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 (Subsidiary) at fair value and is accounted for at cost in the group annual financial statements. 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 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.7 Goodwill

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

Goodwill is amortised at 10% rate per annum.

1.8 Intangible assets

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

An intangible asset is recognised when:

- It is probable that expected future economic benefits attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

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

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

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

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

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.8 Intangible assets (continued)

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 net realisable value, on the first-in-first-out (FIFO) basis. Where inventories are acquired 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.

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.12 Financial instruments (continued)

Financial assets or financial liabilities are initially recognised at fair value including transaction costs, except financial assets or financial liabilities 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.

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.

Concessionary loans

Where the Trust grants concessionary loans, it considers whether part of the consideration granted is a social benefit. The Trust accounts for the components of a concessionary loan granted separately.
The loan component of concessionary loans issued by the Trust is accounted for as a financial asset. The non-exchange (social benefit) component of arrangement is accounted for using the Framework for the Preparation and Presentation of Financial Statements.
The loan is recognised when the Trust becomes party to the contractual provisions of the instrument. Concessionary loans are initially measured at fair value plus transaction costs. The difference between transaction price (loan proceeds) and fair value is recognised as a social benefit in accordance with the Framework.

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.

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.12 Financial instruments (continued)

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 not 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.
Concessionary loans are subsequently measured at amortised cost, which includes any modification gains and losses, write-offs, and impairment losses.

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.

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.12 Financial instruments (continued)

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 Group 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

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.12 Financial instruments (continued)

If there is objective evidence that an impairment loss on loans and receivables 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.

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.12 Financial instruments (continued)

(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.

Deferred conversion grant expense

The deferred conversion grant expense is recognised for clients who received the Economic Recovery Fund and did not receive any other grant. It is measured as a difference between the fair value of the financial asset on transaction effective date and the transaction price.
The fair value is calculated by discounting the future cash flows expected to be received from the client after taking into account the 30% portion which will be converted to a grant using the NEF's normal lending rate.

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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 Group 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.

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

1.14 Enterprise development fund

Conditional enterprise development funds are initially recognised at its fair value and classified as a liability until such time when conditions are met.

Unconditional enterprise development funds are initially recognised at its fair value and classified as an income upon receipt.

1.15 Leases

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

Finance leases and instalment sale agreements

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

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

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

Operating leases

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

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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.

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

1.18 Critical accounting estimates and judgements in applying accounting policies (continued)

(a) Impairment losses on originated loans, finance leases and goodwill

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 Group 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 ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

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.

2 NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, there were no new standards adopted by the Trust.

2.2 Standards and interpretations not yet effective or relevant

GRAP 25 – Employee Benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits.

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

GRAP 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 1 April 2025. 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 Group for cash and call deposits, and these are split between the banks as follow:

	Credit Ratings*	2022 R	2021 R
Standard Bank	Ba2	236 977 850	271 765 477
First National Bank	Ba2	35 269 537	243 248 280
South Africa Reserve Bank	Ba2	2 750 911 296	950 962 038
Rand Merchant Bank	Ba2	2 094 584	2 024 884
Total Cash held with banks (Trust)		**3 025 253 267**	**1 468 000 679**
Zastrovect Investment (First National Bank)	Ba2	3 207 006	3 328 213
Surgetek (Pty) Ltd (Standard Bank)	Ba2	650 279	591 212
Delswa (Pty) Ltd (Standard Bank)	Ba2	18 837	24 682
National Empowerment Fund SOC Ltd (Standard Bank)	Ba2	24 216	36 763
Golden Dice Foods (Pty) Ltd (Standard Bank)	Ba2	26 111	168 458
Total balance for Group		**3 029 179 716**	**1 472 150 007**

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 April 2022 updates.

3 RISK MANAGEMENT

3.1 Credit risk (continued)

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

	Group		Trust	
	2022	2021	2022	2021
Originated Loans	R	R	R	R
Normal monitoring and performing loans	1 245 152 874	1 236 835 482	1 367 910 600	1 348 309 745
Close monitoring	82 510 632	206 139 247	82 510 632	224 718 291
Partly/fully impaired	913 761 814	618 417 741	984 278 868	674 154 873
	2 241 425 320	**2 061 392 470**	**2 434 700 100**	**2 247 182 909**
Finance Leases				
Normal monitoring and performing leases	102 480 125	200 546 058	102 480 125	200 546 058
Close monitoring	31 982 883	33 424 343	31 982 883	33 424 343
Partly/fully impaired	179 511 686	100 273 029	179 511 686	100 273 029
	313 974 694	**334 243 430**	**313 974 694**	**334 243 430**

The Trust obtains collateral against funds disbursed to investees. The collateral includes the following forms:
- Special notarial bonds on any plant and equipment funded.
- General notarial bonds on movable assets.
- Cession of trade debtors and specific cash balances.
- Mortgage bonds on land and buildings.

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. The total fair value of the collateral for the current financial year is R664 540 508 (2021: R300 653 361). When the Trust collects on the mortgage bonds on land and buildings, the entity obtains a court order from the sheriff of court then after put these properties on auction for disposal.

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 RISK MANAGEMENT (continued)

3.2 Market risk (continued)

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 Group's significant cash portfolio invested in various interest earning bank treasury and call accounts. The Group is partially dependent on interest income from cash on call to fund its annual operations, and will become more dependent on interest income from cash balances as well as from the originated loans portfolio to fund its annual operational requirements going forward.

A significant part (2022: 89%; 2021:86%) of the Group'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 analyses. 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 2022, the portfolio was assessed from this risk rating approach as follows:

	Trust			
	2022		2021	
Category	% by number	% by value	% by number	% by value
Performing	54%	54%	54%	60%
Impaired	42%	42%	42%	30%
Close Monitoring	4%	4%	4%	10%

	Group			
	2022		2021	
Category	% by number	% by value	% by number	% by value
Performing	54%	54%	54%	60%
Impaired	42%	42%	42%	30%
Close Monitoring	4%	4%	4%	10%

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

3 RISK MANAGEMENT (continued)

3.2 Market risk (continued)

In response to the effects that the global economic crisis was having on the originated loans portfolio, the Trust approved a restructuring programme for potentially eligible investments. This programme allows for transactions that would be performing if it were not for the impact of the economic downturn conditions to undergo restructuring resulting in the deferment of up to half of outstanding loan for up to three years with the coupled conversion of interest charges from variable to fixed rates.

The potential effects of eligible loan restructurings in terms of this programme would not have a significant bearing on interest rate risk since these loans are associated with the smaller end of the portfolio and would only be applied in isolated and deserving cases. This programme is however to be closely monitored as well as any potential effects on interest rate risks.

Interest rate risk sensitivity analysis

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

	Trust					
	2022			2021		
	Carrying Amount R	Interest earned R	Sensitivity of 1% effective adjustment R	Carrying Amount R	Interest earned R	Sensitivity of 1% effective adjustment R
Originated loans	1 685 470 921	127 538 421	16 854 709	1 602 204 895	101 390 500	16 022 049
Finance leases	227 942 845	20 855 661	2 279 428	232 540 405	15 078 494	2 325 404
Cash and cash equivalents	3 025 253 515	103 933 467	30 252 535	1 468 000 927	41 715 182	14 680 009
Total effect on Profit/Loss	**4 938 667 281**	**252 327 549**	**49 386 672**	**3 302 746 227**	**158 184 176**	**33 027 462**

	Group					
	2022			2021		
	Carrying Amount R	Interest earned R	Sensitivity of 1% effective adjustment R	Carrying Amount R	Interest earned R	Sensitivity of 1% effective adjustment R
Originated loans	1 590 269 842	119 857 624	15 902 698	1 479 982 288	93 738 656	14 799 823
Finance leases	227 942 845	20 855 661	2 279 428	232 540 405	15 078 494	2 325 404
Cash and cash equivalents	3 029 135 017	103 946 882	30 291 350	1 472 448 666	41 808 112	14 724 487
Total effect on Profit/Loss	**4 847 347 704**	**244 660 167**	**48 473 476**	**3 184 971 359**	**150 625 262**	**31 849 714**

3 RISK MANAGEMENT (continued)

3.2 Market risk (continued)

3.2.2 Foreign exchange risk

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

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

3.2.3 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 R	Market Value of Listed Portfolio at year end R	10% increase in share price R	10% decrease in share price R
Tsogo Sun	5 104 002	3,38	17 251 527	18 976 679	15 526 374
MTN Ltd	10 114 866	190,00	1 921 824 540	2 114 006 994	1 729 642 086
Total			**1 939 076 067**	**2 132 983 673**	**1 745 168 460**

3 RISK MANAGEMENT (continued)

3.3 Liquidity risk

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

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

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

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

3.4 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 (2021: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.

4 PROPERTY, PLANT AND EQUIPMENT (TRUST)

2022	Owned							
	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	8 080 803	315 811	359 613	632 987	821 002	149 790	11 980 873
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**
Movement for the year								
Additions	-	3 554 727	-	-	-	-	-	3 554 727
Net Disposal	-	(9 593)	-	-	-	-	-	(9 593)
Disposals/ Derecognition at cost	-	(103 816)	-	-	-	-	-	(103 816)
Depreciation on disposed/ derecognised assets		94 223						94 223
Depreciation	(405 150)	(1 987 366)	(24 888)	(7 643)	(34 904)	(7 245)	(2 916)	(2 470 112)
	(405 150)	1 557 768	(24 888)	(7 643)	(34 904)	(7 245)	(2 916)	1 075 022
Closing Balance								
Cost	1 620 867	11 531 714	315 811	359 613	632 987	821 002	149 790	15 431 784
Accumulated depreciation	(1 325 555)	(7 330 729)	(315 811)	(351 716)	(552 381)	(814 550)	(59 020)	(10 749 762)
Net Book Value	**295 312**	**4 200 985**	**-**	**7 897**	**80 606**	**6 452**	**90 770**	**4 682 022**

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

2021	Owned							
	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	8 080 803	315 811	359 613	632 987	821 002	149 790	11 980 873
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**
Gross carrying amount of fully depreciated assets still in use	**-**	**4 572 839**	**290 923**	**338 339**	**453 133**	**784 756**	**5 000**	**6 444 990**

4 PROPERTY, PLANT AND EQUIPMENT (GROUP)

2022	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	14 283 674	9 546 006	315 811	6 393 546	1 484 811	1 414 347	2 938 008	149 790	988 949	78 293 442
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)	(24 822 499)
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**
Movement for the year											
Additions	-	88 461	3 641 452	-	97 862	19 413	3 896	-	-	10 950	3 862 034
Net Disposal	-	(212 625)	(1 220)	-	-	-	-	-	-	-	(213 845)
Disposals/ Derecognition at cost	-	(972 907)	(96 204)	-				-	-		(1 069 111)
Depreciation on disposed/ derecognised assets	-	760 282	94 984	-				-	-	-	855 266
Depreciation	(1 503 000)	(1 746 157)	(2 114 354)	(24 888)	(1 139 166)	(108 954)	(130 575)	(221 609)	(2 916)	(30 190)	(7 021 809)
	(1 503 000)	**(1 870 321)**	**1 525 878**	**(24 888)**	**(1 041 304)**	**(89 541)**	**(126 679)**	**(221 609)**	**(2 916)**	**(19 240)**	**(3 373 620)**
Closing Balance											
Cost	40 778 500	13 399 228	13 091 254	315 811	6 491 408	1 504 224	1 418 243	2 938 008	149 790	999 899	81 086 365
Accumulated depreciation	(4 509 000)	(8 155 678)	(8 599 476)	(315 811)	(4 182 572)	(1 239 216)	(1 203 685)	(2 297 604)	(59 029)	(426 971)	(30 989 042)
Net Book Value	**36 269 500**	**5 243 550**	**4 491 778**	**–**	**2 308 836**	**265 008**	**214 558**	**640 404**	**90 761**	**572 928**	**50 097 323**

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

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	71 368 328
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)	(19 089 459)
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
Change in accounting estimate	-	-	-	-	-	-	-	-	-	-	-
Net Disposal	-	(39 688)	(34 553)	-	-	(9 760)	(2 502)	-	-	9 352	(77 151)
Disposals/ Derecognition at cost	0	(75 000)	(121 264)	0	(7 399)	(22 887)	(8 066)	0	0	(39 798)	(274 414)
Depreciation on disposed/ derecognised assets	0	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	9 546 006	315 811	6 393 546	1 484 811	1 414 347	2 938 008	149 790	988 949	78 293 442
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)	(24 822 499)
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**
Gross carrying amount of fully depreciated assets still in use	**-**	**191 975**	**4 572 839**	**290 923**	**269 473**	**338 339**	**773 202**	**784 756**	**5 000**	**292 902**	**7 519 409**

5 INVESTMENT PROPERTY

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
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.*

6 INTANGIBLE ASSETS

Computer software

Opening 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**
Movement for the year:				
Additions	-	-	-	-
Disposal/Reclassification - cost	-	-	-	-
Accumulated amortisation on disposed asset	-	-	-	-
Amortisation	(842 961)	(1 216 191)	(1 583)	(352 230)
	(842 961)	(1 216 191)	(1 583)	(352 230)
Closing balance				
Cost	9 412 802	9 412 802	1 379 242	1 379 242
Accumulated amortisation	(5 253 076)	(4 410 115)	(1 379 242)	(1 377 659)
Net book value	**4 159 726**	**5 002 687**	**-**	**1 583**

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.

7 GOODWILL

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
Opening balance				
Cost	60 912 198	60 912 198	–	–
Accumulated amortisation	(44 217 088)	(38 339 952)	–	–
Carrying value	**16 695 110**	**22 572 246**	**–**	**–**
Movement for the year:				
Additions	–	–	–	–
Amortisation for the year	(5 877 136)	(5 877 136)	–	–
Closing balance				
Cost	60 912 198	60 912 198	–	–
Accumulated amortisation	(50 094 224)	(44 217 088)	–	–
Net book value	**10 817 974**	**16 695 110**	**–**	**–**

8 DEFERRED TAX

	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
Deferred tax liability	(739 597)	(1 002 706)	–	–
Deferred tax asset	542 065	1 644 007	–	–
Closing balance	**(197 532)**	**641 301**	**–**	**–**
Deferred tax liability				
Accelerated capital allowances for tax purposes	737 338	1 002 706	–	–
Workmens compensation provision	2 259	–	–	–
	739 597	**1 002 706**	**–**	**–**

8 DEFERRED TAX (continued)

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
Deferred tax asset				
Allowance for credit losses	213 448	504 064	-	-
Leave provision	328 617	309 573	-	-
Tax losses available for set off against future taxable income	-	830 370	-	-
Closing balance	**542 065**	**1 644 007**	**-**	**-**
Reconciliation of deferred tax asset/(liability)				
At beginning of the year	641 301	1 577 275	-	-
Originating/(reversing) temporary difference on tangible fixed assets	265 367	168 254	-	-
Tax loss available for set off against future taxable income	(830 371)	(1 142 989)	-	-
Originating temporary difference on employee benefits	19 044	43 504	-	-
Originating temporary difference on allowance for credit losses	(290 615)	(86 725)	-	-
Originating temporary difference on Workmens compensation	(2 258)	-	-	-
Arising from prior period adjustments not recognised respectively	-	81 982	-	-
	(197 532)	**641 301**	**-**	**-**

9 INVESTMENTS IN ASSOCIATES

Investments at cost	**259 910 900**	**251 910 900**	**259 910 900**	**251 910 900**
- Opening balance	251 910 900	246 910 900	251 910 900	246 910 900
- Additions	-	5 000 000	-	5 000 000
- Transfer from the originated loans - note 12	1 109 132	-	1 109 132	-
- Transfers from finance lease receivables - note 13	6 890 868	-	6 890 868	-
Fair value adjustments	**(177 889 785)**	**(175 029 618)**	**(177 889 785)**	**(175 029 618)**
- Opening balance	(175 029 618)	(213 013 054)	(175 029 618)	(213 013 054)
- Write off	(361)	(369)	(361)	(369)
- Fair value gain/(loss)	(2 859 806)	37 983 805	(2 859 806)	37 983 805
Net investment in associates	**82 021 115**	**76 881 282**	**82 021 115**	**76 881 282**

9 INVESTMENTS IN ASSOCIATES (continued)

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

Name	Voting power				
	Principal activity	2022 Interest held (%)	2021 Interest held (%)	2022 R	2021 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%	-	1
Allimor Footwear (Pty) Ltd	Manufacturing	30.0%	30.0%	1 704 191	1 553 172
Amazin Hotels (Pty) Ltd	Tourism & Entertainment	20.0%	20.0%	1	1
Argon security (Pty) Ltd	Financial services	49.0%	49.0%	1	5 000 000
Business Venture Investments (Pty) Ltd	Healthcare	30.0%	30.0%	1	1
Colliery Dust Control (Pty) Ltd	Agro Processing	44.6%	44.6%	10 242 718	10 388 700
Cox Manufacturing (Pty) Ltd	Steel Manufacturing	45.1%	0.0%	82	-
Crowie Holdings (Pty) Ltd	Mining	25.1%	25.1%	25 000 000	25 000 000
False Bay Bricks (Pty) Ltd	Manufacturing	30.0%	30.0%	350	729 693
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	Construction	30.0%	30.0%	300	300
XTLS trading	Construction	15.0%	20.0%	-	1 198 379
Golden Dice Foods (Pty) Ltd	Agro Processing	0.0%	0.0%		-
Go 2 Market (Pty) Ltd	Construction	38.0%	0.0%	8 000 000	-
Gradoscope (Pty) Ltd	Tourism & Entertainment	26.0%	26.0%	26	26
Graskop Gorge Lift Company (Pty) Ltd	Tourism & Entertainment	26.1%	26.1%	3 747 065	3 190 060
Imbaza Mussel (Pty) Ltd	Agro Processing	25.0%	25.0%	609 097	502 484
Jalo Enterprise	Manufacturing	50.0%	50.0%		-
Joy House Academy (Pty) Ltd	Education	45.0%	45.0%	861 549	1 463 198
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

9 INVESTMENTS IN ASSOCIATES (continued)

Name	Voting power				
	Principal activity	2022 Interest held (%)	2021 Interest held (%)	2022 R	2021 R
Unlisted:					
Mohale Agricultural Co-operative	Agro Processing	45.0%	45.0%	450	450
Mopadi Molamu (Pty) Ltd	Agro Processing	20.0%	20.0%	-	30
Nyamane Agro - Foods Holdings (Pty) Ltd	Agro Processing	50.0%	50.0%		-
Okubabayo (Pty) Ltd	Manufacturing	30.0%	30.0%	2 817 878	2 817 878
Petrocom (Pty) Ltd	Energy	30.0%	30.0%	-	30
Pretamix (Pty) Ltd	Services	0.0%	0.0%		-
Pyratrade (Pty) Ltd	Agro Processing	30.0%	30.0%	1	1
Rapid Purple Waters Trading (Pty) Ltd	Agro Processing	25.0%	25.0%	250	250
Rhino Ridge Lodge (Pty) Ltd	Tourism & Entertainment	33.3%	33.3%	333	333
Royal Thonga Safari Lodge (Pty) Ltd	Tourism & Entertainment	36.0%	36.0%	36	36
SA Metals (Pty) Ltd	Mining	0.0%	0.0%		-
Safepak (Pty) Ltd	Manufacturing	0.0%	0.0%		
Salamax (Pty) Ltd	Manufacturing	30.0%	30.0%		-
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	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%	22 966 243	19 635 144
Value Cement (Pty) Ltd	Construction	25.8%	25.8%	1	1
Willowvale (Pty) Ltd	Property	45.0%	45.0%	6 069 749	5 400 121
YG Property Investments (Pty) Ltd	Property	20.0%	20.0%	-	200
				82 021 115	**76 881 282**

10 INVESTMENTS IN SUBSIDIARIES

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
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

11 INVESTMENTS AT FAIR VALUE

11.1 Non-associate equity investments (Excluding Strategic Project Fund transactions)

Opening Balance	**1 147 399 428**	**863 082 499**	**1 147 399 428**	**863 082 499**
Movements	**1 060 708 415**	**284 316 929**	**1 060 708 415**	**284 316 929**
Transfers (to)/from originated loans	(12 167 607)	12 167 607	(12 167 607)	12 167 607
Additions	20 022 908	-	20 022 908	-
Total fair value adjustments	**1 052 853 114**	**272 149 322**	**1 052 853 114**	**272 149 322**
MTN shares - fair value adjustments	1 043 348 428	389 017 746	1 043 348 428	389 017 746
Unlisted securities - fair value adjustments and write-offs	9 504 686	(116 868 424)	9 504 686	(116 868 424)
Fair value balance as at end of the year	**2 208 107 843**	**1 147 399 428**	**2 208 107 843**	**1 147 399 428**

11 INVESTMENTS AT FAIR VALUE (continued)

11.1 Non-associate equity investments (Excluding Strategic Project Fund transactions) (continued)

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
Non- associate investments include:				
Listed securities:				
- Equity securities : RSA (MTN Shares)	1 921 824 540	878 476 112	1 921 824 540	878 476 112
Unlisted securities:				
Securities not traded on an active market	286 283 303	268 923 316	286 283 303	268 923 316
Beat FM	196	196	196	196
Busamed (Pty) Ltd	271 389 633	240 906 807	271 389 633	240 906 807
Elgin Engineering (Pty)	-	1	-	1
Global Wheel (Pty) Ltd	2 544 969	1 198 362	2 544 969	1 198 362
Liciatron (Pty) Ltd	1	1	1	1
Matlosana (Pty) Ltd	8	12 167 607	8	12 167 607
Mayborn Investments (Pty) Ltd	5 044 239	3 622 368	5 044 239	3 622 368
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	265 893	600	265 893	600
Rhythm FM	196	196	196	196
Rikatec (Pty) Ltd	1	5 000 000	1	5 000 000
Sky Rink Studios (Pty) Ltd	-	130	-	130
Western Breeze Trading 297 (Pty) Ltd	51	51	51	51
Zulimar Trading (Pty) Ltd	7 037 935	6 026 816	7 037 935	6 026 816
	2 208 107 843	**1 147 399 428**	**2 208 107 843**	**1 147 399 428**

11 INVESTMENTS AT FAIR VALUE (continued)

11.2 Unincorporated joint ventures and investments (Strategic Project Fund Transactions)

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
Unincorporated equity investment fair value through profit and loss	**110 617 670**	**109 640 693**	**110 617 670**	**109 640 693**
Opening Balance	109 640 693	106 412 245	109 640 693	106 412 245
Additions	976 977	3 228 448	976 977	3 228 448
Fair value movements	**(110 598 670)**	**(109 622 693)**	**(110 598 670)**	**(109 622 693)**
- Balance brought forward from prior year	(109 622 693)	(106 394 245)	(109 622 693)	(106 394 245)
- Fair value (losses)	(975 977)	(3 228 448)	(975 977)	(3 228 448)
Net investment value through profit & loss financial assets	19 000	18 000	19 000	18 000
Total investments at fair value	**2 208 126 843**	**1 147 417 428**	**2 208 126 843**	**1 147 417 428**

11 INVESTMENTS AT FAIR VALUE (continued)

11.2 Unincorporated joint ventures and investments (Strategic Project Fund Transactions) (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:

2022 Investment	Investment at cost R	Fair value R	Interest in project/joint venture %	Effective voting on Joint Steering Committee %
Rare Metals Industries (Pty) Ltd*	13 500 000	1 000	30%	30%
Manhize - Coking Coal (Pty) Ltd	10 000 000	1 000	75%	75%
African Silica Investments (Pty) Ltd	7 000 000	1 000	50%	50%
Tyre Energy Extraction (Pty) Ltd	12 918 577	1 000	47%	47%
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%	49%
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	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	8 045 848	1 000	50%	50%
Cape Town Creative studios	891 303	1 000	49%	49%
Cape Town Creative Space	60 000	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	673 183	1 000	49%	49%
	112 267 301	**19 000**		

11 INVESTMENTS AT FAIR VALUE (continued)

11.2 Unincorporated joint ventures and investments (Strategic Project Fund Transactions) (continued)

2021 Investment	Investment at cost R	Fair value R	Interest in project/joint venture %	Effective voting on Joint Steering Committee %
Rare Metals Industries (Pty) Ltd*	13 500 000	1 000	30%	30%
Manhize - Coking Coal (Pty) Ltd	10 000 000	1 000	75%	75%
African Silica Investments (Pty) Ltd	7 000 000	1 000	50%	50%
Tyre Energy Extraction (Pty) Ltd	12 918 577	1 000	47%	47%
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%	49%
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	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**		

*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.

12 ORIGINATED LOANS

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
Opening balance	**2 061 392 470**	**1 852 248 226**	**2 247 182 909**	**2 024 009 800**
Net movement for the year	**180 032 850**	**209 144 244**	**187 517 190**	**223 173 109**
Loans disbursed	795 781 484	353 020 601	806 081 484	366 885 366
Facility Fee income	-	-	-	-
Interest capitalised	119 857 624	93 738 656	127 538 421	101 390 500
Loan repayments	(403 063 467)	(190 877 360)	(413 559 924)	(198 297 360)
Write-offs	(238 604 682)	(38 858 272)	(238 604 682)	(38 956 015)
Transfer to Investments at fair value - note 11.1	12 167 607	(12 167 607)	12 167 607	(12 167 607)
Reclassification to/from finance leases	58 472	-	58 472	-
Transfer to Investment in associates - note 9	(1 109 132)	-	(1 109 132)	-
Deferred conversion grant expense	(35 608 509)	-	(35 608 509)	-
Social benefit	(72 033 189)	-	(72 033 189)	-
Reclassification between gross and accumulated impairment	-	2 391 511	-	2 391 511
Capital raising fees	2 586 642	1 896 715	2 586 642	1 926 714
Closing balance	**2 241 425 320**	**2 061 392 470**	**2 434 700 099**	**2 247 182 909**
Provision for impairment	**(651 155 478)**	**(581 410 182)**	**(749 229 178)**	**(644 978 014)**
- Opening balance	(581 410 182)	(455 786 587)	(644 978 014)	(510 853 793)
- Impairments for the year	(308 349 978)	(162 192 563)	(342 855 846)	(170 693 189)
- Reclassification between gross and accumulated impairment	-	(2 391 511)	-	(2 391 511)
- Write-offs	238 604 682	38 960 479	238 604 682	38 960 479
	1 590 269 842	**1 479 982 288**	**1 685 470 921**	**1 602 204 895**
Net originated loan balance	**1 590 269 842**	**1 479 982 288**	**1 685 470 921**	**1 602 204 895**
Current portion	410 504 542	292 283 791	413 266 051	292 283 791
Long term portion	1 179 765 300	1 187 698 497	1 272 204 870	1 309 921 104

13 FINANCE LEASE RECEIVABLES

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
Opening balance	334 243 430	263 070 933	334 243 430	263 070 933
Net movement for the year	**(20 268 736)**	**71 172 497**	**(20 268 736)**	**71 172 497**
Additions	105 562 769	70 709 319	105 562 769	70 709 319
Reclassification between gross and accumulated impairment	-	6 881 308	-	6 881 308
Social benefit	(10 825 494)	-	(10 825 494)	-
Deferred conversion grant expense	(3 094 519)	-	(3 094 519)	-
Transfer to Investment in associates - note 9	(6 890 868)	-	(6 890 868)	-
Reclassification to/from originated loans	(58 742)	-	(58 742)	-
Interest capitalised	20 855 661	15 078 494	20 855 661	15 078 494
Repayments	(61 973 684)	(20 627 444)	(61 973 684)	(20 627 444)
Capital raising fee	250 288	123 780	250 288	123 780
Write-offs	(64 094 147)	(992 960)	(64 094 147)	(992 960)
Closing balance	**313 974 694**	**334 243 430**	**313 974 694**	**334 243 430**
Provision for Impairment	**(86 031 849)**	**(101 703 025)**	**(86 031 849)**	**(101 703 025)**
- Opening balance	(101 703 025)	(57 679 821)	(101 703 025)	(57 679 821)
- Reclassification between gross and accumulated impairment	-	(6 881 308)	-	(6 881 308)
- Impairments for the year	(48 422 971)	(38 130 391)	(48 422 971)	(38 130 391)
- Write-offs	64 094 147	988 495	64 094 147	988 495
Net Finance Lease Receivable balance	**227 942 845**	**232 540 405**	**227 942 845**	**232 540 405**

13 FINANCE LEASE RECEIVABLES (continued)

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
Gross investment in leases due				
	343 778 388	**368 563 238**	**343 778 388**	**368 563 238**
- within one year	101 411 254	147 257 497	101 411 254	147 257 497
- in second to fifth year inclusive	238 578 829	221 305 741	238 578 829	221 305 741
- after 5 years	3 788 305	-	3 788 305	-
Less: unearned finance income	(29 803 694)	(34 319 808)	(29 803 694)	(34 319 808)
Present value of minimum lease payments	313 974 694	334 243 430	313 974 694	334 243 430
Less: allowance for uncollectable minimum lease payments	(86 031 849)	(101 703 025)	(86 031 849)	(101 703 025)
Gross value	**227 942 845**	**232 540 405**	**227 942 845**	**232 540 405**
Present value of minimum lease payments due				
- within one year	92 619 456	131 194 265	92 619 456	131 194 265
- in second to fifth year inclusive	217 895 358	203 049 165	217 895 358	203 049 165
- after 5 years	3 459 880	-	3 459 880	-
	313 974 694	334 243 430	313 974 694	334 243 430
Less: Allowance for uncollectable minimum lease payments	(86 031 849)	(101 703 025)	(86 031 849)	(101 703 025)
Carrying amount of minimum lease payments	**227 942 845**	**232 540 405**	**227 942 845**	**232 540 405**
Net finance lease receivable balance	**227 942 845**	**232 540 405**	**227 942 845**	**232 540 405**
Current portion	93 502 810	91 274 696	93 502 810	91 274 696
Long term portion	134 440 035	141 265 709	134 440 035	141 265 709

The average lease term is 5 years (2021:5 years) and the average effective lending rate is 8% (2021: 7%).

14 INVESTMENTS HELD FOR TRADE

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
Fair value balance at beginning of year	10 820 484	8 795 032	10 820 484	8 795 032
Fair value gains	6 431 043	2 025 452	6 431 043	2 025 452
Fair value balance at end of year	**17 251 527**	**10 820 484**	**17 251 527**	**10 820 484**
Investments held for trade				
Listed securities				
Tsogo Sun	17 251 527	10 820 484	17 251 527	10 820 484
	17 251 527	**10 820 484**	**17 251 527**	**10 820 484**

Investments held for trade include the investment of the NEF in the Tsogo Sun Hotels Ltd shares amounting to 5 104 002.

15 CURRENT ASSET HELD FOR SALE

Opening balance	–	165 500	–	165 500
Additions	600 000	–	600 000	–
Disposal	–	(165 500)	–	(165 500)
Closing balance	**600 000**	**–**	**600 000**	**–**

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

16 INVENTORIES

Finished goods	14 288 208	21 874 787	–	–
Pallets, trolleys and bins	821 777	873 287	–	–
Lightning and surge protection goods	2 399 892	–	–	–
	17 509 877	**22 748 074**	**–**	**–**

17 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2022 R	2021 R	2022 R	2021 R
Trade receivables	24 456 362	25 776 660	-	-
Deposits	1 840 778	1 907 893	1 814 294	1 845 161
VAT	62 800	666 069	-	-
Other receivables	16 329 906	18 532 829	16 521 565	15 297 651
Total	**42 689 846**	**46 883 451**	**18 335 859**	**17 142 812**

18 FINANCIAL ASSETS

	Group			
	2022		2021	
	Carrying amount R	Fair value R	Carrying amount R	Fair Value R
Loans and receivables	**1 860 902 533**	**1 860 902 533**	**1 759 406 144**	**1 759 406 144**
* - Originated loans	1 590 269 842	1 590 269 842	1 479 982 288	1 479 982 288
* - Finance leases	227 942 845	227 942 845	232 540 405	232 540 405
- Trade and other receivables	42 689 846	42 689 846	46 883 451	46 883 451
Investments held at fair value	**2 208 126 843**	**2 208 126 843**	**1 147 417 428**	**1 147 417 428**
- Unlisted non-associate equity investments	286 283 303	286 283 303	268 923 316	268 923 316
- Listed non-associate equity investments	1 921 824 540	1 921 824 540	878 476 112	878 476 112
- Unincorporated equity investments	19 000	19 000	18 000	18 000
Investment in associates	**82 021 115**	**82 021 115**	**76 881 282**	**76 881 282**
Investments held for trade	**17 251 527**	**17 251 527**	**10 820 484**	**10 820 484**
- Listed equity	17 251 527	17 251 527	10 820 484	10 820 484
Total	**4 168 302 018**	**4 168 302 018**	**2 994 525 338**	**2 994 525 338**

18 FINANCIAL ASSETS (continued)

		Trust			
		2022		2021	
		Carrying amount R	Fair value R	Carrying amount R	Fair Value R
	Loans and receivables	**1 931 749 625**	**1 931 749 625**	**1 851 888 112**	**1 851 888 112**
*	- Originated loans (Refer to note 12)	1 685 470 921	1 685 470 921	1 602 204 895	1 602 204 895
*	- Finance leases (Refer to note 13)	227 942 845	227 942 845	232 540 405	232 540 405
	- Trade and other receivables (Refer to note 17)	18 335 859	18 335 859	17 142 812	17 142 812
	Investments held at fair value	**2 208 126 843**	**2 208 126 843**	**1 147 417 428**	**1 147 417 428**
	- Unlisted non-associate equity investments (Refer to note 11.1)	286 283 303	286 283 303	268 923 316	268 923 316
	- Listed non-associate equity investments (Refer to note 11.1)	1 921 824 540	1 921 824 540	878 476 112	878 476 112
	- Unincorporated equity investments (Refer to note 11.2)	19 000	19 000	18 000	18 000
	Investment in associates (Refer to note 9)	**82 021 115**	**82 021 115**	**76 881 282**	**76 881 282**
	Investments held for trade	**17 251 527**	**17 251 527**	**10 820 484**	**10 820 484**
	- Listed equity (Refer to note 14)	17 251 527	17 251 527	10 820 484	10 820 484
	Total	**4 239 149 110**	**4 239 149 110**	**3 087 007 306**	**3 087 007 306**

* 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:

	2022			
	Level 1 R	Level 2 R	Level 3 R	Total R
Financial assets at fair value through profit and loss	**17 251 527**	**–**	**82 040 115**	**99 291 642**
Associates	–	–	82 021 115	82 021 115
Unincorporated equity investments	–	–	19 000	19 000
Investments held for trade	17 251 527	–	–	17 251 527
Non-associate equity investments	**1 921 824 540**	**–**	**286 283 303**	**2 208 107 843**
Listed equities	1 921 824 540	–	–	1 921 824 540
Unlisted equities	–	–	286 283 303	286 283 303
Total	**1 939 076 067**	**–**	**368 323 418**	**2 307 399 485**

	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**

18 FINANCIAL ASSETS (continued)

Reconciliation of financial assets held at fair value

	2022			
	Level 1 R	Level 2 R	Level 3 R	Total R
Opening balance for the year	889 296 596	-	345 822 598	1 235 119 194
Additions - Cost	-	-	20 999 885	20 999 885
Sales/Transfers	-	-	(4 167 607)	(4 167 607)
Fair value adjustments recognised in profit and loss	1 049 779 471	-	5 668 542	1 055 448 013
Closing balance	**1 939 076 067**	**-**	**368 323 418**	**2 307 399 485**

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**

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)

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. The earnings were forecasted using an average of 4.7% growth rate.

(ii) Comparative 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. The range of discount rate used was 14.19% - 21.35%. These rates were obtained using the nominal weighted average cost of capital per each investment.

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.

18 FINANCIAL ASSETS (continued)

Sensitivity Analysis

	2022		
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	82 021 115	820 211	8 202 112
Unincorporated equity investments	19 000	190	1 900
Unlisted equities	286 283 303	2 862 833	28 628 330
	368 323 418	**3 683 234**	**36 832 342**

	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**

19 CASH AND CASH EQUIVALENTS

	Notes	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
In relation to the cash flow statement, cash and cash equivalents comprise the following:					
Bank balances					
- Current accounts		78 997 182	384 110 456	75 172 133	380 029 783
- Short-term bank deposits		2 950 081 134	1 088 039 551	2 950 081 134	1 087 970 896
- Cash on hand		56 701	298 659	248	248
Total		**3 029 135 017**	**1 472 448 666**	**3 025 253 515**	**1 468 000 927**

The effective interest rate on short term deposits was 3.25% (2021 - 3.00%). Cash reserves includes commitments and third party contributions as per below table. Unencumbered cash is the uncommitted cash available.

	Notes	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
UNENCUMBERED CASH – TRUST					
- Cash as per bank balance				3 025 253 515	1 468 000 927
- Less Commitments	**30.2**			(391 159 382)	(424 760 892)
- Less external contributions	**30.4**			(2 135 202 843)	(612 129 888)
- Add deferred admin fees income				38 714 482	-
Total				**537 605 772**	**431 110 147**

20 TRUST CAPITAL

	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
Investment in listed shares				
- At cost	171 000 000	171 000 000	171 000 000	171 000 000
Cash funds received from the dtic:	**2 297 431 472**	**2 297 431 472**	**2 297 431 472**	**2 297 431 472**
- Opening Balance	2 297 431 472	2 297 431 472	2 297 431 472	2 297 431 472
Closing balance	**2 468 431 472**	**2 468 431 472**	**2 468 431 472**	**2 468 431 472**

21 INSTALMENT SALE AGREEMENT

	Notes	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
Wesbank		518 855	777 760	-	-
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		238 590	515 816	-	-
Current liabilities					
At amortised cost		280 265	261 944	-	-

22 TRADE AND OTHER PAYABLES

	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
Trade payables	35 159 798	34 722 168	8 853 138	9 095 468
Lease accrual	218 463	181 381	218 463	181 381
VAT Payable	37 242	754 118	-	-
Donations tax due	14 030	-	-	-
Accruals	72 336 505	69 935 244	69 223 429	65 437 644
- Performance awards	56 711 932	48 173 528	56 711 932	48 173 528
- Supplier accruals	2 105 579	11 034 722	371 242	7 925 369
- Leave pay	13 518 994	10 726 994	12 140 255	9 338 747
Total	**107 766 038**	**105 592 911**	**78 295 030**	**74 714 493**

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 2022	Opening balance R	Raised during the year R	Utilised during the year R	Total R
Performance rewards	48 173 528	47 658 116	(39 119 712)	56 711 932
Leave pay	9 338 747	4 749 210	(1 947 702)	12 140 255
	57 512 275	52 407 326	(41 067 414)	68 852 187

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 (GROUP) Reconciliation of provisions 2022	Opening balance R	Raised during the year R	Utilised during the year R	Total R
Performance rewards	48 173 528	47 658 116	(39 119 712)	56 711 932
Leave pay	10 726 994	4 817 225	(2 025 225)	13 518 994
	58 900 522	52 475 341	(41 144 937)	70 230 926

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

23 ENTERPRISE DEVELOPMENT FUNDS

	Notes	Opening balance R	Raised during the year R	Utilised during the year R	Total R
External contributions					
- Opening balance		596 802 395	434 649 656	596 802 395	434 649 656
- Interest capitalised		3 214 185	3 456 854	3 214 185	3 456 854
- Funds received		2 245 070 000	340 458 930	2 245 070 000	340 458 930
- Disbursement		(762 642 625)	(181 763 045)	(762 642 625)	(181 763 045)
- Closing balance		**2 082 443 955**	**596 802 395**	**2 082 443 955**	**596 802 395**
Deferred Income					
- Opening balance		4 473 533	5 630 578	4 473 533	5 630 578
- Addition		40 000 000	-	40 000 000	-
- Unconditional ESD to be recognised as sundry (other) income		(1 641 731)	(1 157 045)	(1 641 731)	(1 157 045)
		42 831 802	**4 473 533**	**42 831 802**	**4 473 533**
Total	**30.4**	**2 125 275 757**	**601 275 928**	**2 125 275 757**	**601 275 928**

24 RELATED PARTY TRANSACTIONS

The NEF has been established by the Department of Trade Industry and Competition in terms of the NEF Act. The NEF is ultimately controlled by the National Treasury. It is therefore related to all other entities within the national government.

		Group and Trust			
		2022 R	2021 R	2022 R	2021 R
		Undisbursed balances		Admin fee income	
Entities	Department of Trade Industry and Competition	537 186 211	339 977 592	-	-
	Department of Sports, Arts and Culture	53 220 271	53 358 450	-	-
	Department of Rural Development and Land Reform	36 672 783	36 672 783	-	-
	Western cape department of economic development and Tourism	-	-	-	-
	National Department of Tourism	102 309 668	104 062 901	-	-
	Transnet SOC Limited	9 982 647	10 945 734	-	-
	City of Ekurhuleni	10 350 000	13 850 000	-	-
	Northern Cape Department of Economic Development and Tourism	53 225 000	30 000 000	-	-
	Limpopo Economic Development, Environment and Tourism	5 600 000	6 100 000	-	-
	Department of Transport	1 098 523 425	-	1 285 518	-
	Steve Tshwete Municipality	20 000 000	-	-	-
	Department of Economic, small business development, Tourism and environmental affairs (FREE STATE PROVINCE)	920 000	-	-	-
	Solidarity Fund	151 291 265	-	6 900 000	-
		2 079 281 270	**594 967 460**	**8 185 518**	**-**

	Trust	
	Dividends received	
Colliery Dust Control (Pty) Ltd	3 400 000	1 392 000
	3 400 000	**1 392 000**

	Management Fee	
Zastrovect Investments (Pty) Ltd (Subsidiary)	1 109 375	825 000
	1 109 375	**825 000**

24 RELATED PARTY TRANSACTIONS (continued)

Other related parties Board of Trustees (refer Note 31)

Investments in associates and subsidiaries as per below:

Related party balances in respect of Investments in Associates and Subsidiaries

	2022 % Holding	Loans receivable before impairment		Investments at cost	
		2022	2021	2022	2021
125 Village Hub (Pty) Ltd/ Muma Investments	20.0%	54 245 668	50 518 747	200	200
Africa People Mover (Pty) Ltd	25.0%	-	81 992 740	100	100
Allimor Footwear (Pty) Ltd	30.0%	2 613 158	4 904 662	30	30
Amazin Hotels (Pty) Ltd	20.0%	55 937 981	51 963 205	12 350 000	12 350 000
Argon Security	49.0%	1 678 078	-	5 000 000	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	350	350
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	30.0%	7 008 397	6 996 094	300	300
Go 2 Market (Pty) Ltd	38.0%	8 731 137	-	8 000 000	-
Golden Dice Foods (Pty) Ltd (Subsidiary)	49.0%	40 636 244	33 188 857	49	49
Gradoscope (Pty) Ltd	26.0%	17 264 452	15 707 044	26	26
Graskop Gorge Lift Company (Pty) Ltd	26.1%	31 966 008	33 831 996	2 321 738	2 321 738
Imbaza Mussel (Pty) Ltd	25.0%	2 482 858	2 682 858	250	250
Joy House Academy (Pty) Ltd	45.0%	6 324 198	15 919 983	2 000 000	2 000 000
Magoveni Pharmaceuticals (Pty) Ltd	25.0%	-	16 702 050	333	333
M-Care Operating Company (Pty) Ltd	25.1%	30 681 212	30 681 213	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%	2 150 000	2 800 000	4 500 040	4 500 040
Mohale Agricultural Co-operative	45.0%	14 019 133	14 019 133	450	450

24 RELATED PARTY TRANSACTIONS (continued)

	2022 % Holding	Loans receivable before impairment		Investments at cost	
		2022	2021	2022	2021
Mopadi Molamu (Pty) Ltd	20.0%	–	10 261 795	200	200
National Empowerment Fund Corporation SOC Ltd (Subsidiary)	100.0%	24 702 275	24 724 307	100	100
Okubabayo (Pty) Ltd	30.0%	8 721 183	6 417 099	2 817 878	2 817 878
Petrocom (Pty) Ltd	30.0%	–	21 672 838	30	30
Pyratrade (Pty) Ltd	30.0%	18 010 026	18 010 026	30	30
Rapid Purple Waters Trading (Pty) Ltd	25.0%	30 972 590	28 994 598	450	450
Rhino Ridge Lodge (Pty) Ltd	33.3%	12 255 429	15 266 275	333	333
Royal Thonga Safari Lodge (Pty) Ltd	36.0%	13 218 631	12 350 973	36	36
Sehwai Exploration Drilling (Pty) Ltd	45.0%	12 542 415	6 361 969	112	112
Stutt Brick Company (Pty) Ltd	49.0%	15 846 895	14 905 643	30 499 181	30 499 181
Super Grand Agric (Pty) Ltd	30.0%	11 290 523	10 514 859	45	45
Surgetek (Pty) Ltd (Subsidiary)	100.0%	20 788 907	14 908 723	13 698 349	13 698 349
Tshellaine Holdings	30.0%	47 479 303	43 998 104	30	30
Unique Engineering (Pty) Ltd	49.0%	–	–	490	490
Umnotho Maize (Pty) Ltd	40.0%	9 285 170	7 182 360	400	400
Value Cement (Pty) Ltd	25.8%	–	–	31	31
Willowvale (Pty) Ltd	45.0%	9 307 853	11 748 921	450	450
YG Property Investments (Pty) Ltd	20.0%	–	41 093 551	200	200
Zastrovect Investments (Pty) Ltd (Subsidiary)	100.0%	66 208 903	71 652 709	7 799 104	7 799 104
Total		**596 000 387**	**742 205 092**	**113 996 547**	**105 996 547**

25 INTEREST AND DIVIDEND INCOME

	Note	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
Interest - cash		96 290 171	41 338 943	96 276 756	41 246 013
Interest - originated loans		119 857 624	93 738 656	127 538 421	101 390 500
Interest -finance leases		20 855 661	15 078 494	20 855 661	15 078 494
Interest - other		7 656 711	469 169	7 656 711	469 169
Dividends		63 744 598	53 845 046	63 744 598	53 845 046
		308 404 765	**204 470 308**	**316 072 147**	**212 029 222**

26 NET SUNDRY INCOME

	Note	Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
Sales		419 228 479	373 002 425	-	-
Cost of sales		(347 178 429)	(297 802 369)	-	-
Bad debts recovered		383 000	2 068 194	383 000	2 068 194
Capital raising fee		2 836 929	2 743 963	2 836 929	2 759 323
Enterprise development admin fees		8 845 518	450 000	8 845 518	450 000
Other income		7 295 849	1 546 407	7 513 474	-
Income from enterprise development funds		602 791 381	179 096 959	602 791 381	179 096 959
		694 202 727	**261 105 579**	**622 370 302**	**184 374 476**

27 ADMINISTRATION EXPENSES (TRUST)

Net operating income is arrived at after taking into account:

	Trust 2022 R	Trust 2021 R
Auditors' remuneration	**1 922 660**	**1 831 104**
- For external audit fees	1 922 660	1 831 104

27 ADMINISTRATION EXPENSES (TRUST) (continued)

	Note	Trust 2022 R	Trust 2021 R
Professional fees		**10 074 516**	**13 242 706**
- Human resources		-	570 780
- Information technology		933 015	996 680
- Legal fees		3 949 728	5 413 499
- Internal audit - outsourced fees		1 017 925	837 936
- Finance		17 205	72 137
- Risk management		431 157	370 639
- Strategy		57 396	1 668 718
- Investments		3 668 090	3 312 317
Depreciation	4	**2 470 111**	**2 012 622**
- Motor vehicles		405 150	405 150
- Computer equipment		1 987 366	1 381 817
- Audio visual equipment		24 887	91 754
- Office equipment		7 643	19 918
- Furniture and fittings		34 904	34 904
- Paintings		2 916	2 915
- Leasehold improvements		7 245	76 164
Amortisation of intangible assets	6	**1 583**	**352 230**
Repairs and maintenance		**319 977**	**148 023**
Operating lease rentals		**12 880 425**	**12 813 655**
- Property rental		11 994 371	11 475 603
- Equipment rental		886 054	1 338 052

27 ADMINISTRATION EXPENSES (TRUST) (continued)

	Note	Group		Trust	
		2022 R	2021 R	2022 R	2021 R
Total staff costs				**202 934 781**	**191 979 938**
- Salaries and other benefits				189 358 237	178 832 886
- Provident fund contributions				13 576 544	13 147 052
Other operating expenses				**36 613 818**	**30 040 134**
				267 217 871	**252 420 412**
Trustees and senior management emoluments	*31*			***20 124 928***	***13 847 832***
Headcount at year end				167	152

28 TAXATION

		Group 2022 R	Group 2021 R	Trust 2022 R	Trust 2021 R
Deferred tax					
- Current year		(1 346 455)	(935 973)	-	-

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		Trust	
	2022 R	2021 R	2022 R	2021 R
Originated loans	308 349 978	162 192 563	342 855 846	170 693 189
Finance leases	48 422 971	38 130 391	48 422 971	38 130 391
Impairment for the year	**356 772 949**	**200 322 954**	**391 278 817**	**208 823 580**

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

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:

	2022	2021
Not later than 1 year	7 696 810	9 402 544
Later than 1 year but not later than 5 years	1 265 086	6 224 105
	8 961 896	**15 626 649**

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

30.2 Undrawn loans and investments

Not later than 1 year	**391 159 382**	**424 760 892**

Payment will be made out of cash reserves.

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

Not later than 1 year	**54 995 780**	**367 548 134**

Payment will be made out of cash reserves.

30 COMMITMENTS – TRUST (continued)

30.4 External Contributions

	Trust 2022 R	Trust 2021 R
Unconditional contributions (recognised in sundry income)		
Undisbursed opening balance (contribution available for investment)	10 853 960	12 800 992
Current year	(926 874)	(1 947 032)
- Contributions received	-	250 000
- Funds disbursed	(926 874)	(2 197 032)
- Available for investment	9 927 086	10 853 960
Conditional Funding		
Conditional contributions (recognised in current liabilities)		
Opening Balance	601 275 928	440 280 234
- Contributions received	2 251 970 000	340 208 930
- Interest capitalised	3 214 185	3 456 854
- Funds disbursed	(762 998 838)	(182 220 090)
- Administration fee	(6 900 000)	(450 000)
- Deferred administration fees income	38 714 482	-
	2 125 275 757	601 275 928
Total Liability :(Note 23)	2 125 275 757	601 275 928
Total contributions available for future disbursements	**2 135 202 843**	**612 129 888**

The external contributions represent cash received from third parties for disbursement to qualifying beneficiaries, as determined in the terms and conditions of the Memorandum of Agreement with the respective third parties.

31 TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

		Basic R	Bonuses & performance payments R	Acting allowance R	Long-term bonus payments R	Provident fund contributions R	Other contributions R	Fees to Non-Executive Trustees Other R	Total R
	Year ended 31 March 2022								
	Executive trustee:								
	Ms Philisiwe Mthethwa (CEO)	3 735 992	1 300 000	-	-	698 998	180 681	-	5 915 671
		3 735 992	**1 300 000**	**-**	**-**	**698 998**	**180 681**	**-**	**5 915 671**
	Senior Management:								
	Mr Mziwabantu Dayimani (General Counsel)	2 258 275	700 000	-	-	338 423	177 323	-	3 474 021
	Mr Setlakalane Molepo (Divisional Executive)	2 399 964	516 383	-	-	349 167	229 147	-	3 494 661
	Ms Zama Khanyile (Divisional Executive)	1 598 737	619 798	138 809	-	190 271	110 315	-	2 657 930
	Mr Nhlanhla Nyembe (Divisional Executive)	1 926 810	707 658	31 697	-	254 747	167 040	-	3 087 952
#	Ms Boitumelo Gasealahwe (CFO)	134 868	-	-	-	23 985	9 631	-	168 484
		8 318 654	**2 543 839**	**170 506**	**-**	**1 156 593**	**693 456**	**-**	**12 883 048**

\# **Appointment effective from 04 March 2022.**

ANNUAL FINANCIAL STATEMENTS

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
	Non-executive trustees:	R	R	R	R	R	R	R	R
*	Dr Nthabiseng Moleko (Chairperson)	-	-	-	-	-	-	196 571	196 571
**	Mr Rakesh Garach	-	-	-	-	-	-	243 133	243 133
*	Dr Monde Tom	-	-	-	-	-	-	163 618	163 618
*	Ms Rethabile Nkosi	-	-	-	-	-	-	206 434	206 434
*	Ms Lucretia Khumalo	-	-	-	-	-	-	-	-
^	Mr Roy Harichunder	-	-	-	-	-	-	205 134	205 134
*	Ms Philile Mbokazi	-	-	-	-	-	-	138 373	138 373
*	Ms Thinavhuyo Mpye	-	-	-	-	-	-	172 946	172 946
		-	**-**	**-**	**-**	**-**	**-**	**1 326 209**	**1 326 209**
	TOTAL	**12 054 646**	**3 843 839**	**170 506**	**-**	**1 855 591**	**874 137**	**1 326 209**	**20 124 928**

* Appointment effective from 05 August 2021.

** Term ended 31 December 2021.

^ Appointment effective from 24 January 2022.

Year ended 31 March 2021

		Basic	Bonuses & performance payments	Acting allowance	Long-term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees Other	Total
	Executive trustees:								
	Ms Philisiwe Mthethwa (CEO)	3 595 076	-	-	-	670 815	149 856	-	4 415 747
**	Mr Lebohang Serithi (CFO)	947 433	-	-	-	113 692	78 412	-	1 139 537
		4 542 509	**-**	**-**	**-**	**784 507**	**228 268**	**-**	**5 555 284**

** Mr Lebohang Serithi resigned effective 31 August 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
	Senior Management:	R	R	R	R	R	R	R	R
*	Mr Setlakalane Molepo (Divisional Executive)	2 242 826	-	297 810	-	345 704	317 217	-	3 203 557
^	Ms Hlengiwe Makhathini (Divisional Executive)	1 932 659	-	-	-	277 495	289 899	-	2 500 053
	Mr Mziwabantu 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**

^ **Ms Hlengiwe Makhathini resigned effective 31 May 2021.**

		Basic	Bonuses & performance payments	Acting allowance	Long-term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees Other	Total
	Non-executive trustees:								
	Mr Rakesh 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**

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

Term ended 4 April 2020.

32 NOTES TO THE CASH FLOW STATEMENT

	2022 R	2021 R	2022 R	2021 R
Reconciliation of net surplus/(deficit) to cash flows from operating activities:				
	Group		Trust	
Surplus for the year	**1 219 322 831**	**242 090 518**	**1 213 832 063**	**244 089 837**
Adjustment for:	**(1 471 844 490)**	**(482 037 207)**	**(1 462 256 231)**	**(491 284 179)**
Depreciation & amortisation	13 741 905	13 023 630	2 471 694	2 364 852
Interest received on cash and cash equivalents	(103 946 882)	(41 808 112)	(103 933 467)	(41 715 182)
Interest accrued on investments	(140 713 285)	(108 817 150)	(148 394 082)	(116 468 994)
Loss/(Profit) on disposal of fixed assets	(173 405)	(6 310)	-	-
Other non-cash items	2 300 783	(1 072 093)	(599 983)	343 024
Capital raising fee	(2 656 929)	(2 743 963)	(2 656 929)	(2 759 323)
Social benefit	82 858 683	-	82 858 683	-
Deferred conversion grant expense	38 703 028	-	38 703 028	-
Write-offs	1 906 561	-	361	-
Dividends received	(63 744 598)	(53 845 046)	(63 744 598)	(53 845 046)
Impairment of investments	356 772 949	200 322 954	391 278 817	208 823 580
Fair value adjustments	(1 055 448 374)	(308 930 131)	(1 055 448 374)	(308 930 131)
Income from enterprise development funds	(602 791 381)	(179 096 959)	(602 791 381)	(179 096 959)
Taxation	1 346 455	935 973	-	-
Operating deficit before working capital changes	**(252 521 659)**	**(239 946 689)**	**(248 424 168)**	**(247 194 342)**
Working capital changes	**2 137 127 721**	**383 515 677**	**2 129 008 546**	**393 438 009**
Decrease/(Increase) in inventories	1 883 282	(12 820 816)	-	-
Decrease/(Increase) in trade and other receivables	1 341 532	(9 404 839)	(1 193 047)	127 387
Proceeds from enterprise development funders	2 245 070 000	340 458 930	2 245 070 000	340 458 930
(Decrease)/Increase in trade and other payables	(111 167 093)	65 282 402	(114 868 407)	52 851 692
Net cash inflows from operating activities	**1 884 606 062**	**143 568 988**	**1 880 584 378**	**146 243 667**

33 INVESTMENT DISBURSEMENTS

	2022 R	2021 R	2022 R	2021 R
	Group		Trust	
Originated loans	795 781 484	353 020 601	806 081 484	366 885 366
Investments in associates	-	5 000 000	-	5 000 000
Non-associate equity investments	20 022 908	-	20 022 908	-
Unincorporated equity investments	976 977	3 228 448	976 977	3 228 448
Finance leases	105 562 769	70 709 319	105 562 769	70 709 319
Total disbursements	**922 344 138**	**431 958 368**	**932 644 138**	**445 823 133**

34 REPAYMENTS ON ORIGINATED LOANS AND LEASES

	Group		Trust	
Originated loans	403 063 467	190 877 360	413 559 924	198 297 360
Finance leases	61 973 684	20 627 444	61 973 684	20 627 444
	465 037 151	**211 504 804**	**475 533 608**	**218 924 804**

35 RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE TO BUDGET

35.1 Revenue

Interest received from cash surplus was higher than budget by R57 million due to the funds received during the year which were not budgeted which increased the cash in the bank. More than R3 billion cash surplus has been invested in the South African Reserve Bank CPD account which yields an average return of 3.7% compared to other call accounts (3.2%).

35.2 Sundry income (revenue from non-exchange)

The revenue from non-exchange as at 31 March 2022 was R622 million against the budget of R56 million. This resulted in a positive variance of R566 million which was mainly contributed by income recognised against economic recovery fund and economic distress fund disbursements in terms of GRAP 23 - revenue from non-exchange.

35 RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE TO BUDGET (continued)

35.3 Total expenses

Total expenses include social benefit expense incurred in terms of GRAP 104 as a result of concessionary loans disbursed at a rate less than the prime interest rate.
Economic Recovery Fund 30% conversion grant provision of R38 million is from the disbursements to clients who are likely to meet the criteria of retaining the same number of employees in the next 12 months after the first disbursement as per the memorandum of understanding of the Economic Recovery Fund.
Excluding the above accounting expenses, total savings for the current year amounts to R23 million on operating expenditure which was attributed to cost containment measures which were in place throughout the financial year.

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 gains

MTN share price performed well and the share price as at 31 March 2022 was R190 compared to R86.85 in March 2021. This has resulted in fair value gain on listed investments to be above R1 billion in the current financial year.

36 FRUITLESS AND WASTEFUL EXPENDITURE

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

37 IRREGULAR EXPENDITURE (GROUP)

As a Schedule 3A public entity the NEF is required to comply with the requirements of the PFMA and the Preferential Procurement Policy Framework Act (PPPFA), (Act No. 5 of 2000). 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 Finance exempts such compliances in terms of section 3 of the PFMA. In prior years the NEF had submitted and obtained the required exemption in order to enable its subsidiaries to operate as private sector business undertakings subject to the Companies Act, as applicable. However, although the NEF submitted the application for exemption to the Minister in the current financial year, the exemption was not received by the date of the financial year end. The impact of not receiving the exemption by the financial year end renders the expenditure incurred by the subsidiaries during the year as not compliant with legislation and consequently, irregular. The amount of the expenditure for the current financial year was R244 503 955 and the cumulative amount was R477 206 090.

	Group	
	2022 R	2021 R
Reconciliation of the irregular expenditure		
Opening balance	232 702 135	-
Irregular expenditure incurred in the prior year	-	44 129 546
Irregular expenditure incurred in the current year	244 503 955	188 572 589
Closing balance	**477 206 090**	**232 702 135**
Details of the irregular expenditure		
Relating to current year		
Cost of sales	237 191 236	177 644 434
Operating expenditure	7 312 719	10 928 155
Relating to prior year		
Cost of sales	-	41 573 215
Operating expenditure	-	2 556 331
Total	**244 503 955**	**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.

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 to the costs of liquidation nor that the liquidation of the business had become final. Funds were attached from NEF's bank account, however the NEF's legal process stopped the funds being transferred to the Sheriff's account. The claim is for R3 million which the NEF is currently defending.

40.2 Matter with an Investee Company

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

40.3 Matter with a Government Department

The NEF received a letter of demand from a Government Department demanding payment of an amount of R67 million. NEF had a meeting with the State Attorney and Counsel and the parties are exploring possible ways of settling the matter.

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.

41 SEGMENT REPORTING (continued)

Operating expenditure per segment										
Category	Gauteng	Free State	Limpopo	Eastern Cape	Mpumalanga	KZN	North West	Western Cape	Northern Cape	Total
Employee costs	191 439 924	232 424	2 315 368	2 909 485	3 399 898	4 036 476	1 965 838	3 044 528	1 990 999	211 334 940
Other operating expenses	51 574 111	351 900	300 297	401 965	441 570	1 260 482	463 815	615 453	473 338	55 882 931
Total base costs	**243 014 035**	**584 324**	**2 615 665**	**3 311 450**	**3 841 468**	**5 296 958**	**2 429 653**	**3 659 981**	**2 464 337**	**267 217 871**

Non-current assets per region										
Category	Gauteng	Free State	Limpopo	Eastern Cape	Mpumalanga	KZN	North West	Western Cape	Northern Cape	Total
Property and equipment at cost	14 597 461	60 683	60 930	57 870	53 277	35 811	31 159	36 858	497 735	15 431 784
Accumulated depreciation	(9 940 638)	(60 683)	(60 930)	(51 570)	(46 977)	(35 811)	(31 159)	(30 558)	(491 435)	(10 749 761)
Net carrying amount	**4 656 823**	**–**	**–**	**6 300**	**6 300**	**–**	**–**	**6 300**	**6 300**	**4 682 023**

42 EVENTS AFTER REPORTING DATE

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

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 remains a going concern and the application of this principle in the preparation of its financial statements as at 31 March 2022 is appropriate.

ADMINISTRATION
31 March 2022

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









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