










NEF COVID-19 COMMUNITY SOLIDARITY FUND SPREADS HUMANITARIAN AID

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

Making a difference in Limpopo

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

Taking hope to 4 provinces

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

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

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

Golden Dice Foods

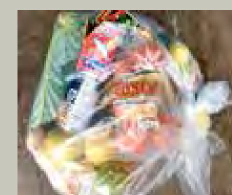
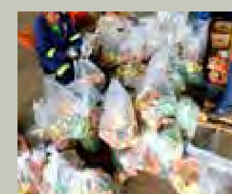
Through Golden Dice Foods, an NEF investee, 1000 food parcels were distributed to vulnerable families across Gauteng, the resident province of the food manufacturing company.

Solidarity Fund

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

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




National Empowerment Fund
Growing Black Economic Participation

Telesure Investment Holdings

Domba Trust
IT 1662/09

Goseame
Fresh Produce Open Market
Fresh
"You want it, we got it"

Golden Dice

Solidarity Fund
Unity in action

GOVERNANCE

The Board in 2019/20

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

Governance structures

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

Board of Trustees

The Board of Trustees is appointed in terms of the NEF Act (2008). Board members possess expertise in the fields of, amongst others, finance, risk management, strategy, economics and policy development. As at year end, the Board comprised of six independent non-executive Trustees and 1 executive Trustee.

The roles of the Chairman and CEO are separate, and the composition of the Board ensures balance of authority precluding any one Trustee from exercising disproportionate power of decision making. Most of the trustees' term of office came to an end on 4 April 2020, as they were duly appointed for two years effective from 5 April 2018.

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

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

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

The NEF approach to Politically Exposed Persons (PEPs)

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

Board meetings

The Board holds regular meetings to ensure that it meets its objectives as outlined in the Board charter. The elements of the Board charter are derived from the NEF Act (1998) and the Shareholders Compact concluded between the Ministry of Trade Industry and Competition and NEF.

Board of Trustees focus areas

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

In the 2019/2020 the Board focused on:

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

Board of Trustees discussions

TOPIC	AREAS COVERED	COMMENTS
Investments	Assessment, evaluation, and approval (where applicable) investments (including follow-on investments) by the NEF.	The Board assessed, evaluated and approved (where applicable) investments recommended to it from the Board Investment Sub-Committee in line with the approved Delegation of Authority. The Board also served as a PEPs adjudicator providing oversight on investment recommendations involving PEP individuals in accordance with the corporate governance best practices.
Socio and ethical	Social incidents and performance, government, media and investor relations.	Public complaints about the NEF, any media relations updates and compliance-related updates are given. The Board is assisted in the furtherance of this oversight through the Social and Ethics Committee.
People	Organisational structure, key appointments and resignations, business integrity and Code of Conduct.	Organisational structure status and changes in headcount are monitored. Targets for areas such as gender parity are agreed and reported on. The Code of Conduct is reviewed and approved.
Financial	Key financial measures, liquidity, balance sheet strength and cost improvements.	Progress against the annual budget is monitored and discussed. Liquidity, balance sheet strength and portfolio performance are reviewed and, if any corrective actions are necessary, these are agreed.
Economic outlook	Economic environment and its effects on the ability to execute on the NEF's mandate.	The Board receives briefings from internal teams and external advisers on trends in relevant areas and likely scenarios, economic activity and the effect of these on the NEF, are noted and considered for strategy and planning purposes.
Board governance	Reports from committees, legislative and regulatory compliance.	Each of the committee chairpersons submit reports on recent meetings and any developments which need the attention of the Board as a whole. Reports are received on the NEF's compliance with relevant legislation and regulation, and any actions needed to respond to recent developments. The Board receives quarterly updates on material litigation across the NEF. Matters which generally assist the effective functioning of the Board and the NEF as a whole are considered and actions agreed are implemented.

Governance Structure

Board of Trustees

Audit Committee

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

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

Risk & Portfolio Monitoring Committee (RPMC)

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

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

Board Investment Committee (BIC)

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

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

Social & Ethics Committee (SEC)

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

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

Human Capital & Remuneration Committee (HCRC)

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

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

Mr Rakesh Garach *(56)*

Chairman

Appointed in December 2009

QUALIFICATIONS AND DIRECTORSHIPS

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

Ms Philisiwe Mthethwa *(56)*

Executive Trustee & CEO

Appointed in July 2005

QUALIFICATIONS AND DIRECTORSHIPS

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

Mr Garach qualified as a Chartered Accountant after completing his studies at the University of Natal and has gained diverse and in-depth experience in the financial services industry. He also has significant experience in the mining, retail and manufacturing sectors of the economy. He has fulfilled multiple roles in both the private and public sectors.

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

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

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

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

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

Ms Nonkqubela Maliza
(53)

NEF RPMC Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

- MBA
- BA Hons Economics
- BA Economics

Mr Ernest Kwinda
(45)

NEF Audit Committee Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

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

Dr Nthabiseng Moleko
(39)

NEF BIC Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

- PhD in Development Finance
- Masters in Development Finance

Ms Lerato Molefe
(42)

NEF HCRC Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

- BSc Chemical Engineering
- BCom Hons Investment Banking

Mr Sipho Zikode
(56)
DDG the dti

NEF SEC Chair and Trustee Member

Appointed in April 2018

QUALIFICATIONS AND DIRECTORSHIPS

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

Governance

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

Mr Ebrahim Patel, Minister of Trade, Industry and Competition

Board Meeting Attendace

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

** Term ended 04 April 2020*

Audit Committee Composition and Attendance

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

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

Risk & Portfolio Management Committee (RPMC):

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

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

Social & Ethics Committee

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

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

Human Capital & Remuneration Committee (HCRC)

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

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

Board Investment Committee (BIC)

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

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

The Executive Team

Ms Philisiwe Mthethwa *(56)*

Executive Trustee & CEO

Appointed in July 2005

QUALIFICATIONS AND DIRECTORSHIPS

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

Mr Lebogang Serithi *(40)*

Executive Trustee (CFO)

Appointed in April 2019

QUALIFICATIONS

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

Ms Hlengiwe Makhathini *(41)*

Divisional Executive: Venture Capital & Corporate Finance

Appointed in April 2011

QUALIFICATIONS AND DIRECTORSHIPS

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

Mr Mziwabantu Dayimani
(42)

General Counsel

Appointed in November 2015

QUALIFICATIONS

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

Mr Setlakalane Molepo
(58)

Divisional Executive:
SME and Rural Development

Appointed in November 2010

QUALIFICATIONS

- MBL
- BSc Civil Engineering

* Seconded to SEFA

Mr Nhlanhla Nyembe
(49)

Acting Divisional Executive:
SME and Rural Development

Appointed in October 2018

QUALIFICATIONS

- BCom Finance

ASSURANCE

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

The NEF applies an Integrated Assurance Model which seeks to optimise the assurance obtained from management as well as internal and external assurance providers, to ensure coordinated assurance activities. This Integrated Assurance Model gives the Audit Committee and the Risk and Portfolio Management Committee an overview of significant risks, as well as the effectiveness of critical controls to mitigate these risks.

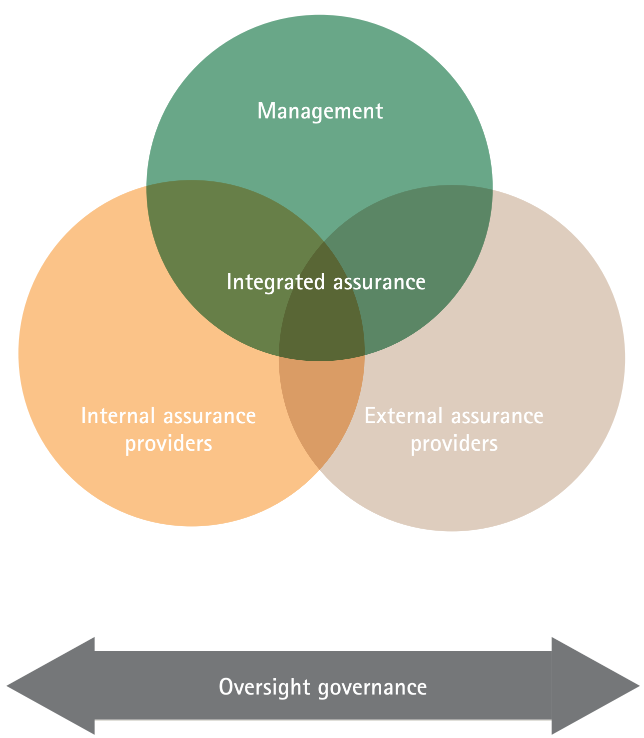
Not only does the Integrated Assurance Model provide for an effective control environment, it also supports the integrity of information for decision making by management, the Board and sub-committees, as well as external reporting such as annual financial statements, the Integrated Report, performance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

Integrated Assurance Model

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

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

Fig 1: The Integrated Assurance Model



Integrated Assurance Model	
Assurance Providers	**Focus Areas**
Line 1: Line management and managerial controls	Provides the Board with assurance that is has implemented effective measures to manage risk and performance.
Line 2: Functional areas like risk management, compliance and oversight.	Supports management in executing its duties and provides a layer of control over risk management.
Line 3: Internal and external audit (independent assurers)	Provides independent and objective assurance on the overall adequacy and effectiveness of controls, risk management and governance processes.
Line 4: Board and oversight committees	Oversee the adequacy and effectiveness of the material issues, risk identification and managerial process. Evaluate the validity of the assurance result flowing from the first three lines of defence and recommend to the Audit Committee a conclusion on the adequacy and effectiveness of the NEF's internal assurance coverage across the entire organisation.

Key areas where assurance is provided are highlighted below:

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

Overview of activities performed by the independent assurance providers

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

TABLE OF CONTENTS

NATIONAL EMPOWERMENT FUND TRUST

CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS

31 MARCH 2020

TRUSTEES' STATEMENT OF RESPONSIBILITY

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

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

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

The audited consolidated financial statements, as set out on pages 97 to 164, has been approved by the Board of Trustees and are hereby signed on its behalf.

Ms Philisiwe Mthethwa
Chief Executive Officer

Mr Rakesh Garach
Chairman of the Board of Trustees

Date
Wednesday, 30 September 2020

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON THE NATIONAL EMPOWERMENT FUND TRUST

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of the National Empowerment Fund Trust and its subsidiaries (the Group), set out on pages 97 to 164, which comprise the consolidated and separate statement of financial position as at 31 March 2020, the consolidated and separate statement of financial performance , statements of changes in net assets, cash flow statements and statement of comparison of budget and actual for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2020, and their financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practices, the requirements of the Public Finance Management Act of South Africa and the National Empowerment Fund Act.

Basis for opinion

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

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

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

Emphasis of matter

Restatement of prior year figures

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

Responsibilities of the accounting authority for the financial statements

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

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

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

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

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

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

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

Communication with those charged with governance

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

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

Report on the audit of the annual performance report

Introduction and scope

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

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

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the National Empowerment Fund Trust for the year ended 31 March 2020:

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

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

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

We did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objective.

Other matters

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

Achievement of Planned Targets

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

Report on the audit of compliance with legislation

Introduction and scope

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

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

Other information

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

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

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objective presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Internal control deficiencies

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

We did not identify any significant deficiencies in internal control.

Audit Tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton Inc. has been the auditor of the National Empowerment Fund Trust for 8 years.

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

30 September 2020
20 Morris East Street
Woodmead
2191

REPORT OF THE AUDIT COMMITTEE

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

Effectiveness of internal Control

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

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

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

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

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

Evaluation of Annual Financial Statements

The Audit Committee has:

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

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

The NEF has embarked on a fund management model that will improve and enhance the sustainability of our fund-raising initiatives to fund portfolio growth and extend the impact made through investment activity in black-owned businesses. The AC has considered the impact that the COVID-19 pandemic has had on the business of the NEF and is satisfied that management has taken appropriate measures to address this impact. There is confidence that the NEF will be successful in its recapitalisation initiatives; and coupled with a review of the cash flow projections, the committee is satisfied that the going concern principle can be adopted in the preparation of its financial statements.

Roy Harichunder

Acting Chairman of the Audit Committee

30 September 2020

STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2020 (continued)

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

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

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2020

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

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

Financials

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2020

Group

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

Trust

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

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

CASH FLOW STATEMENT

for the year ended 31 March 2020

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

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

for the year ended 31 March 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020

1 ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

1.1 Main business and operations

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

1.2 Accounting policies

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

1.3 Basis of preparation

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

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

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

The going concern basis has been adopted in preparing financial statements for the Trust and the Group. The Trustees have no reason to believe that the Trust and the Group will not be a going concern in the foreseeable future based on forecasts, available cash resources and approval of new investment facilities. The Group and Trust financial statements are presented in South African Rand, which is the functional currency, rounded-off to the nearest rand.

1.4 Consolidation

Investments in associates

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

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

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

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

Interests in joint ventures

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

Investments in subsidiaries

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

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

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

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

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

1.5 Revenue recognition

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

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

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

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

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

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

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

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

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

1.6 Property, plant and equipment

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

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

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

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

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

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

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

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

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

An asset's carrying amount is written down to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the surplus or deficit, under the 'administrative expenses' line.

1.7 Goodwill

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

Goodwill is amortised at 10% rate per annum.

1.8 Intangible assets

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

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

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

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

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

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

Item	Rate p.a.
Computer software	33.33%
Surge Tech IP	10.00%

1.9 Investment Property

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

1.10 Cash and cash equivalents

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

1.11 Inventory

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

1.12 Financial instruments

Recognition and derecognition

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

Financial assets or financial liabies are initially recognised at fair value including transaction costs, except financial assets or financial liabilites at fair value through profit and loss that are initially recognised at fair value with transaction costs being expensed on date of recognition. Differences, on recognition, between the fair value of a financial asset or financial liability and the purchase price is recognised as a Day 1 profit and loss only where the fair value determined is based on observable market data.

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Trust has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when, and only when, the obligations are discharged, cancelled, expire or are substantially modified. The difference between the carrying amount of the financial liability derecognised, and the consideration paid and payable shall be recognised in surplus or deficit.

1.12 Financial instruments (continued)

Classification

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

Originated loans

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

Investments carried at fair value

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

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

Embedded derivative financial instruments

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

Trade and other receivables

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

Preference shares

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

Subsequent measurement

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

Fair value

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

Fair value estimation – day 1 profit

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

Impairment of financial assets

(a) Assets carried at amortised cost

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

(i) significant financial difficulty of the issuer or obligated party;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becomes probable that the borrower will encounter financial difficulties or become bankrupt;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults by borrowers.

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

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

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

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

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

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

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

(b) Investments held at cost

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

(c) Renegotiated originated loans

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

Reversals of impairment losses are recognised in surplus or deficit.

Impairment of non-financial assets

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

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

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

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

1.13 Trade and other payables

Trade and other payables relate to goods and services for operating expenses incurred before year end but not settled as at reporting date. The Trust recognises a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

1.14 Enterprise development fund

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

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

1.15 Leases

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

Finance leases and instalment sale agreements

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

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

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

Operating leases

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

1.16 Employee benefits

a) Pension obligations

The Trust contributes to a provident fund, which is a defined contribution plan, on a monthly basis. A defined contribution plan is one under which the Trust pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions when the fund does not hold sufficient assets to pay all benefits relating to employee service in the current and prior periods. The regular contributions constitute the net periodic costs for the year in which they are due, and are included in staff costs. Short-term employee benefits are recognised as an expense in the accounting period when the services are rendered.

b) Performance awards

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

1.17 Provisions and contingencies

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and is measured at management's best estimate of the amount that would be required to settle or transfer the liability at balance sheet date. Long term provisions are discounted to net present value, with the relevant increase in the provision due to the passage of time being recognised as an interest expense. The provisions are mainly made up of performance bonuses as well as provision for leave pay. The contingencies are arise mainly emanates from litigations which are originated by clients.

1.18 Critical accounting estimates and judgements in applying accounting policies

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

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

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

– Net Asset Value model and other relevant valuation techniques

(a) Impairment losses on originated loans

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

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

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

(b) Fair value of equity investments

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

1.19 Taxation

a) Income tax

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

b) Deferred tax

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

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

1.20 Events after reporting date

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

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

1.21 Segment Reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

2 NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations not yet effective or relevant

GRAP 104 – Financial Instruments

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

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

3 RISK MANAGEMENT

3.1 Credit risk

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

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

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

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

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

The Trust's maximum exposure to credit risk is represented by the carrying amount of all the financial assets determined to be exposed to credit risk (net of impairment losses where relevant).

**** Ratings quoted are Moody's March 2020 updates.***

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

3 RISK MANAGEMENT (continued)

3.1 Credit risk

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

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

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

3.2 Market risk

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

3.2.1 Interest rate risk

The Trust is exposed to interest rate risk through the financing of investment proposals, at fixed as well as variable interest rates, as well as cash management activities. Changes in market interest rates affect the fair value of cash and investment assets. Investment interest rate risk is managed through the investment policy while cash returns are managed through the cash management policy.

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

3 RISK MANAGEMENT (continued)

3.2.1 Interest rate risk (continued)

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

The Trust individually assesses the effect of interest rate risk in a series of scenario and sensitivity analysis of each individual transaction that the Trust funds. In these scenarios the impact of an interest rate change is assessed against the businesses' ability to meet the increased charge in lending rates out of own cash flows. The decision to grant funding to applying businesses is fundamentally based on these sensitivity analysis. The underlying risk therefore within the range of interest rate changes run in sensitivity analysis is the business risk associated with the approval of loans to applying businesses. This business risk is assessed regularly by the Post Investment Department of the Trust and is assessed on a risk rating scale as follows performing (low risk deals), impairments (medium risk deals) and workouts (high risk deals). As at 31 March 2020, the portfolio was assessed from this risk rating approach as follows:

Trust

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

Group

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

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

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

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

3 RISK MANAGEMENT (continued)

3.2.1 Interest rate risk (continued)

Interest rate risk sensitivity analysis

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

Trust

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

Group

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

3.2.2 Foreign exchange risk

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

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

3 RISK MANAGEMENT (continued)

3.2.3 Price risk

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

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

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

Listed Investments	Number of shares at year end	Share price at year end	Market Value of Listed Portfolio at year end	10% increase in share price	10% decrease in share price
		R	R	R	R
Hospitality Property Fund B	2 883 617	3.05	8 795 032	9 674 535	7 915 529
MTN Ltd	10 114 866	48.39	489 458 366	538 404 202	440 512 529
Total			**498 253 398**	**548 078 737**	**448 428 058**

3.3 Liquidity risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

3 RISK MANAGEMENT (continued)

3.4 Capital Risk Management

Trust Capital primarily comprises funds transferred from the dtic for the purposes of granting funding to eligible black empowered businesses through its fund management products. To date cash funds received from **the dtic** for these purposes totals R2 297 431 472 (2019:R2 297 431 472 - note 21). Historically funding for operations was also advanced by the dtic in the form of transfer funds. These were matched against operational expenditure for the year and to the extent there was some level of operational surplus or deficit, then this was transferred or offset to Accumulated Surplus once approval is granted in this respect from National Treasury.

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

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

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

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

4 PROPERTY, PLANT AND EQUIPMENT (TRUST)

2020	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Office Equipment R	Furniture & Fittings R	Leasehold Improvements R	Paintings R	Total R
Opening Balance								
Cost	1 261 918	4 655 355	315 811	359 613	569 162	821 002	149 790	8 132 651
Accumulated depreciation	(669 547)	(3 161 562)	(107 164)	(303 775)	(453 397)	(654 768)	(50 265)	(5 400 478)
Net Book Value	**592 371**	**1 493 793**	**208 647**	**55 838**	**115 765**	**166 234**	**99 525**	**2 732 173**
Movement for the year								
* Additions	857 849	1 035 460	-	-	63 825	-	-	1 957 134
Net Disposal	-	(21 882)	-	-	-	-	-	(21 882)
Disposals/ Derecognition at cost	(498 900)	(85 769)	-	-	-	-	-	(584 669)
Depreciation on disposed/derecognised assets	498 900	63 888	-	-	-	-	-	562 788
Reclassification		-						-
Depreciation	(344 608)	(974 406)	(92 005)	(20 380)	(29 176)	(76 373)	(2 924)	(1 539 872)
	513 241	**39 172**	**(92 005)**	**(20 380)**	**34 649**	**(76 373)**	**(2 924)**	**395 380**
Closing Balance								
Cost	1 620 867	5 605 046	315 811	359 613	632 987	821 002	149 790	9 505 116
Accumulated depreciation	(515 255)	(4 072 080)	(199 169)	(324 155)	(482 573)	(731 141)	(53 189)	(6 377 562)
Net Book Value	**1 105 612**	**1 532 965**	**116 642**	**35 458**	**150 414**	**89 861**	**96 601**	**3 127 554**
*** The acquisition cost is different from cash flow due to trade-in of vehicle.**								
Cash flow acquisition Trade-in value	**R1 817 134**							
Trade-in value	**R140 000**							
	R1 957 134							
Gross carrying amount of fully depreciated assets still in use	**-**	**2 854 738**	**40 298**	**259 331**	**423 408**	**439 973**	**5 000**	**4 022 749**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

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

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

4 PROPERTY, PLANT AND EQUIPMENT (GROUP)

2020	Land and Buildings R	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Plant and Machinery R	Office Equipment R	Furniture & Fittings R	Leasehold Improve-ments R	Paintings R	Other assets R	Total R
Opening Balance											
Cost	27 095 556	9 933 629	5 770 956	315 811	2 656 624	1 443 534	1 228 436	2 514 855	149 790	883 631	51 992 822
Accumulated depreciation	(1 187 812)	(4 575 347)	(4 101 834)	(107 164)	(1 747 414)	(849 845)	(806 907)	(1 523 862)	(50 265)	(473 541)	(15 423 990)
Net Book Value	**25 907 744**	**5 358 282**	**1 669 122**	**208 647**	**909 210**	**593 689**	**421 529**	**990 994**	**99 525**	**410 090**	**36 568 831**
Movement for the year											
* Additions	-	3 514 381	1 370 476	-	764 123	74 899	158 671	257 913	-	139 344	6 279 807
Change in accounting estimate	-	-	-	-	-	-	-	-	-	-	-
Net Disposal	-	(1)	(22 037)	-	-	(36)	(2 502)	-	-	45 605	21 029
Disposals/ Derecognition at cost	-	(498 901)	(124 650)	-	(7 399)	(32 990)	(8 066)	-	-	(39 798)	(711 804)
Depreciation on disposed/derecognised assets	-	498 900	102 614	-	7 399	32 954	5 564	-	-	85 403	732 834
Depreciation	-	(1 473 022)	(1 119 826)	(92 005)	(183 109)	(163 770)	(152 773)	(261 733)	(2 924)	(25 266)	(3 474 428)
	-	**2 041 358**	**228 613**	**(92 005)**	**581 014**	**(88 907)**	**3 396**	**(3 820)**	**(2 924)**	**159 683**	**2 826 409**
Closing Balance											
Cost	27 095 556	12 949 109	7 016 781	315 811	3 413 348	1 485 443	1 379 041	2 772 768	149 790	983 177	57 560 825
Accumulated depreciation	(1 187 812)	(5 549 469)	(5 119 046)	(199 169)	(1 923 124)	(980 661)	(954 116)	(1 785 594)	(53 189)	(413 404)	(18 165 584)
Net Book Value	**25 907 744**	**7 399 640**	**1 897 735**	**116 642**	**1 490 224**	**504 782**	**424 925**	**987 174**	**96 601**	**569 773**	**39 395 240**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

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

2019	Land and Buildings R	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Plant and Machinery R	Office Equipment R	Furniture & Fittings R	Leasehold Improve-ments R	Paintings R	Other assets R	Total R
Opening Balance											
Cost	27 095 556	4 958 122	6 469 615	40 299	2 458 389	861 148	1 097 016	2 350 152	149 790	883 631	46 363 718
Accumulated depreciation	(595 556)	(4 682 044)	(4 812 109)	(40 297)	(1 638 073)	(690 259)	(726 323)	(1 280 269)	(47 349)	(378 246)	(14 890 525)
Net Book Value	**26 500 000**	**276 078**	**1 657 506**	**2**	**820 316**	**170 889**	**370 693**	**1 069 883**	**102 441**	**505 385**	**31 473 193**
Movement for the year											
Additions	-	2 283 396	1 170 295	275 512	198 235	582 386	131 420	164 703	-	-	4 805 947
Change in accounting estimate	-	3 421 673	-	-	-	-	-	-	-	-	3 421 673
Net Disposal	-	(16 765)	(167 881)	-	-	-	-	-	-	-	(184 646)
Disposals/ Derecognition at cost	-	(729 562)	(1 868 954)	-	-	-	-	-	-	-	(2 598 516)
Depreciation on disposed/derecognised assets	-	712 797	1 701 073	-	-	-	-	-	-	-	2 413 870
Depreciation	(592 256)	(606 100)	(990 798)	(66 867)	(109 341)	(159 586)	(80 584)	(243 593)	(2 916)	(95 295)	(2 947 336)
	(592 256)	**5 082 204**	**11 616**	**208 645**	**88 894**	**422 800**	**50 836**	**(78 890)**	**(2 916)**	**(95 295)**	**5 095 638**
Closing Balance											
Cost	27 095 556	9 933 629	5 770 956	315 811	2 656 624	1 443 534	1 228 436	2 514 855	149 790	883 631	51 992 822
Accumulated depreciation	(1 187 812)	(4 575 347)	(4 101 834)	(107 164)	(1 747 414)	(849 845)	(806 907)	(1 523 862)	(50 265)	(473 541)	(15 423 990)
Net Book Value	**25 907 744**	**5 358 282**	**1 669 122**	**208 647**	**909 210**	**593 689**	**421 529**	**990 994**	**99 525**	**410 090**	**36 568 831**

		Group		Trust	
		2020	2019	2020	2019
		R	R	R	R
5	**INVESTMENT PROPERTY**				
	Opening balance	-	15 700 000	-	-
	* Disposal	-	(15 700 000)	-	-
	Closing balance	-	-	-	-
	**** Disposal of Delswa Property, however awaiting for a condition to be met which is rezoning and the rezoning certificate in order for the transfer to be effective.***				
6	**INTANGIBLE ASSETS**				
	Computer software				
	Opening balance				
	Cost	9 077 274	9 077 274	1 379 242	1 379 242
	Accumulated amortisation	(1 966 285)	(665 211)	(643 605)	(237 772)
	Net book value	**7 110 989**	**8 412 063**	**735 637**	**1 141 470**
	Movement for the year:				
	Additions	337 545	-	-	-
	Disposal/Reclassification - cost	(2 017)	-	-	-
	Accumulated amortisation on disposed asset	2 014	-	-	-
	Amortisation	(1 229 653)	(1 301 074)	(381 824)	(405 833)
		(892 111)	(1 301 074)	(381 824)	(405 833)
	Closing balance				
	Cost	9 412 802	9 077 274	1 379 242	1 379 242
	Accumulated amortisation	(3 193 924)	(1 966 285)	(1 025 429)	(643 605)
	Net book value	**6 218 878**	**7 110 989**	**353 813**	**735 637**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

9 INVESTMENT IN ASSOCIATES (continued)

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

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

	Group		Trust	
	2020	2019	2020	2019
	R	R	R	R
10 INVESTMENT IN SUBSIDIARIES				
Cost at acquisition				
Day 1 Loss - Delswa (Pty) Ltd	-	-	9 249 151	9 249 151
Liabilities directly associated with non-current assets classified as held for sale	-	-	9 249 151	9 249 151
Cost at acquisition	-	-	251	251
Day 1 Profit - Zastrovect Investments (Pty) Ltd	-	-	6 177 853	6 177 853
Delswa (Pty) Ltd	-	-	1	1
Nefcorp SOC Limited	-	-	100	100
Surgetek (Pty) Ltd	-	-	13 698 349	13 698 349
Investment in subsidiaries	-	-	19 876 554	19 876 554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

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

11 INVESTMENTS AT FAIR VALUE
(continued)

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

2020

Investment	Investment at cost	Fair value	Interest in project/joint venture	Effective voting on Joint Steering Committee
	R	R	%	%
Rare Metals Industries (Pty) Ltd*	13 500 000	1 000	30%	27%
Manhize - Coking Coal (Pty) Ltd	10 000 000	1 000	75%	50%
African Silica Investments (Pty) Ltd	7 000 000	1 000	50%	50%
Tyre Energy Extraction (Pty) Ltd	12 918 577	2 000	47%	50%
Milk for Life (Pty) Ltd	2 000 000	1 000	50%	50%
Municipal Waste t/a Lanele Resources (Pty) Ltd	10 000 000	1 000	49%	50%
Modular Industries Building Technologies (Pty) Ltd	15 000 000	1 000	50%	50%
Cape Point Film Studios	2 878 195	1 000	22%	22%
Jalo Enterprise	7 478 360	1 000	50%	50%
Travallo (Pty) Ltd	539 826	1 000	49%	49%
Gemilatex (Pty) Ltd	-	-	0%	0%
iVac Bio (Pty) Ltd	3 066 000	1 000	45%	45%
Mendi Rail and Engineering (Pty) Ltd	9 762 500	1 000	49%	49%
Techteledata (Pty) Ltd	300 000	1 000	25%	25%
Nyamane Agro-foods Holdings (Pty) Ltd	6 129 683	1 000	50%	50%
Cape Town Creative studios	535 226	1 000	49%	49%
Van Der Tlale (Pty) Ltd	428 571	1 000	30%	30%
Lebombo Agricultural Secondary Co-Operative Ltd	6 524 938	1 000	49%	49%
	108 061 876	**18 000**		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

11 INVESTMENTS AT FAIR VALUE

(continued)

2019

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

The Trust does not have any shareholding in the project as the company has not yet been incorporated but due to the composition of the project steering committee and the voting powers that the Trust holds in the project the investment is an associate.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

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

16 CURRENT ASSET HELD FOR SALE

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

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

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

18 TRADE AND OTHER RECEIVABLES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

19 FINANCIAL ASSETS

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

19 FINANCIAL ASSETS (continued)

Trust

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

19 FINANCIAL ASSETS (continued)

Fair value hierarchy

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

2020

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

2019

	Level 1 R	Level 2 R	Level 3 R	Total R
Financial assets at fair value through profit and loss	**28 288 283**	**–**	**63 447 635**	**91 735 918**
Associates	-	-	63 429 635	63 429 635
Unincorporated equity investments	-	-	18 000	18 000
Investments held for trade	28 288 283	-	-	28 288 283
Non-associate equity investments	**896 379 425**	**–**	**354 885 942**	**1 251 265 367**
Listed equities	896 379 425	-	-	896 379 425
Unlisted equities	-	-	354 885 942	354 885 942
Total	**924 667 708**	**–**	**418 333 577**	**1 343 001 285**

19 FINANCIAL ASSETS (continued)

Reconciliation of financial assets held at fair value

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

Reconciliation of financial assets held at fair value

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

Valuations based on observable inputs

Valuations based on observable inputs include:

Level 1

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

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

This category comprises active listed equities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

19 FINANCIAL ASSETS (continued)

Valuations based on observable inputs

Level 2

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

- quoted price for similar assets or liabilities in an active market;
- quoted price for identical or similar assets or liabilities in inactive markets;
- valuation model using observable inputs; and
- valuation model using inputs derived from/corroborated by observable market data.

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

Level 3

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

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

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

(i) Future earnings and marketability discounts

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

(ii) Comparator multiples

Comparator multiples and point of difference applied to chosen multiples are key inputs in the valuation of certain private equity

investments. Price earnings multiples and point of difference applied to chosen multiples are unobservable for some investments.

(iii) Discount rates

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

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

19 FINANCIAL ASSETS (continued)

Valuations based on observable inputs

Sensitivity Analysis

2020

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

2019

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

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

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

UNENCUMBERED CASH – TRUST

	Notes	Trust 2020 R	Trust 2019 R
- Cash as per bank balance		1 419 514 257	1 017 498 209
- Less Commitments	31.2	(699 274 469)	(554 384 817)
- Less external contributions	31.4	(453 081 226)	(195 042 837)
Total		**267 158 562**	**268 070 555**

21 TRUST CAPITAL

	Trust 2020 R	Trust 2019 R
Investment in listed shares		
- At cost	171 000 000	171 000 000
Cash funds received from **the dtic:**	**2 297 431 472**	**2 297 431 472**
- Opening balance	2 297 431 472	2 297 431 472
Closing balance	**2 468 431 472**	**2 468 431 472**

	Notes	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
22 INSTALMENT SALE AGREEMENT					
Wesbank		1 011 337	709 043	-	-
Zastrovect Investments (Pty) Ltd purchased certain vehicles under instalment sale agreement. The average terms of these agreements are 5 years.					
Non-current liabilities					
At amortised cost		763 808	564 817	-	-
Current liabilities					
At amortised cost		247 529	144 226	-	-

23 TRADE AND OTHER PAYABLES

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

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

23 TRADE AND OTHER PAYABLES (continued)

Provisions (Trust)

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

Provisions (Trust)

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

Provisions (Group)

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

Provisions (Group)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

25 RELATED PARTY TRANSACTIONS

		Undisbursed balances		Admin fee income	
		2020	**2019**	**2020**	**2019**
		R	**R**	**R**	**R**
Entities	Department of Trade Industry and Competition	200 000 000	-	-	-
	Department of Arts and Culture	53 358 450	59 501 451	-	2 750 000
	Department of Rural Development and Land Reform	36 672 783	36 672 783	-	24 659 981
	Department of Economic Development - Western Cape	10 695 683	10 361 774	-	-
	Department of Tourism	101 110 635	62 803 571	2 000 000	2 000 000
	Transnet	12 199 596	-	450 000	-
	City of Ekurhuleni	23 850 000	-	1 650 000	-
		437 887 147	**169 339 579**	**4 100 000**	**29 409 981**
Other related parties	Board of Trustees (refer Note 32)				
	Investments in associates				
	Investments in subsidiaries				

Related party balances in respect of Investments in Associates and Subsidiaries

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

25 RELATED PARTY TRANSACTIONS (continued)

	% 2020 Holding	Loans receivable before impairment 2020 R	Loans receivable before impairment 2019 R	Investments at cost 2020 R	Investments at cost 2019 R
Joy House Academy (Pty) Ltd	**45.0%**	15 261 094	-	2 000 000	8 543 080
Karbochem Co-generation (Pty) Ltd	**0.0%**	-	-	-	12 000 000
Kenako (Pty) Ltd	**49.0%**	-	-	-	6 071 189
Mabele Fuels (Pty) Ltd	**20.1%**	-	-	-	62 356 475
Magoveni Pharmaceuticals (Pty) Ltd	**25.0%**	16 769 050	16 889 050	333	333
M-Care Operating Company (Pty) Ltd	**25.1%**	30 681 212	30 681 212	2 250	2 250
M-Care Property Company (Pty) Ltd	**22.5%**	-	-	2 250	2 250
M-Care Management Company (Pty) Ltd	**30.0%**	-	-	300	300
Middelsdrift Dairy (Pty) Ltd	**40.0%**	3 100 000	4 300 000	4 500 040	4 500 000
Mohale Agricultural Co-operative	**45.0%**	14 019 133	14 333 741	450	450
Mopadi Molamu (Pty) Ltd	**20.0%**	10 041 021	10 193 703	200	200
National Empowerment Fund Corporation SOC Ltd (Subsidiary)	**100.0%**	24 700 440	24 477 664	100	100
Okubabayo (Pty) Ltd	**30.0%**	3 844 273	-	2 817 878	-
Petrocom (Pty) Ltd	**30.0%**	20 410 066	18 300 566	30	30
Pyratrade (Pty) Ltd	**30.0%**	18 010 026	18 010 026	30	30
Rapid Purple Waters Trading (Pty) Ltd	**25.0%**	26 701 977	25 061 131	450	450
Rhino Ridge Lodge (Pty) Ltd	**33.3%**	17 377 537	23 220 166	333	333
Royal Thonga Safari Lodge (Pty) Ltd	**36.0%**	11 456 218	10 862 689	36	36
Salamax (Pty) Ltd	**0.0%**	1 345 129	1 345 129	-	3 153 417
Sehwai Exploration Drilling (Pty) Ltd	**45.0%**	5 962 148	2 763 684	112	112
Stutt Brick Company (Pty) Ltd	**49.0%**	14 012 950	13 433 547	30 499 181	30 499 181
Super Grand Agric (Pty) Ltd	**30.0%**	9 787 468	8 857 951	45	45
Surgetek (Pty) Ltd (Subsidiary)	**100.0%**	12 300 608	20 423 576	13 698 349	13 271 178
Tshellaine Holdings	**30.0%**	40 750 748	-	30	-
Unique Engineering (Pty) Ltd	**49.0%**	-	2 444 227	490	490
Umnotho Maize (Pty) Ltd	**40.0%**	6 070 440	-	400	-
Value Cement (Pty) Ltd	**25.8%**	-	12 543 300	31	31
Willowvale (Pty) Ltd	**45.0%**	13 827 754	15 984 644	450	450
YG Property Investments (Pty) Ltd	**20.0%**	37 499 430	-	200	-
Zastrovect Investments (Pty) Ltd (Subsidiary)	**100.0%**	67 407 827	67 470 033	6 178 104	6 178 104
Total		**683 489 433**	**536 213 658**	**99 253 808**	**186 150 032**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

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

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

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

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

Financials

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

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

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

30 IMPAIRMENT CHARGE

	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
Originated loans	211 198 266	194 585 299	211 848 443	247 731 707
Finance leases	21 693 202	16 776 036	21 693 202	16 776 036
Impairment for the year	**232 891 468**	**211 361 335**	**233 541 645**	**264 507 743**

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

	Note	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
31 COMMITMENTS – TRUST					
31.1 Operating lease commitments – property rentals					
The future minimum lease payments on office premises rentals under operating leases are as follows:					
Not later than 1 year				9 807 946	6 425 955
Later than 1 year but not later than 5 years				14 255 546	3 737 039
				24 063 492	**10 162 994**
Operating lease payments represent rentals payable by the Trust for office properties. Leases are negotiated for an average term of between 2 to 5 years, with an average escalation of 9% per annum.					
31.2 Undrawn loans and investments					
Not later than 1 year				**699 274 469**	**554 384 817**
Payment will be made out of cash reserves.					
31.3 Loans and investments approved and committed, but not yet contracted					
Not later than 1 year				**392 548 134**	**461 303 932**
Payment will be made out of cash reserves.					

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

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

32 TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

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

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

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

32 TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS (continued)

	Basic*	Bonuses & performance payments	Acting allowance**	Long term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees Other	Total
	R	R	R	R	R	R	R	R
Year ended 31 March 2019								
Executive trustees:								
P Mthethwa (CEO)	3 465 172	1 993 828	-	-	641 640	162 853	-	6 263 493
I Pule (CFO)	647 187	-	-	-	76 417	53 951	-	777 555
	4 112 359	**1 993 828**	**–**	**–**	**718 057**	**216 804**	**–**	**7 041 048**
Senior Management:								
* S Molepo (Divisional Executive)	2 262 774	579 078	176 480	-	324 122	161 964	-	3 504 418
H Makhathini (Divisional Executive)	1 907 222	1 152 706	-	-	280 253	214 397	-	3 554 578
M Dayimani (General Counsel)	1 914 623	1 127 869	-	-	282 212	148 910	-	3 473 614
	6 084 619	**2 859 653**	**176 480**	**–**	**886 587**	**525 271**	**–**	**10 532 610**
Non-executive trustees:								
R Garach (Chairman)	-	-	-	-	-	-	495 563	495 563
Mr Ernest Kwinda	-	-	-	-	-	-	431 066	431 066
Ms Lerato Cynthia Molefe	-	-	-	-	-	-	324 025	324 025
Dr Nthabiseng Moleko	-	-	-	-	-	-	298 246	298 246
Ms Nonkqubela Maliza	-	-	-	-	-	-	341 600	341 600
	–	**–**	**–**	**–**	**–**	**–**	**1 890 500**	**1 890 500**
Total	**10 196 978**	**4 853 481**	**176 480**	**–**	**1 604 644**	**742 075**	**1 890 500**	**19 464 158**

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

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

	Group		Trust	
	2020	2019	2020	2019
	R	R	R	R

33 NOTES TO THE CASH FLOW STATEMENT

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

34 INVESTMENT DISBURSEMENTS

	Group 2020 R	Group 2019 R	Trust 2020 R	Trust 2019 R
Originated loans	172 904 844	360 530 343	175 874 844	360 530 343
Investments in associates	500	3 472 192	500	3 472 192
Non associate equity investments	23 743 503	4 950 000	23 743 503	4 950 000
Unincorporated equity investments	4 632 729	2 306 644	4 632 729	2 306 644
Finance leases	65 194 768	12 236 364	65 194 768	12 236 364
Total disbursements	**266 476 344**	**383 495 543**	**269 446 344**	**383 495 543**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

	Group		Trust	
	2020	**2019**	**2020**	**2019**
	R	**R**	**R**	**R**
35 REPAYMENTS ON ORIGINATED LOANS, LEASES AND PREFERENCE SHARES				
Originated loans	441 327 206	334 569 969	459 547 610	334 569 969
Preference shares	-	5 000 000	-	5 000 000
Finance leases	24 162 549	39 872 994	24 162 549	39 872 994
	465 489 755	**379 442 963**	**483 710 159**	**379 442 963**

36 RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE TO BUDGET

36.1 Revenue

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

36.2 Sundry income

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

36.3 Total expenses

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

36.4 Impairments and write-offs

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

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

36.5 Fair value losses

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

37 FRUITLESS AND WASTEFUL EXPENDITURE

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

38 UNAUTHORISED, IRREGULAR EXPENDITURE

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

39 INCOME TAX EXEMPTION

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

40 NATIONAL EMPOWERMENT FUND CORPORATION (SOC) LTD

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

41 CONTINGENT LIABILITIES

41.1 Matter with an Investee Company

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

41.2 Matter with an Investee Company

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020 (continued)

42 SEGMENT REPORTING

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

Operating expenditure per segment

Category	Gauteng	Free State	Limpopo	Eastern Cape	Mpumalanga	KZN	North West	Western Cape	Northern Cape	Total
Employee costs	125 300 610	1 186 524	1 489 996	1 742 515	2 122 804	2 518 959	1 373 722	1 541 048	1 281 034	138 557 213
Other operating expenses	76 275 930	600 987	305 792	419 473	472 779	1 291 873	366 533	710 654	588 947	81 032 969
Total base costs	**201 576 540**	**1 787 511**	**1 795 789**	**2 161 988**	**2 595 583**	**3 810 833**	**1 740 256**	**2 251 703**	**1 869 981**	**219 590 182**

Non-current assets per region

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

43 EVENTS AFTER REPORTING DATE

43.1 Impact of COVID-19

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

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

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

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

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

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

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

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

Impairments:

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

Fair values:

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

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

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

43.2 Other events after reporting date

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

44 GOING CONCERN

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

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

45 PRIOR PERIOD ERRORS & RE-CLASSIFICATIONS

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

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

There is no effect in 2020 Financial year.

		2019 – Group			
		As previously reported	Correction of error	Re-classification	Restated
	Statement of financial performance				
*	Decrease in interest and dividend income	375 152 538	(6 317 673)	-	368 834 865
*	Decrease in sundry income	47 580 424	(5 107 781)	-	42 472 643
**	Increase in fair value losses	(393 662 528)	(2 981 400)	-	(396 643 928)
	Increase in deficit for the year	**29 070 434**	**(14 406 854)**	**-**	**14 663 580**
	Deficit for the year	**(461 332 178)**	**(14 406 854)**	**-**	**(475 739 032)**
	Change in retained earnings	**1 750 680 249**	**(14 406 854)**	**-**	**1 736 273 395**
	Statement of financial position				
**	Decrease in investment in associates	66 411 035	(2 981 400)	-	63 42 9 635
*	Increase in enterprise development fund	(160 056 097)	(12 041 472)	3 750 000	(168 347 569)
	Increase in deferred income	-	616 018	(3 750 000)	(3 133 982)
	Decrease in net assets	**(93 645 062)**	**(14 406 854)**	**-**	**(108 051 916)**

45 PRIOR PERIOD ERRORS & RE-CLASSIFICATIONS (continued)

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

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

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

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

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

ADMINISTRATION

31 March 2020

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

***Term ended 04 April 2020**

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

NOTES

NOTES

NOTES


















BT







CONTACT INFORMATION

National Empowerment Fund
Growing Black Economic Participation

Gauteng Province

Head Office

West Block, 187 Rivonia Road, Morningside 2057, PO Box 31, Melrose Arch, Melrose North 2076
Tel: +27 (11) 305 8000 | Call Centre: 0861 843 633 | 0861 (THE NEF) | Fax: +27 (11) 305 8001
applications@nefcorp.co.za (Funding) | info@nefcorp.co.za (General Enquiries)

Eastern Cape Province

7b Derby Road, Berea, East London 5241
Tel: (043) 783 4200 | 0861 NEF ECP (0861 633 327) | Fax: 0861 ECP NEF (0861 327 633)
easterncape@nefcorp.co.za

Free State Province

34 Fountain Towers, Corner Zastron and Markgraaf Street, Westdene, Bloemfontein 9300
Tel: (051) 407 6360 | 0861 NEF FSP (0861 633 377)
Fax: 0861 FSP NEF (0861 377 633) | freestate@nefcorp.co.za

KwaZulu-Natal Province

4th Floor (South Side), Grindrod Bank Building (Old KPMG Building)
5 Arundel Close , Kingsmead Office Park, Durban
Tel: (031) 301 1960 | 0861 NEF KZN (0861 633 596)
Fax: 0861 KZN NEF (0861 596 633) | kzn@nefcorp.co.za

Limpopo Province

Suite 8, Biccard Park, 43 Biccard Street, Polokwane 0699
Tel: (015) 294 9200 | 0861 NEF LIM (0861 633 546)
Fax: 0861 LIM NEF (0861 546 633) | limpopo@nefcorp.co.za

Mpumalanga Province

13 Ferreira Street, Maxsa Building, 2nd Floor, Nelspruit
Tel: (013) 754 9860 | 0861 NEF MPU (0861 633 678)
Fax: 0861 MPU NEF (0861 678 633) | mpumalanga@nefcorp.co.za

Northern Cape

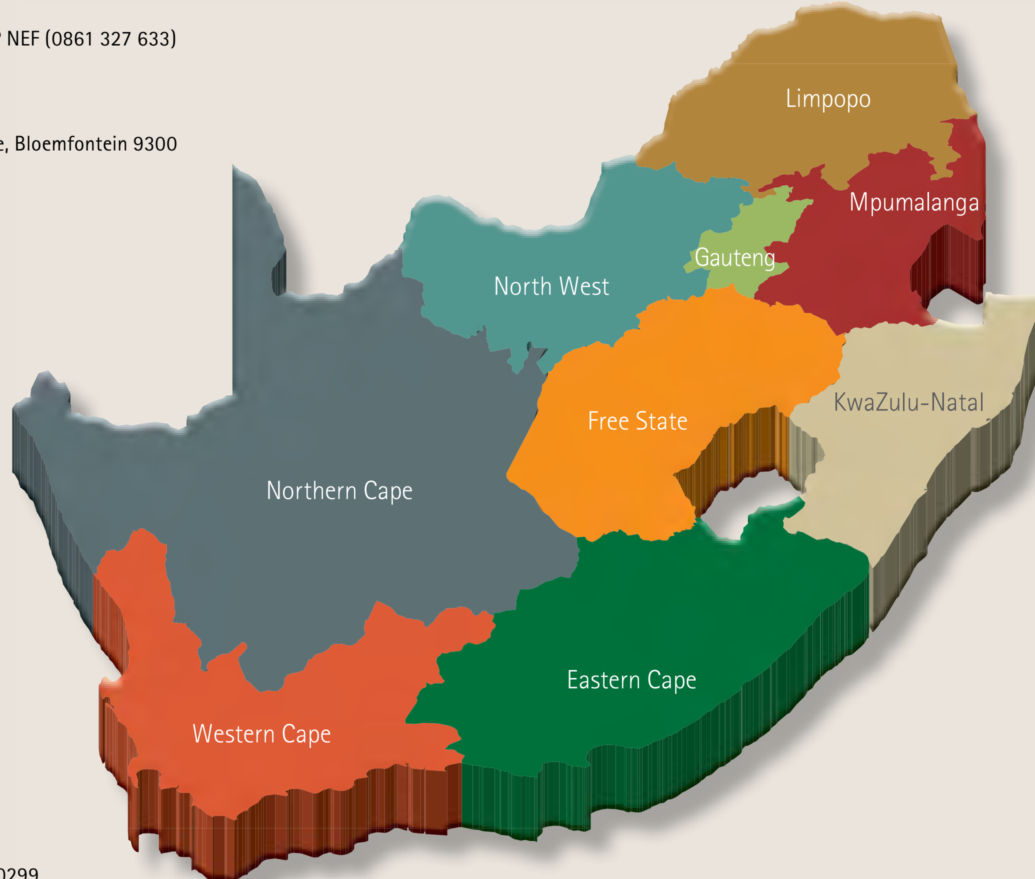
Block Three, Ground Floor, The Montrio Corporate Park
10 Oliver Road, Monument Heights, Kimberley
Tel: (053 831 1757) | 0861 NEF NCP (0861 633 627)
Fax: 0861 NCP NEF (0861 627 633) | northerncape@nefcorp.co.za

North West Province

32B Heystek Street, Sunetco Office Park, Ground Floor, Rustenburg 0299
Tel: (014) 523 9220 | 0861 NEF NWP (0861 633 697)
Fax: 0861 NWP NEF (0861 697 633) | northwest@nefcorp.co.za

Western Cape Province

Suite 2404, 24th Floor, ABSA Centre, 2 Riebeek Street, Cape Town 8001
Tel: (021) 431 4760 | 0861 NEF WCP (0861 633 927)
Fax: 0861 WCP NEF (0861 927 633) | westerncape@nefcorp.co.za



Follow us on:
Twitter: @nefcorp
Facebook / YouTube: National Empowerment Fund
Instagram: @theNEF
www.nefcorp.co.za

ISBN: 978-0-621-48900-2 | RP377/2020

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