CONTENTS

NATIONAL EMPOWERMENT FUND
Growing Black Economic Participation

Chairman's Report

For the year ended 31 March 2005

The year under review has been a promising and exciting one for Black Economic Empowerment ("BEE"). The development of industry-specific BEE charters in South Africa continues as an on-going process with many more sectors such as transport, construction and the wine industries having embarked on the drawing up of their empowerment frameworks. The draft 'Codes of Good Practice on BEE' were released by the Department of Trade and Industry to tackle uncertainty around BEE. These codes aim to ensure that BEE remains broad-based and that it constantly expands the pool of beneficiaries. They explicitly provide checks and balances to avoid fronting and include a balanced generic scorecard, setting minimum targets for black equity ownership, black management, procurement from black-owned firms, employment equity and the participation of women in empowerment over the next 10 years.

These developments inform the actions of the National Empowerment Fund ("the NEF") and provide the backdrop against which the NEF operates. In May 2004 the NEF itself was re-energised with the launch of new product offerings and a further funding commitment from Government. The new suite of investment products are designed to respond to market failures and fulfill the needs of SME development, equity ownership, broad-based empowerment, rural development and participation in capital markets. Since their launch, the NEF has endeavoured to bring these new product offerings to life and has achieved limited success in doing so.

The investment book reflects a mix of investments, both debt and equity, across a variety of sectors of the South African economy. Through its funding thus far, the NEF has impacted on the following industries: financial services, motor, food, manufacturing, media, printing, clothing and wine making.

Investments in the period under review have been principally in the Generator and Accelerator category of product offerings, providing funding of between R250 000 and R3 million. The Generator product (R250 000 to R1 million) is tailored for start-ups and aims to facilitate the creation of new Black-owned and managed enterprises. The Accelerator product (R1 million to R3 million) is focused on enterprise development and to facilitate the growth and development of existing Black-owned and managed enterprises by providing expansion capital. By means of these two products, NEF funding has assisted both male and female entrepreneurs with their businesses, ranging from quality toilet tissue and paper towel manufacturing and marketing in Sebokeng, candle manufacturing in the Western Cape for local and export markets, to the design and manufacture of ladies high fashion garments in Braamfontein.

Under the Market Making class of investments, the NEF funded a BEE company in the food manufacturing industry, already listed on the Alt-X, to raise additional capital for expansion. Another notable investment in the NEF stable is Re-invest Limited, trading as Lindiwe Wines. This company was established in 1998 with the specific purpose of becoming a true BEE player in the wine and spirits industry. Lindiwe Wines focuses on the distribution, marketing and sales of their flagship wine brand “Lindiwe” which means ‘the one we have been waiting for’. Lindiwe Wines, with the NEF funding, has been better placed to make inroads into the local and international markets.

On the operational front, the NEF experienced leadership setbacks during the year under review with its Chief Executive Officer, Mr Sydney Maree resigning from office in August 2004. Mr Nchakha Moloi, an independent and non-executive trustee, assumed a caretaker role to steer the NEF in the absence of a permanent CEO. NEF investment structures, processes and procedures are in place and are continually refined and upgraded to ensure the highest levels of integrity, service, effectiveness and efficiency possible.

The NEF expresses its gratitude to Mr Moloi for his valuable guidance to the organisation during his term as acting CEO. The Board of Trustees and the staff of the NEF must be commended for their diligent work, support and contributions to the organisation over the past twelve months, especially during some uncertain times.

The year ahead offers the NEF the opportunity to consolidate its growth and build on its achievements. It offers the NEF the challenge to meet and match the expectations of all its stakeholders and to ‘grow black economic participation’ even further, in line with the objectives of the BEE strategy of the Government of the Republic of South Africa.

Dr Alistair Ruiters
Chairman of the Board of Trustees

Report of the Trustees

For the year ended 31 March 2005

INTRODUCTION

The Trustees are pleased to submit their report and the audited financial statements for the year ended 31 March 2005. The Trustees would like to thank the Executive Management and staff of the National Empowerment Fund for their performance and dedication during the reporting period.

PRIMARY GOAL AND CORE BUSINESS

The National Empowerment Fund Trust ("the NEF") was established as a Trust by the National Empowerment Fund Act, Act 105 of 1998 ("the Act"). The Act provides the establishment framework for the broad promotion and facilitation of ownership of income generating assets by Black people and any other matters of incidence with a view to achieving the objectives of the NEF. The Act was approved by the Executive Assembly on 19 November 1998, Cape Town, South Africa.

The main objective of the NEF is to facilitate the redressing of economic inequalities which resulted from the unfair discrimination against Black people in the past. This is achieved by the creation of an enabling framework for the effective participation of Black people in the economy. In this regard, the NEF achieves its objective through a range of investment products that have been detailed in the approved business plan. The investment products are utilized to invest in Black businesses that are at different stages of economic development.

The investment products are:

Product	Purpose	Investment Range Guidelines
Generator	For start-up businesses by Black people	R250,000 - R1m
Accelerator	For Black owned businesses requiring expansion capital	R1m - R3m
Transformer	For the acquisitions by Black people of share holdings in existing business	R3m - R10m
Capital Markets Fund	For BEE enterprises raising capital via a listing on the JSE or raising further capital as already listed enterprises.	R1m - R10m
Liquidity & Warehousing Fund	Assistance of the retention of BEE equity status by temporarily warehousing shares before on-selling to new Black shareholders	R10m - R50m
Strategic Projects Fund	The assumption of the role as a BEE partner in large scale strategic projects.	>R25m

GOVERNANCE STRUCTURE

Powers, roles and responsibilities of the Board of Trustees

The Trustees meet under the auspices of the Act as a Board with a Chairperson. The powers, roles and responsibilities of the Board of Trustees are derived from:

- The National Empowerment Fund Act;
- The Public Finance & Management Act ("PFMA") encompassing the National Treasury Regulations;
- Protocol on Corporate Governance in the Public Sector;
- The King II report on corporate governance.

The Trustees have overall responsibility for ensuring that the Trust has an appropriate system of controls, financial and otherwise. They are also responsible for ensuring that proper accounting records are kept, which disclose with accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with GAAP. They are also responsible for the prevention and detection of fraud and other irregularities.

The Trustees have with advice from their internal auditors, introduced a formal risk management process to assess business risks and implement risk management strategies. This is also in line with the requirements of the PFMA and the Treasury Regulations.

Functioning

The governance of the NEF is the responsibility of the Board of Trustees, which currently comprises of an independent non-executive Trustee and five non-executive Trustees. While the approval of policy is a matter for the Board, that body works closely with the Chief Executive Officer and his colleagues on the senior management team, who are charged with the implementation of policy. This policy is implemented, managed and monitored through the following committees:

- Executive Committee;
- Board Committees;
  - Investment Committee;
  - Risk Management Committee;
  - Human Capital and Remuneration Committee and;
  - Audit Committee.

These bodies have decision-making powers in terms of the approved Delegation of Authority. The functioning of each committee is as follows:

• Executive Committee

This committee is charged with the daily management of organisational functions. Powers are delegated through the Delegation of Authority and operational matters are dealt through organisational operating policies and procedures. The Chief Executive Officer chairs the meetings of the committee.

• Investment Committee

This committee ratifies the funding of investments that have been approved by the Executive Management's Investment Committee. Transactions beyond certain prudential limits are specifically approved by the Board Investment Committee.

• Human Capital and Remuneration Committee

The Remuneration and Human Capital Committee's main function is to make recommendations to the Board on all staff and remuneration issues for the NEF. This committee is chaired by a member of the Board.

• Risk Management Committee

Issues relating to the identification, control and management of risk are the responsibility of this committee which is primarily made up of representation by executive management, risk management being a core responsibility of this body.

• Audit Committee

The Audit Committee's main functions are to:

- promote the overall effectiveness of corporate governance
- act as a means of communication between the Trustees and the internal and external audit service providers, and satisfy the Trustees that adequate internal, operating and financial controls are in place.

Governance documents for adoption

In compliance with the PFMA and National Treasury Regulations, formal processes have been put in place to formally adopt the following documents:

- Fraud Prevention plan;
- Materiality Framework;
- Risk management plan.

REVIEW OF OPERATIONS

The financial statements for the year are set out on pages 12-44.

Marketing and outreach programs

A comprehensive roll-out of the investment products throughout the country commenced as scheduled. Various exhibitions, radio interviews and conferences were utilized as a means of reaching potential clients. The result of this has been numerous enquiries and applications received and processed at the NEF. The graphs on page 8 provide a statistical analysis of applications received during the year.

52% of the applications are from the Gauteng and the Western Cape provinces. The NEF's marketing efforts have responded to this statistic by emphasizing radio interviews in the provinces that have not shown a significant level of funding applications.

Investment Portfolio

As at the end of the financial year and after taking into account impairments, the invested portfolio stands at a committed capital of R14,1m of which R10,3m has been disbursed. This represents an increase of 829% as compared to the past financial year.

INDUSTRY	Committed	Invested
	'000	'000
Manufacturing	7,078	6,928
Media & Printing Services	2,714	1,464
Financial Services	2,935	1,535
Distribution Services	1,177	120
Auto Services	250	250
	14,154	**10,296**

At a provincial level, the portfolio is as follows:

- Gauteng Province (96%)
- Western Cape Province (4%)

The investment portfolio has grown significantly beyond the end of the financial year. This is as a result of the public becoming aware of the NEF product offering from a marketing perspective as well as the improvements in the turn-around time for processing of applications by a dedicated and skilled team of transaction specialists and advisors. In addition, an increase in provincial representation is expected.

Investment transactions are approved following a comprehensive and diligent applications review process. A strong view is taken on eligibility of applications falling within the mandate of the NEF and especially being to the exclusive benefit of the Black applicants being considered. In addition, applications are reviewed on the basis of commercial viability to support a high level of BEE success as opposed to being focused on the personal financial strength of the applicants.

OTHER INVESTMENTS

The NEF continues to hold minority equity interests in Uthingo Management (Pty) Ltd as well as MTN. Dividend income received from the MTN holding amounted to R18,2m and this was included in investment income for the year under review.

The above-mentioned investments are part of the State Owned Commercial Enterprises ("SOCE's') portfolio that will be provided to the NEF on an ongoing basis. The complete portfolio of investments that may materialize over time is listed below.

SOCE	NEF Shareholding	SOCE	NEF Shareholding
Telkom	5%	Syncat	10%
SAA	5%	Transwerk Perway	10%
ACSA	10%	Sentech	10%
Connex Travel	10%		
Viamax	10%		
SAFCOL	10%		

INCOME GENERATION

Grant income received from the dti for operational purposes amounted to R24.6m and this was sufficient to cover operational costs for the year as a result of diligent and consistent budget and forecast planning.

During the year NEF was granted a taxation exemption status under section 10(1)(CA) (i) of the Income Tax Act. This benefit in the "cost of funding" was adjusted against the returns on investment funding.

CAPITAL RESERVES

Capital for investment funding purposes of R150m was received from the dti for the year. Further details of the trust's reserves are mentioned under note 14 of the financial statements. After the year-end, further commitment by government was provided by a receipt of investment capital amounting to R95m and operating cash funds of R40m from the dti in this first quarter. This is in line with the 2005/6 budget approved by the Minister of Finance where a total allocation of R411m was approved. These funds are available on a draw-down basis.

pic: Robert Tshabalala

NEF JOINT VENTURES FUND ("Ventures")

This is a 50:50 joint venture fund between the NEF and the Industrial Development Corporation ("IDC"). It is a R200 million investment fund focused on investing in transactions between R3 million and R10 million.

The NEF Ventures Fund has to date concluded 5 investments amounting to R16m. Together with a fair value adjustment of R2.4m in the previous year, a further fair value adjustment of R1.7m was raised against new investments. The determination of the provision was consistent with the Trust's valuation guidelines as outlined in the South African Venture Capital and Private Equity Association ("SAVCA") guidelines.

POST BALANCE SHEET EVENTS

Appointment of a Chief Executive Officer

The board takes pleasure in announcing the formal appointment of Ms Philisiwe Buthelezi as the new Chief Executive Officer of the NEF, following a comprehensive selection process. Her appointment is effective from 1 July 2005.

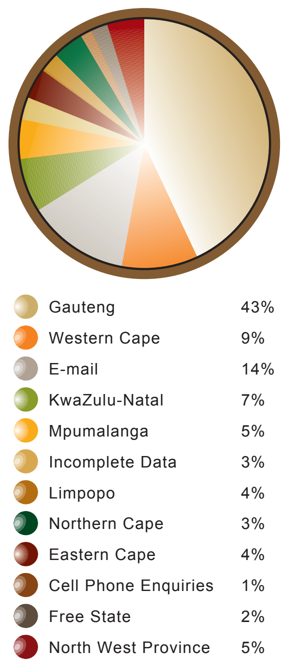
Ms. P Buthelezi

Mr. N Moloi

Statistical information on enquiries and applications for the year ended 31 March 2005

SUMMARY REPORT OF PRODUCT ENQUIRIES -

FIG 1 Geographical Analysis of Total Enquiries Received (1 June 04 - 31 March 05)

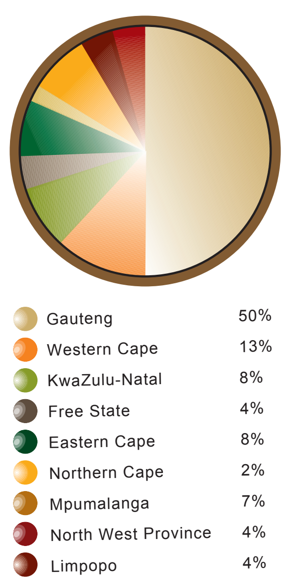


ACTUAL NUMBERS	
Total enquiries Received by NEF	7,645
Total Enquiries from DTI Call Centre	2,272
TOTAL	**9,917**
Total application forms received	**1,723**

GEOGRAPHICAL ANALYSIS OF TOTAL ENQUIRIES RECEIVED	Total	
Gauteng	4,270	43%
Western Cape	897	9%
E-mail	1,362	14%
KwaZulu Natal	736	7%
Mpumalanga	485	5%
Incomplete Data	288	3%
Limpopo	366	4%
Northern Cape	290	3%
Eastern Cape	358	4%
Cellphone Enquires	137	1%
Free State	241	2%
North West Province	479	5%
International	8	0%
Total	**9,917**	**100%**

SUMMARY REPORT OF APPLICATIONS RECEIVED -

FIG 2 Geographical Analysis of Total Applications Received (1 June 04 - 31 March 05)



ACTUAL NUMBERS		
Declined	888	52%
Pending, awaiting further information/undergoing screening for commercial viability	771	45%
Eligible, screened and entered deal flow process	42	2%
Unscreened applications	22	1%
TOTAL	**1,723**	**100%**

GEOGRAPHICAL ANALYSIS OF APPLICATIONS	Eligible	Rejected	Total
Gauteng	359	468	827
Western Cape	128	94	222
Kwa-Zulu Natal	83	68	151
Free State	45	28	73
Eastern Cape	79	64	143
Northern Cape	21	13	34
Mpumalanga	78	44	122
North West	55	26	81
Limpopo	50	20	70
TOTAL	**898**	**825**	**1,723**

SUMMARY REPORT OF WEBSITE VISITS	Jun - Aug	Sep-Dec	Jan-Mar
Visits per month	15,346	16205	16,716
Average visits per day	167	180	185
Total hits	687,275	517,528	601,128
Most active hits date	2004/06/02	2004/10/28	2005/03/29
Number of hits on this date	72,341	10,945	29 865
Least active hits date	2004/07/04	2004/12/28	2005/01/01
Number of hits on this date	429	4	318

NATIONAL EMPOWERMENT FUND
REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2005

We are pleased to present our report for the financial year ended 31 March 2005.

Audit Committee Members and Attendance:

The Audit Committee, consisting of the members listed below, met five times during the year under review to undertake its responsibilities.

Members	Number of Meetings Attended
A.C. Coombe (Chairperson: Independent)	5
R.G. Nicholls (Independent)	5
S. Maree (CEO- appointed October 2003; resigned August 2004)s	1
P. Buthelezi (Non-Executive Trustee)	Note1
P. Radebe (Non- Executive Trustee - appointed full Committee member in March 2005)	1
N. Moloi (Acting CEO - appointed August 2004)	1

Note 1

P. Buthelezi had recused herself from the Audit Committee's responsibilities as a result of professional reasons and other commitments that were communicated to the Board as well as being a candidate for consideration as a new CEO of the NEF.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1)(a)(ii) of the Public Finance Management Act and Treasury Regulations 3.1.13 and 27(1)(10). The Audit Committee also reports that it has prepared appropriate formal terms of reference as its audit committee charter, which have been duly adopted by the Board of Trustees. We have regulated our affairs in compliance with this charter and have discharged all responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal control, during the first part of the financial year under review, was not considered fully effective as instances of inadequate procedures, systems, controls and records were reported to us.

During the first half of the year under review, several instances of non-compliance were reported by the internal and external auditors resulting from a break-down in the functioning of controls. The break-down of controls should be viewed in the context that there was not sufficient management capacity due to vacant Board and key executive positions during parts of the year. This had a negative effect on the general control environment. This situation received attention at the time and as key positions were filled, there was an improvement in the levels of controls. However, non-compliance instances were still reported.

During the year a risk management committee was appointed and, at the date of this report, a comprehensive risk assessment was in the process of being finalised. This will provide a framework for management to monitor risk, which was not available in the past financial year, and for the internal audit function to undertake audit work in the higher risk areas identified.

QUALITY OF MANAGEMENT REPORTS

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by management and the entity during the year under review.

INTERNAL AUDIT

In our opinion the scope of internal audit work undertaken during the year did not adequately cover the higher risk areas. Reported findings were insufficient to provide the requirements for the positive changes necessary and therefore internal audit's responsibilities in the risk and control areas are not assessed as effective.

In the latter part of the year a new internal audit co-sourced service provider was appointed, while subsequent to the year-end a full-time internal audit manager has also been appointed. We are satisfied that processes are now in place to undertake the required internal audit work.

FINANCIAL MISCONDUCT

As reported in our previous report, two major allegations of financial misconduct were investigated. In one instance the allegations were cleared. In the second instance there was a resignation prior to the disciplinary hearings. The matter continues to be progressed in compliance with relevant laws and in accordance with proved findings.

EVALUATION AND FINANCIAL STATEMENTS

The Audit Committee has

- reviewed and discussed with the external auditors and senior representatives of management the audited annual financial statements to be included in the annual report;
- reviewed the external auditors management letter and management's response thereto; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs with and accepts the conclusions of the external auditors on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the external auditors.

Mr. AC COOMBE
17 September 2005

NATIONAL EMPOWERMENT FUND REPORT OF THE RISK MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2005

The Risk Management Committee met once under the period of review on 6 October 2004. It should be noted that the frequency of the meetings has improved in the new financial year commencing 1 April 2005.

The 6 October 2004 meeting was the inaugural meeting of the Committee at which the Committee focused on its terms of reference and projects for development and approval by the Board.

The NEF believes strongly that management should own the risk of the organisation and this has duly informed the composition of the Committee. The majority of the Committee is comprised of senior management with it being chaired by a non-executive trustee, Mr Nchakha Moloi, who was also serving as the acting CEO of the NEF since 19 August 2004. Mr Anthony Coombe, chairman of the NEF Audit Committee serves as the Audit Committee representative on the Committee. The Committee has resolved that it wishes to appoint a further independent Committee member and the process of securing such an appointment is underway.

Mr. N MOLOI
17 September 2005

NATIONAL EMPOWERMENT FUND
REPORT OF THE BOARD INVESTMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2005

The board investment committee met on a demand basis historically to consider transactions presented by the NEF investment divisions for funding in excess of R5 million each. Transactions below R5 million in funding value are approved by an executive management investment committee through the approved Delegation of Authority. Due to the increasing volume of submissions received and prepared by the investments division for approval by the investment committee, the need for an established time table was identified and as such the investment committee now has a fixed meeting schedule.

The investment committee comprises of the following members:

Mr B. Molefe	(Trustee and Chairman)
Mr N. Moloi	(Trustee)
Dr A. Ruiters	(Trustee)
Ms P. Radebe	(Trustee)
Ms P. Buthelezi	(Trustee and CEO)
Mr G. Voigt	(Independent)
Ms N. Gosa	(Independent)

The investment committee has the delegated authority to approve funding for transactions up to a limit of R50 million. Transactions in excess of this would be the responsibility of the main board of trustees. All transactions approved by the two investment committees are noted and ratified by the board of trustees as the case may be.

Mr. B MOLEFE
17 September 2005

NATIONAL EMPOWERMENT FUND
REPORT OF THE HUMAN CAPITAL AND REMUNERATION COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2005

The HCRC met three times under the period of review. The inaugural meeting took place on 3 September 2004. At its second meeting on 17 September 2004 the HCRC had a full complement of members and its Charter was approved.

The HCRC is comprised of 5 members, 4 independent and one non-executive trustee as Chairperson of the Committee. The Chair of the Committee, Dr Mahlape Mohale was succeeded by Mr Tumelo Chipfupa effective from 16 February 2005. The independent members are Ms Mpuseng Tlhabane, Mrs Barbara Lombard, Advocate Michael Marcus and Mr. Andrew Johnson who resigned from the Committee in February 2005 and was replaced by Mr Suren Reddy in May 2005.

The HCRC has been instrumental in guiding the NEF in the revision of its human resource policies, addressing remuneration-related issues and advising on the refinement of the performance management system amongst other matters.

Mr. TUMELO CHIPFUPA
17 September 2005

NATIONAL EMPOWERMENT FUND TRUST

REGISTRATION NUMBER: IT 10145/00

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

31 MARCH 2005

NATIONAL EMPOWERMENT FUND

Growing Black Economic Participation

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE NATIONAL EMPOWERMENT FUND

For the year ended 31 March 2005

We have audited the annual financial statements and group annual financial statements of the National Empowerment Fund set out on pages 14 to 44 for the year ended 31 March 2005. These financial statements are the responsibility of the trustees. Our responsibility is to express an opinion on these financial statement based on our audit.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Trust at 31 March 2005 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

PRETORIA
24 October 2005

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2005

		2005	2004
	Note	R	R
Revenue	2	49,221,994	20,632,617
Other income	3	-	3,308,436
Administration Expense		(26,327,990)	(20,242,867)
Net surplus for the year	4	**22,894,004**	**3,698,186**

CONSOLIDATED BALANCE SHEET

At 31 March 2005

		2005	2004
	Note	R	R
ASSETS			
Non-current assets		**1,048,433,942**	**784,352,633**
Property and equipment	6	1,688,038	2,191,746
Intangible assets	7	92,816	-
Available-for-sale Investments	8	1,041,464,843	780,918,100
Investments in associates	9	3,156,534	1,242,787
Loans and receivables	10	2,031,711	-
Current assets		**223,987,786**	**70,503,180**
Fair value through profit or loss	11	5,097,537	-
Trade and other receivables	12	1,474,095	1,336,891
Cash and cash equivalents	13	217,416,154	69,166,289
TOTAL ASSETS		**1,272,421,728**	**854,855,813**
EQUITY AND LIABILITIES			
Capital and reserves		**1,268,704,666**	**836,159,007**
Trust capital	14	370,000,000	220,000,000
Fair value reserves	15	865,446,506	605,794,851
Accumulated surplus		33,258,160	10,364,156
Current liabilities		**3,717,062**	**18,696,806**
Trade and other payables	17	920,174	15,779,266
Provisions	18	2,796,888	2,917,540
TOTAL EQUITY AND LIABILITIES		**1,272,421,728**	**854,855,813**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2005

	Note	2005 R	2004 R
Cash flow from operating activities			
Cash generated from operations	21	9,275,852	26,339,158
Cash flow from investing activities		**(11,025,987)**	**(5,426,116)**
Additions to property and equipment		(884,928)	(616,951)
Additions to intangible assets		(117,414)	-
Proceeds on the disposal of property and equipment		-	556,496
Increase in investments		(7,741,934)	(5,365,661)
Loans advanced		(2,281,711)	-
Cash flow from financing activities			
Increase in trust capital		150,000,000	35,000,000
Increase/(decrease) in cash and cash equivalents		148,249,865	55,913,042
Cash and cash equivalents at beginning of year		69,166,289	13,253,247
Cash and cash equivalents at end of year	**13**	**217,416,154**	**69,166,289**

CONSOLIDATED STATEMENT OF CHANGES TO EQUITY

For the year ended 31 March 2005

	Trust capital	Accumulated surplus R	Fair value reserves R	Total R
Balance as at 31 March 2003	185,000,000	6,665,970	114,547,862	306,213,832
Movements for the year	35,000,000	-	491,246,989	526,246,989
Surplus for the year	-	3,698,186	-	3,698,186
Balance as at 31 March 2004	220,000,000	10,364,156	605,794,851	836,159,007
Movements for the year	150,000,000	-	259,651,655	409,651,655
Surplus for the year	**-**	**22,894,004**	**-**	**22,894,004**
Balance as at 31 March 2005	**370,000,000**	**33,258,160**	**865,446,506**	**1,268,704,666**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2005

1. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are presented in South African Rands.

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year.

1.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of investments .

1.2 Basis of consolidation

Joint ventures

Joint venture are accounted for by applying the proportionate consolidation method, on a line-by-line basis. Surpluses and deficits on transactions between the Trust and its joint venture are recognised only to the extent of the profit/loss attributable to the interest of the other party.

1.3 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.

Revenue comprises of government grants, dividends received, interest received, royalties and profit on disposal of investments.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and effective rate over the period to maturity, when it is determined that such income will accrue to the Trust.

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

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Trust will comply with all the relevant conditions.

Government Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs for which they are intended to compensate, only where it is possible to match the income and expenditure. Grants that do not meet this criteria will be recognised in income.

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

1.4 Property and Equipment

Property and equipment is stated at cost less accumulated depreciation provided on the straight line method and any accumulated impairment cost. Depreciation is provided at the following annual rates, which are considered appropriate to write down cost over the useful lives of the assets:

Computer equipment and intangibles	33.30%
Leasehold improvements	lease period expired 31 October 2004
Audio visual equipment	33.33%
Motor vehicles	25%
Office equipment	20% - 40%
Furniture and fittings	10%
Other assets - Paintings	2%

1.5 Intangible assets

All intangible assets are initially recognised at cost. Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite useful life are not amortised. The useful life of intangible assets that are not being amortised is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets.

1.6 Investments

1.6.1 *Investment in joint ventures*

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control.

Joint venture arrangements, which involve the establishment of a separate entity in which each venture has an interest, are referred to as jointly controlled entities. Investments in jointly controlled entities are accounted for by way of the proportionate consolidation method whereby the group's proportionate share of the assets, liabilities, income and expenses of joint ventures are combined, on a line by line basis with similar items in the financial statements of the group.

Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of joint venture are included from the effective dates of their acquisition and up to the effective dates of their disposal.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

For the year ended 31 March 2005

1.6.2 *Investment in associates*

Associates are those entities in which the Fund has taken an investment and through which it is able to exercise significant control over the entities operational and financial policies through its level of equity held.

The Fund has elected the early adoption of IAS 28 - Investments in Associates. Accordingly, investments in associates are accounted for at cost due to the Fund falling within the definition of a private equity fund (venture capital fund) in terms of IAS 28. As such this definition obviates the necessity to equity account for these investments, despite the Fund potentially exerting "significant influence" in terms of the definition of IAS 28, and investments will accordingly be accounted for in terms of AC 133 - Financial Instruments - Recognition and Measurement.

1.7 Off-setting

The group offsets assets and liabilities if, and only if, the group:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.8 Impairment

Property and equipment and other non current assets including intangible assets, are reviewed for impaired losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, that is, the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

1.9 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 income statement on the straight-line basis over the period of the lease.

1.10 Employee Benefits

The Trust contributes to the Alexander Forbes RF Provident Fund on a monthly basis. A defined contribution plan is one under which the Trust pays fixed contributions into a separate entity and will have 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.

For defined contribution plans, the Trust pays contributions to publicly or privately administered insurance plans on a contractual basis. Once the contributions have been paid, the Trust has no further payment obligations. The regular contributions constitute the net periodic costs for the year in which they are due, and are included in staff costs.

1.11 Provisions

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 a reliable estimate can be made. Long-term provisions are discounted to net present value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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For the year ended 31 March 2005

1.12 Financial Instruments

1.12.1 *Recognition*

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

1.12.2 *Measurement*

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

1.12.3 *Cash and cash equivalents*

Cash and cash equivalents are carried at balance sheet cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less.

1.12.4 *Accounts Receivable*

Trade receivables are carried at original invoice amount less any provision made for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Trust will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the provision if any, is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the market rate of interest for similar borrowers.

1.12.5 *Available-for-sale Investments*

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. They are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets .Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship, other than available-for-sale financial assets, are included in net profit or loss in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

Derecognition

A financial asset or a portion thereof is derecognised when the group realises the contractual rights to the benefits specified in the contract, the rights expire, the group surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On recognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net profit or loss for the period.

Fair value considerations

The fair values at which financial instruments are carried at the balance sheet date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the group could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short-term trading cycle of these items.

1.12.6 *Fair value through profit or loss*

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. For the purpose of these financial statements, short-term is defined as three months. All financial assets and liabilities classified as fair value through profit or loss are initially recognised at fair value and all gains/losses arising from changes in the fair value of these instruments are included in the income statement in the period in which they arise.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

For the year ended 31 March 2005

	2005	2004
	R	R
2. REVENUE		
Grants Received	24,622,143	9,877,857
Dividends received	18,214,243	9,000,000
Fair value gain	164,437	-
Interest received - Bank (call and short term deposits)	6,005,625	1,437,313
- Deposits	63,225	197,027
- Loans and receivables	113,803	-
Royalties	720	120,420
Sundry Income	37,798	-
	49,221,994	**20,632,617**
3. OTHER OPERATING INCOME		
MTN share dispute recoveries:		
- Shares	-	2,880,086
- Cash	-	428,350
		3,308,436
(Refer to note 23 - MTN Share dispute)		
4. SURPLUS FOR THE YEAR		
Surplus from operations is arrived at after taking into account:		
Auditor's Remuneration	**110,317**	**163,109**
For audit fees current year	110,317	69,000
Under provision prior year	-	94,109
Consulting fees	**627,265**	**-**
- Internal audit	145,353	-
- Other	481,912	-
Depreciation	**1,388,636**	**1,440,519**
- Motor vehicles	20,879	34,067
- Computer equipment	136,198	85,426
- Audiovisual equipment	160,557	66,901
- Office equipment	62,400	10,349
- Furniture and fittings	149,869	125,648
- Other assets	6,301	16,548
- Leasehold improvements	852,432	1,101,580
Trustees and senior management emoluments (refer to note 5)	**1,931,244**	**4,463,996**
Amortisation of intangible assets		
- Computer software	**24,598**	**-**
Operating leases	**1,931,600**	**2,037,236**
- Property rental	1,595,940	1,622,814
- Equipment rental	335,660	414,422
Staff costs	**13,525,198**	**9,862,822**
Salaries and benefits	9,894,441	9,862,822
Temporary staff	3,630,757	-
The number of employees at year-end	43	25

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

For the year ended 31 March 2005

5. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

	Salary/Fee R	Bonuses & Performance Payments R	Pension Contributions R	Other Contributions R	Total R
Year ended 31/03/2005					
Executive trustees:					
S Maree (CEO)	342,843	-	79,863	29,582	452,288
N Moloi (Acting CEO)	525,819	-	-	530	526,349
	868,662	-	79,863	30,112	978,637
Senior management:					
P Naidoo (Acting CIO)	438,441	-	-	707	439,148
A Wright (CFO)	445,413	52,379	14,783	884	513,459
	883,854	52,379	14,783	1,591	952,607
	1,752,516	52,379	94,646	31,703	1,931,244
Year ended 31/03/2004					
Executive trustees:					
K Motshabi (CEO)	1,133,651	-	69,507	6,098	1,209,256
S Maree (CEO)	470,900	-	110,684	33,656	615,240
	1,604,551	-	180,191	39,754	1,824,496
Senior management:					
A Frost (CIO)	640,649	331,200	102,772	37,141	1,111,762
M Mokhobo (COO)	534,645	-	108,835	23,716	667,196
V Ramluckan (GM)	534,212	235,200	67,555	23,575	860,542
	1,709,506	566,400	279,162	84,432	2,639,500
	3,314,057	566,400	459,353	124,186	4,463,996

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

6. PROPERTY AND EQUIPMENT

	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Office Equipment R	Furniture & Fittings R	Leasehold Improve-ments R	Other Assets R	Total R
2005								
Opening Balance								
Cost	136,260	309,421	481,731	74,361	736,963	2,449,596	174,200	4,362,532
Accumulated depreciation	(82,326)	(184,874)	(66,901)	(22,893)	(196,770)	(1,597,164)	(19,858)	(2,170,786)
Net Book Value	53,934	124,547	414,830	51,468	540,193	852,432	154,342	2,191,746
Movement for the year:								
Additions	-	390,217	-	280,509	214,201	-	-	884,927
Disposals	-	-	-	-	-	-	-	-
Depreciation	(20,878)	(136,198)	(160,557)	(62,400)	(149,869)	(852,432)	(6,301)	(1,388,635)
	(20,878)	254,019	(160,557)	218,109	64,332	(852,432)	(6,301)	(503,708)
Closing Balance								
Cost	136,260	699,638	481,731	354,870	951,164	2,449,596	174,200	5,247,459
Accumulated depreciation	(103,204)	(321,072)	(227,458)	(85,293)	(346,639)	(2,449,596)	(26,159)	(3,559,422)
Net Book Value	33,056	378,566	254,273	269,577	604,525	-	148,041	1,688,038

6. PROPERTY AND EQUIPMENT (CONTINUED)

	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Office Equipment R	Furniture & Fittings R	Leasehold Improve-ments R	Other Assets R	Total R
2004								
Opening Balance								
Cost	136,260	237,991	-	49,193	712,814	2,991,618	174,200	4,302,076
Accumulated depreciation	(48,259)	(99,448)	-	(12,544)	(71,122)	(495,584)	(3,310)	(730,267)
Net Book Value	88,001	138,543	-	36,649	641,692	2,496,034	170,890	3,571,809
Movement for the year:								
Additions	-	71,429	481,731	25,168	24,149	14,474	-	616,951
Disposals	-	-	-	-	-	(556,496)	-	(556,496)
Depreciation	(34,067)	(85,426)	(66,901)	(10,349)	(125,648)	(1,101,580)	(16,548)	(1,440,518)
	(34,067)	(13,997)	414,830	14,819	(101,499)	(1,643,602)	(16,548)	(1,380,063)
Closing Balance								
Cost	136,260	309,420	481,731	74,361	736,963	2,449,596	174,200	4,362,531
Accumulated depreciation	(82,326)	(184,874)	(66,901)	(22,893)	(196,770)	(1,597,164)	(19,858)	(2,170,785)
Net Book Value	53,934	124,547	414,830	51,468	540,193	852,432	154,342	2,191,746

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

	Computer Software	
	2005	2004
	R	R
7. INTANGIBLE ASSETS		
Computer Software	-	-
Year ended 31 March 2005		
Opening Balance		
Cost	-	-
Accumulated amortisation	-	-
Net Book Value	-	-
Movement for the year:		
Additions	117,414	-
Disposals	-	-
Amortisation	(24,598)	-
	92,816	-
Closing Balance		
Cost	117,414	-
Accumulated amortisation	(24,598)	-
Net Book Value	92,816	-

	2005	2004
	R	R
8. AVAILABLE FOR SALE INVESTMENTS		
Shares in MTN Group at cost	173,880,087	173,880,087
Revaluation through equity	855,209,381	594,662,638
Shares in MTN Group at market value at 31 March	1,029,089,468	768,542,725
Shares in Uthingo (Pty) Ltd at cost	375	375
Trustee's Revaluation	12,375,000	12,375,000
Shares in Uthingo (Pty) Ltd at fair value	12,375,375	12,375,375
Total available-for-sale investments	1,041,464,843	780,918,100

MTN Group shares comprise of marketable equity securities and are fair valued annually at the close of business on 31 March. For investments traded in active markets, fair value is determined by reference to Johannesburg Stock Exchange quoted prices. There was no disposal of or provision for impairment on the MTN Group investment for the current or prior year.

The fair value of Uthingo shares is determined by the trustees and management, based on the dividend yield approach.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

For the year ended 31 March 2005

	Effective Holding			
	2005	2004	2005	2004
	%	%		
List of Investments				
Listed:			Number of Shares	
MTN	1.5	1.5	23,388,397	23,388,397
			R	R
Market price per share at 31 March			44	33
Unlisted:			Number of Shares	
Uthingo Management (Pty) Ltd	5	5	37,500	37,500
			R	R
Trustee's revaluation per share at 31 March			330	330

	2005	2004
	R	R
9. INVESTMENTS IN ASSOCIATES		
Shares at cost less amounts written off	5,286,297	2,485,574
Fair value adjustments	(2,137,876)	(1,242,787)
Loan to associates	8,113	-
Net investment in associates	3,156,534	1,242,787

The entity's principal associates are:

Name	Country of incorporation	Principal Activity	Ownership 2005	Ownership 2004
			%	%
Unlisted:				
Clickrite (Pty) Ltd	South Africa	Printing	20	20
Emergia Solutions (Pty) Ltd	South Africa	Financial Services	24,5	-
Blink Media Holdings (Pty) Ltd	South Africa	Media	20	-
Lindiwe Wines (Pty) Ltd	South Africa	Marketing and Distribution	24,5	-
Nucleus Administrators	South Africa	Financial Services	24,5	-

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

Name	Voting power		Cost		Loans to	
	2005	2004	2005	2004	2005	2004
	%	%	R	R	R	R
Unlisted:						
Clickrite (Pty) Ltd	20	20	2,485,573	2,485,574	8,113	-
Emergia Solutions (Pty) Ltd	24,5	-	1,550,050	-	-	-
Blink Media Holdings (Pty) Ltd	20	-	500,040	-	-	-
Lindiwe Wines (Pty) Ltd	24,5	-	480,634	-	-	-
Nucleus Administrators	24,5	-	270,000	-	-	-
			5,286,297	2,485,574	8,113	-

	2005	2004
	R	R
10. LOANS AND RECEIVABLES		
Generator loans	1,861,237	-
Accelerator loans	420,474	-
Loss on impairment	(250,000)	-
	2,031,711	-

The entity enters into loan agreements with various applicants. The terms of repayment vary between 3 & 5 years depending on the purpose of the loan as well as the cash flow status of the applicant. Interest rates are linked to bank prime lending rates, subject to the risk profile of the applicant as well as the purpose of the loan. The above amount represents the fair value of the loans receivable as at 31 March 2005.

	2005	2004
	R	R
11. FAIR VALUE THROUGH PROFIT OR LOSS		
Shares in listed company	4,933,100	-
Revaluation of shares	164,437	-
Market value as at 31 March	5,097,537	-

National Empowerment Fund designated an investment in a listed company which comprises marketable equity securities at fair value through profit or loss on initial recognition as it is the intention of management to sell these shares within 12 months. The fair value is determined by reference to Johannesburg Stock Exchange quoted prices.

	2005	2004
	R	R
12. TRADE AND OTHER RECEIVABLES		
Trade debtors	508,381	220,865
Staff loans	24,770	-
Deposits	953,407	890,029
Prepayments	19,948	225,997
Provision for doubtful debts	(32,411)	-
	1,474,095	1,336,891

The trustees consider that the carrying amount of trade and other receivables approximate to their fair value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

For the year ended 31 March 2005

	2005	2004
	R	R
13. CASH AND CASH EQUIVALENTS		
For the purposes of cash flow statements, the cash and cash equivalents comprise the following:		
Bank balances		
- Current accounts	322,010	1,090,812
- Short-term bank deposits	218,189,435	68,236,385
- Petty cash	5,000	228
Joint venture account	(1,100,291)	(161,136)
	217,416,154	69,166,289

The effective interest rate on short term deposits was 4.2% (2004 - 3.4%)

	2005	2004
	R	R
14. TRUST CAPITAL		
Investment in MTN shares		
Costs of MTN Shares	171,000,000	171,000,000
Closing Balance	171,000,000	171,000,000
Funds received from dti		
Opening Balance	49,000,000	14,000,000
Funds received for the year	150,000,000	35,000,000
	199,000,000	49,000,000
	370,000,000	220,000,000

	2005	2004
	R	R
15. FAIR VALUE RESERVES		
Balance at the beginning of the year	605,794,851	114,547,862
Revaluation of MTN Shares	260,546,743	492,489,776
Impairment of investments - Ventures	(895,088)	(1,242,787)
	865,446,506	605,794,851

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

	2005	2004
	R	R
16. INTER-GROUP LOAN		
NEF Ventures Trust		
Joint Venture cash balance included in cash equivalents	1,100,291	161,136
	1,100,291	161,136
17. TRADE AND OTHER PAYABLES		
Sundry creditors	920,174	295,712
Trade creditors	-	861,411
Deferred grants from DTI	-	14,622,143
	920,174	15,779,266

	2005	2004
	R	R
18. PROVISIONS		
Provision for bonuses	2,174,865	2,467,086
Provision for leave	622,023	450,454
	2,796,888	2,917,540

19. RELATED PARTY TRANSACTIONS

National Empowerment Fund Trust (the Fund) is controlled and owned by the Department of Trade and Industry (DTI) from whom it received grants in the current and prior years. The DTI focuses on promoting economic growth, helping to create jobs, and redressing past injustices and economic inefficient resources and fulfils its mandate through public entities. The Fund owns 50% interest in the National Empowerment Fund Ventures Trust, through which empowerment funding is made. The National Empowerment Ventures Trust does not maintain its own bank account and therefore all cash transactions are done through the bank of the Fund. There were no purchases from the associate or trustees' emoluments for the year under review. The following transactions were carried out with related parties:

	2005	2004
	R	R
Grants & Capital Received for the Year		
Department of Trade & Industry (Income and Capital)	160,000,000	59,500,000
Grants received in advance (including Trade and other payables)		
Department of Trade & Industry	-	14,622,143
Inter-group Laon receivable		
NEF Ventures Trust	1,100,291	161,136

For Trustees & Senior Management remuneration refer to note 5.

20. TAXATION

The Trust has been granted an exemption from income tax in terms of section 10 (1)(cA)(i) of the Income Tax Act effective from February 2005.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

	2005	2004
	R	R
21. NOTES TO THE CASH FLOW STATEMENT		
Reconciliation of net surplus before taxation to cash generated from operations:		
Net surplus before tax	22,894,004	3,698,186
Adjustment for:	1,378,145	2,695,127
Depreciation	1,388,636	1,440,519
Amortisation of intangible assets	24,598	-
Impairment loss	250,000	-
Fair value gain	(164,437)	-
Provision for doubtful debts	-	499,640
Provision for bonuses	(292,221)	538,229
Provision for leave	171,569	216,739
Operating loss before working capital changes	24,272,149	6,393,313
Working capital changes	(14,996,297)	19,945,845
(Increase) / decrease in trade and other receivables	(137,204)	4,318,182
(Decrease) / increase in trade and other payables	(14,859,093)	15,627,663
Cash generated by/ (utilised in) operations	9,275,852	26,339,158

22. FINANCIAL RISK MANAGEMENT

22.1 INTEREST RATE RISK

The National Empowerment Fund is exposed to interest rate risk through funding and cash management activities. Changes in market interest rates affect the fair value of assets. Interest income and interest expense in the income statement, as well as interest payments, are influenced by interest rate changes.

22.2 CREDIT RISK

Credit risk is the loss that the National Empowerment Fund would suffer if a counterpart failed to perform its financial obligations.

There is limited credit risk related to investments due to the size of the portfolio.

The NEF invests surplus liquidity in short-term interest-bearing assets.

22.3 MARKET RISK

The National Empowerment Fund is exposed to the following market risks through its investments in listed companies:

- the risk that the value of the investments will fluctuate because of changes in market interest rates.

- the risk that the value of its investments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk embodies not only the potential for loss but also the potential for gain.

22.4 FAIR VALUE ESTIMATION

The fair value of publicly traded available-for-sale securities is based on quoted market prices at the balance sheet date.
The fair value of equity instruments that are not publicly traded is calculated as the present value of expected future cash flows.

23. MTN SHARE DISPUTE

On 24 August 1998, the Trust together with a number of other Black Economic Empowerment Companies (BEE Companies) acquired a total of 5% of the issued share capital of MTN Group. The Trust's portion of this acquisition amounted to 1.5% of the total number of MTN Group's share capital.

On 27 September 1999, one of the BEE Companies disposed of its shares. These shares were subsequently acquired on a proportional basis by all of the BEE Companies, except for the Trust. This was contrary to the shareholders' agreement in that the shares should have been offered to all of the holders of empowerment shares on a pro-rata basis.

This failure to adhere to the provision of the shareholders' agreement led to the Trust instituting action against the BEE Companies for recovery of its pro-rata portion of the shares that has been disposed of. All but two of the BEE Companies have settled with the Trust. The total number of shares recovered to date is 116 618 and the cash component received is R428,350. There is no prospect of recovery from the remaining two BEE Companies and in that regard the Trust intends to bring the matter to a close by not pursuing the matter any further.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTINUED

For the year ended 31 March 2005

	2005	2004
	R	R
24. CAPITAL COMMITMENTS		
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	898,658	1,929,544
Later than 1 year but not later than 5 years	25,906	-
	924,564	1,929,544
These operating lease commitments consist mainly of property and equipment rental. The property lease expires in August 2005.		
Undawn investment		
Not later than 1 year	3,856,826	-
	3,856,826	-

Monies committed to investees in terms of contractual arrangements, which will be payable only on the achievement of certain specified conditions.

25. CONTINGENT LIABILITIES

At 31 March 2005, the Trust had contingent liability in respect of a legal claim arising from a CCMA matter, from which it is anticipated, after taking appropriate legal advice, that the outcome of this legal claim will not give rise to a loss beyond the amount of R1 million (2004: R500,000).

	2005	2004
	R	R
26. MATERIAL LOSS THROUGH ALLEGED CRIMINAL CONDUCT		
Material losses through alleged criminal conduct	917,000	-
Legal fees	717,466	-
Other losses written off	(717,466)	-
Less: Losses recovered	(917,000)	-
	-	-

NATIONAL EMPOWERMENT FUND TRUST

REGISTRATION NUMBER: IT 10145/00

ANNUAL FINANCIAL STATEMENTS

31 MARCH 2005

NATIONAL EMPOWERMENT FUND

Growing Black Economic Participation

NATIONAL EMPOWERMENT FUND TRUST
REGISTRATION NUMBER: IT 10145/00

INCOME STATEMENT

For the year ended 31 March 2005

		2005	2004
	Note	R	R
Revenue	2	49,150,945	20,632,617
Other income	3	-	3,308,436
Administration Expense		(26,930,942)	(18,548,561)
Net surplus for the year	4	**22,220,003**	**5,392,492**

BALANCE SHEET

At 31 March 2005

		2005	2004
	Note	R	R
ASSETS			
Non-current assets		**1,055,408,453**	**788,763,792**
Property and equipment	6	1,687,739	2,169,983
Intangible assets	7	92,816	-
Investment in Joint Venture	8	10,131,344	5,675,709
Available-for-sale Investments	9	1,041,464,843	780,918,100
Loans and receivables	10	2,031,711	-
Current assets		**224,725,780**	**70,656,202**
Fair value through profit or loss	11	5,097,536	-
Trade and other receivables	12	1,111,799	1,167,640
Bank balances and cash	13	218,516,445	69,488,562
TOTAL ASSETS		**1,280,134,233**	**859,419,994**
EQUITY AND LIABILITIES			
Capital and reserves		**1,274,530,659**	**840,659,002**
Trust capital	14	370,000,000	220,000,000
Fair value reserves	15	865,446,505	605,794,851
Accumulated surplus		39,084,154	14,864,151
Current liabilities		**5,603,574**	**18,760,992**
Trade and other payables	16	917,174	15,734,634
Inter Group Loan	17	2,200,581	322,273
Provisions	18	2,485,819	2,704,085
TOTAL EQUITY AND LIABILITIES		**1,280,134,233**	**859,419,994**

CASH FLOW STATEMENT

For the year ended 31 March 2005

	Note	2005 R	2004 R
Cash flow from operating activities			
Cash generated from operations	21	12,595,757	28,544,122
Cash flow from investing activities		**(13,567,875)**	**(7,309,038)**
Additions to property and equipment	6	(884,927)	(616,951)
Additions to intangible assets	7	(117,414)	-
Proceeds on the disposal of property and equipment		-	556,496
Increase in investments		(12,565,534)	(7,248,583)
Cash flow from financing activities		**150,000,000**	**35,000,000**
Increase in trust capital		150,000,000	35,000,000
Increase in cash and cash equivalents		149,027,882	56,235,084
Cash and cash equivalents at beginning of year		69,488,563	13,253,479
Cash and cash equivalents at end of year	**13**	**218,516,445**	**69,488,563**

STATEMENT OF CHANGES TO EQUITY

For the year ended 31 March 2005

	Trust capital	Accumulated surplus R	Fair value reserves R	Total R
Balance as at 31 March 2003	185,000,000	9,471,659	114,547,862	309,019,521
Capital injection - grant received	35,000,000	-	-	35,000,000
Revaluation gains on investments	-	-	491,246,989	491,246,989
Surplus for the year	-	5,392,492	-	5,392,492
Balance as at 31 March 2004	220,000,000	14,864,151	605,794,851	840,659,002
Capital injection - grants received	150,000,000	-	-	150,000,000
Revaluation gains on investments	-	-	259,651,654	259,651,654
Surplus for the year	**-**	**24,220,003**	**-**	**24,220,003**
Balance as at 31 March 2005	**370,000,000**	**39,084,154**	**865,446,505**	**1,274,530,659**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2005

1. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are presented in South African Rands. The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year.

1.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of investments.

1.2 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.

Revenue comprises of government grants, dividends received, interest received, royalties and profit on disposal of investments.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and effective rate over the period to maturity, when it is determined that such income will accrue to the Trust.

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

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Trust will comply with all the relevant conditions.

Government Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs for which they are intended to compensate, only where it is possible to match the income and expenditure. Grants that do not meet this criteria will be recognised in income.

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

1.3 Property and Equipment

Property and equipment is stated at cost less accumulated depreciation provided on the straight line method and any accumulated impairment cost. Depreciation is provided at the following annual rates, which are considered appropriate to write down cost over the useful lives of the assets:

Computer equipment and intangibles	33.30%
Leasehold improvements	lease period expired 31 October 2004
Audio visual equipment	33.33%
Motor vehicles	25%
Office equipment	20% - 40%
Furniture and fittings	10%
Other assets - Paintings	2%

1.4 Intangible assets

All intangible assets are initially recognised at cost. Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite useful life are not amortised. The useful life of intangible assets that are not being amortised is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets.

1.5 Off-setting

The entity offsets assets and liabilities if, and only if, the entity:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6 Impairment

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. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, that is, the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

1.7 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 income statement on the straight-line basis over the period of the lease.

1.8 Employee Benefits

The Trust contributes to the Alexander Forbes RF 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 will have 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. For defined contribution plans, the Trust pays contributions to publicly or privately administered insurance plans on a contractual basis. Once the contributions have been paid, the Trust has no further payment obligations. The regular contributions constitute the net periodic costs for the year in which they are due, and are included in staff costs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

1.9 Provisions

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 a reliable estimate can be made. Long-term provisions are discounted to net present value.

1.10 Financial Instruments

1.10.1 *Recognition*

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

1.10.2 *Measurement*

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

1.10.3 *Cash and cash equivalents*

Cash and cash equivalents are carried at balance sheet cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less.

1.10.4 *Accounts Receivable*

Trade receivables are carried at original invoice amount less any provision made for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Trust will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the provision if any, is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, discounted at the market rate of interest for similar borrowers.

1.10.5 *Investments*

1.10.5.1 *Available-for-sale Investments*

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. They are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets .Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship, other than available-for-sale financial assets, are included in net profit or loss in the period in which it arises. Gains and losses arising from a change in the fair value of available-for-sale financial assets are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time the net profit or loss is included in the net profit or loss for the period.

Derecognition

A financial asset or a portion thereof is derecognised when the group realises the contractual rights to the benefits specified in the contract, the rights expire, the group surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net profit or loss for the period.

Fair value considerations

The fair values at which financial instruments are carried at the balance sheet date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that the group could realise in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short-term trading cycle of these items.

1.10.5.2 *Fair value through profit or loss*

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. For the purpose of these financial statements, short-term is defined as three months. All financial assets and liabilities classified as fair value through profit or loss are initially recognised at fair value and all gains/losses arising from changes in the fair value of these instruments are included in the income statement in the period in which they arise

1.11 *Investment in Joint Ventures*

Investments in joint ventures are recognised at cost less accumulated impairment losses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

		2005	2004
		R	R
2. REVENUE			
Grants received		24,622,143	9,877,857
- Grant received to clear net deficit for the year ended 31 March 2003		-	2,512,407
- Other		24,622,143	7,365,450
Dividends received		18,214,243	9,000,000
Fair value gain		164,437	-
Interest received - Bank (call and short term deposits)		6,005,625	1,437,313
- Deposits		63,225	197,027
- Trade Debtors		65,431	-
Royalties		720	-
Other		15,121	-
Bad debts recovered		-	120,420
		49,150,945	**20,632,617**
3. OTHER INCOME			
MTN share dispute recoveries		-	
- Shares		-	2,880,086
- Cash		-	428,350
			3,308,436
(Refer to note 23 - MTN Share dipute			
4. SURPLUS FOR THE YEAR			
Surplus from operations is arrived at after taking into account:			
Auditor's Remuneration:		**99,832**	**121,547**
- For audit fees		99,832	121,547
Consulting fees		**627,265**	**55,075**
- Internal audit		145,353	55,075
- Other		481,912	-
Depreciation		**1,367,171**	**1,408,477**
- Motor vehicles		20,878	34,067
- Computer equipment		115,099	54,084
- Audiovisual equipment		160,557	66,901
- Office equipment		62,034	9,649
- Furniture and fittings		149,870	125,648
- Other assets		6,301	16,548
- Leasehold improvements		852,432	1,101,580
Trustees and senior management emoluments	**5**	**1,931,244**	**4,463,996**
Amortisation of intangible assets			
- Computer software	7	**24,598**	**-**
Operating leases		1,812,910	2,037,236
- Property rental		1,492,193	1,622,814
- Equipment rental		320,717	414,422
Staff costs			
Salaries and benefits		**12,461,183**	**10,571,592**
The number of employees at year-end		40	22

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

5. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

	Salary/Fee R	Bonuses & Performance Payments R	Pension Contributions R	Other Contributions R	Total R
Year ended 31/03/2005					
Executive trustees:					
S Maree (CEO)	342,843	-	79,863	29,582	452,288
N Moloi (Acting CEO)	525,819	-	-	530	526,349
	868,662	-	79,863	30,112	978,637
Senior management:					
P Naidoo (Acting CIO)	438,441	-	-	707	439,148
A Wright (CFO)	445,413	52,379	14,783	884	513,459
	883,854	52,379	14,783	1,591	952,607
	1,752,516	52,379	94,646	31,703	1,931,244
Year ended 31/03/2004					
Executive trustees:					
K Motshabi (CEO)	1,133,651	-	69,507	6,098	1,209,256
S Maree (CEO)	470,900	-	110,684	33,656	615,240
	1,604,551	-	180,191	39,754	1,824,496
Senior management:					
A Frost (CIO)	640,649	331,200	102,772	37,141	1,111,762
M Mokhobo (COO)	534,645	-	108,835	23,716	667,196
V Ramluckan (GM)	534,212	235,200	67,555	23,575	860,542
	1,709,506	566,400	279,162	84,432	2,639,500
	3,314,057	566,400	459,353	124,186	4,463,996

No remuneration was paid to non-executive trustees.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

6. PROPERTY AND EQUIPMENT

	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Office Equipment R	Furniture & Fittings R	Leasehold Improve-ments R	Other Assets R	Total R
2005								
Opening Balance								
Cost	136,260	215,387	481,731	71,683	736,963	2,449,596	174,200	4,265,820
Accumulated depreciation	(82,327)	(112,150)	(66,901)	(20,667)	(196,770)	(1,597,164)	(19,858)	(2,095,837)
Net Book Value	53,933	103,237	414,830	51,016	540,193	852,432	154,342	2,169,983
Movement for the year:								
Additions	-	390,217	-	280,509	214,201	-	-	884,927
Disposals	-	-	-	-	-	-	-	-
Depreciation	(20,878)	(115,099)	(160,557)	(62,034)	(149,870)	(852,432)	(6,301)	(1,367,171)
	(20,878)	275,118	(160,557)	218,475	64,331	(852,432)	(6,301)	(482,244)
Closing Balance								
Cost	136,260	605,604	481,731	352,192	951,164	2,449,596	174,200	5,150,747
Accumulated depreciation	(103,205)	(227,249)	(227,458)	(82,701)	(346,640)	(2,449,596)	(26,159)	(3,463,008)
Net Book Value	33,055	378,355	254,273	269,491	604,524	-	148,041	1,687,739

6. PROPERTY AND EQUIPMENT

	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Office Equipment R	Furniture & Fittings R	Leasehold Improve-ments R	Other Assets R	Total R
2004								
Opening Balance								
Cost	136,260	143,958	-	46,514	712,814	2,991,618	174,200	4,205,364
Accumulated depreciation	(48,259)	(58,066)	-	(11,018)	(71,122)	(495,584)	(3,310)	(687,359)
Net Book Value	88,001	85,892	-	35,496	641,692	2,496,034	170,890	3,518,005
Movement for the year:								
Additions	-	71,429	481,731	25,169	24,149	14,174	-	616,952
Disposals	-	-	-	-	-	(556,496)	-	(556,496)
Depreciation	(34,068)	(54,084)	(66,901)	(9,649)	(125,648)	(1,101,580)	(16,548)	(1,408,478)
	(34,068)	17,345	414,830	15,520	(101,499)	(1,643,902)	(16,548)	(1,348,022)
Closing Balance								
Cost	136,260	215,387	481,731	71,683	736,963	2,449,596	174,200	4,265,820
Accumulated depreciation	(82,327)	(112,150)	(66,901)	(20,667)	(196,770)	(1,597,164)	(19,858)	(2,095,837)
Net Book Value	53,933	103,237	414,830	51,016	540,193	852,432	154,342	2,169,983

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

	Computer Software	
	2005	2004
	R	R
7. INTANGIBLE ASSETS		
Computer Software	-	-
Year ended 31 March 2005		
Opening Balance		
Cost	-	-
Accumulated amortisation	-	-
Net Book Value	-	-
Movement for the year:		
Additions	117,414	-
Disposals	-	-
Amortisation	(24,598)	-
	92,816	-
Closing Balance		
Cost	117,414	-
Accumulated amortisation	(24,598)	-
Net Book Value	92,816	-

	2005	2004
	R	R
8. INVESTMENT IN JOINT VENTURE		
National Empowrment Fund - Venture Trust		
Investment at cost	12,269,220	6,910,383
Fair value of Investement in Joint Venture	(2,137,876)	(1,242,787)
Loan owing by Joint Venture	-	8,113
	10,131,344	5,675,709

National Empowerment Fund - Venture Trust's main objective is to encourage and promote meaningful economic participation by black people by providing empowerment funding. The joint venture partners are:

	Country of incorporation	% interest held
National Empowerment Fund	South Africa	50
Industrial Development Corporation	South Africa	50

There were no changes in the interest held in the joint venture in the current or prior year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

	2005	2004
	R	R
9. AVAILABLE FOR SALE INVESTMENTS		
Shares in MTN Group at cost	173,880,087	173,880,087
Revaluation of shares	855,209,381	594,662,638
Market value as at 31 March	1,029,089,468	768,542,725
Shares in Uthingo at Cost	375	375
Revaluation of shares	12,375,000	12,375,000
Revaluation value as at 31 March	12,375,375	12,375,375
Total available-for-sale investments	1,041,464,843	780,918,100

MTN Group shares comprise of marketable equity securities and are fair valued annually at the close of business on 31 March. The fair value is determined by reference to Johannesburg Stock Exchange quoted prices. There were no disposals or provision for impairment on the MTN Group investment for the current or prior year.

The fair value of Uthingo shares is determined by management and trustees, based on the dividend yield approach.

	Effective Holding			
	2005	2004	2005	2004
	%	%		
List of Investments				
Listed:			Number of Shares	
MTN	1.5	1.5	23,388,397	23,388,397
			R	R
Market price per share at 31 March			44.00	32.86
Unlisted:			Number of Shares	
Uthingo (Pty) Ltd	5	5	37,500	37,500
			R	R
Trustee's revaluation per share at 31 March			330	330

	2005	2004
	R	R
10. LOANS AND RECEIVABLES		
Generator loans	1,861,237	-
Accelerator loans	420,474	-
Loss on impairment	(250,000)	-
	2,031,711	-

The entity enters into loan agreements with various applicants. The terms of repayment vary between 3 & 5 years depending on the purpose of the loan as well as the cashflow status of the applicant. Interest rates are linked to bank prime lending rates, subject to the risk profile of the applicant as well as the purpose of the loan. The above amount represents the fair value of the loans receivable as at 31 March 2005.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

	2005	2004
	R	R
11. FAIR VALUE THROUGH PROFIT OR LOSS		
Shares in listed company	4,933,100	-
Revaluation of shares	164,436	-
Market value as at 31 March	5,097,536	-

National Empowerment Fund designated an investment in a listed company which comprises marketable equity securities as fair value through profit or loss at initial recognition as it is the intention of management to sell these shares within 12 months. The fair value is determined by reference to Johannesburg Stock Exchange quoted prices.

	2005	2004
	R	R
12. TRADE AND OTHER RECEIVABLES		
Deposits	953,407	890,029
Other debtors	113,674	51,614
Prepayments	19,948	225,997
Staff loan - A Wright	24,770	-
	1,111,799	1,167,640

The trustees consider that the carrying amount of trade and other receivables approximates to their fair value.

	2005	2004
	R	R
13. BANK BALANCES AND CASH		
For the purposes of cash flow statements, the cash and cash equivalents comprise the following:		
Bank balances		
- Current accounts	322,010	1,251,949
- Short-term bank deposits	218,189,435	68,236,385
- Petty cash	5,000	228
	218,516,445	69,488,562

The effective interest rate on short term deposits was 4.2% (2004 - 3.4%)

	2005	2004
	R	R
14. TRUST CAPITAL		
Investment in MTN shares		
Cost of MTN shares	171,000,000	171,000,000
Closing Balance	171,000,000	171,000,000
Funds received from dti		
Opening Balance	49,000,000	14,000,000
Funds received for the year	150,000,000	35,000,000
Total Balance	199,000,000	49,000,000
	370,000,000	220,000,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

	2005	2004
	R	R
15. FAIR VALUE RESERVES		
Balance at the beginning of the year	605,794,851	114,547,862
Impairment of investments - Ventures	(895,088)	(1,242,787)
Revaluation of MTN Shares	260,546,742	492,489,776
	865,446,505	605,794,851

	2005	2004
	R	R
16. TRADE AND OTHER PAYABLES		
Trade creditors	917,174	1,112,491
Deferred Income	-	14,622,143
	917,174	15,734,634

The trustees consider that the carrying amount of trade and other payables approximates to their fair value.

	2005	2004
	R	R
17. INTER-GROUP LOAN		
NEF Ventures Trust	2,200,581	322,273
	2,200,581	322,273

	Leave provision	Bonus provision	Total
	R	R	R
18. PROVISIONS			
Balance at 01 April 2003	1,785,281	216,803	2,002,084
Amount paid during year	(1,568,478)	456,030	(1,112,448)
Charge to income statement	207,196	1,607,253	1,814,449
Balance at 31 March 2004	423,999	2,280,086	2,704,085
Balance at 01 April 2004	423,999	2,280,086	2,704,085
Amount paid during year	(251,151)	(1,196,105)	(1,447,256)
Charge to income statement	396,481	832,509	1,228,990
Balance at 31 March 2005	569,329	1,916,490	2,485,819

The leave pay provision relates to vesting leave pay to which employees may become entitled upon leaving employment of the group. The provision arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The provision is utilised when employees become entitled to and are paid for the accumulated leave pay or utilise compensated leave due to them.

The bonus provision consists of a performance-based bonus. The bonus payable is determined by applying a specific formula based on the employees' achievement of performance targets. The employee must be in service at 31 March 2005 to qualify for the bonus.

19. RELATED PARTY TRANSACTIONS

National Empowerment Fund Trust is controlled and owned by the Department of Trade and Industry (DTI) from whom it received grants and investment capital in the current and prior years. The DTI focuses on promoting economic growth, helping to create jobs, and redressing past injustices and economic inefficient resources and fulfils its mandate through public entities.

The Fund owns 50% interest in National Empowerment Fund Ventures Trust, through which further empowerment funding is made. The National Empowerment Fund Ventures Trust does not maintain its own bank account and therefore all cash transactions are routed through the bank of the Fund. There were no purchases from the associate for the year under review. The following transactions were carried out with related parties.

	2005	2004
	R	R
Grants & Capital Received for the Year		
Department of Trade & Industry (Income and Capital)	160,000,000	59,500,000
Investments in Joint Ventures		
National Empowerment Fund - Joint Venture Trust	10,131,344	5,675,709
Grants received in advance (including Trade and other payables)		
Department of Trade & Industry	-	14,622,143
Inter-group Loan recivable		
NEF Ventures Trust	2,200,581	322,273
Management fee paid		
NEF Venture Trust	2,550,000	2,550,000

For Trustees & Senior Management remuneration refer to note 5.

20. TAXATION

The Trust has been granted an exemption from income tax in terms of section 10 (1)(cA)(i) of the Income Tax Act effective from February 2005.

	2005	2004
	R	R
21. NOTES TO THE CASH FLOW STATEMENT		
Reconciliation of net surplus before taxation to cash		
Net surplus for the year	24,220,003	5,392,492
Adjustment for:	2,706,321	3,222,926
Depreciation	1,367,171	1,408,477
Amortisation of intangible assets	24,598	-
Provision for leave pay	396,481	207,196
Provision for bonuses	832,509	1,607,253
Provision for Impairment	250,000	-
Fair value gain	(164,438)	-
Operating loss before working capital changes	26,926,324	8,615,418
Working capital changes	(14,330,567)	19,928,704
Decrease in trade and other receivables	55,841	5,225,625
(Decrease) / increase in trade and other payables	(14,386,408)	14,703,079
Cash generated from operations	12,595,757	28,544,122

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED
For the year ended 31 March 2005

22 FINANCIAL RISK MANAGEMENT

22.1 INTEREST RATE RISK

The National Empowerment Fund is exposed to interest rate risk through funding and cash management activities. Changes in market interest rates affect the fair value of assets. Interest income and interest expense in the income statement, as well as interest payments are influenced by interest rate changes.

22.2 CREDIT RISK

Credit risk is the loss that the National Empowerment Fund would suffer if a counterpart failed to perform its financial obligations.

There is limited credit risk related to investments due to the size of the portfolio.

The National Empowerment Fund invests surplus liquidity in short-term interest-bearing assets.

22.3 MARKET RISK

The National Empowerment Fund is exposed to the following market risks through its investments in listed companies:

- the risk that the value of the investments will fluctuate because of changes in market interest rates.
- the risk that the value of its investments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Market risk embodies not only the potential for loss but also the potential for gain.

23 MTN SHARE DISPUTE

On 24 August 1998, the Trust together with a number of other Black Economic Empowerment Companies (BEE Companies) acquired a total of 5% of the issued share capital of MTN Group. The Trust's portion of this acquisition amounted to 1.5% of the total number of MTN Group's share capital.

On 27 September 1999, one of the BEE Companies disposed of its shares. These shares were subsequently acquired on a proportional basis by all of the BEE Companies, except for the Trust. This was contrary to the shareholders' agreement in that the shares should have been offered to all of the holders of empowerment shares on a pro-rata basis.

This failure to adhere to the provision of the shareholders' agreement led to the Trust instituting action against the BEE Companies for recovery of its pro-rata portion of the shares that has been disposed of. All but two of the BEE Companies have settled with the Trust. The total number of shares recovered to date is 116 618 and the cash component received is R428,224. There is no prospect of recovery from the remaining two BEE Companies and in that regard the Trust intends to bring the matter to a close by not pursuing the matter any further.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

For the year ended 31 March 2005

	2005	2004
	R	R
24. COMMITMENTS		
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases area as follows:		
Not later than 1 year	898,658	1,929,544
Later than 1 year but not later than 5 years	25,906	-
	924,564	1,929,544
These operating lease commitments consist mainly of property and equipment rental. The property lease expires in August 2005.		
Undawn investment		
Not later than 1 year	3,856,826	-
	3,856,826	-

Monies committed to investees in terms of contractual arrangements, which will be payable only on the achievement of certain specified conditions.

25. CONTINGENT LIABILITIES

At 31 March 2005, the Trust had contingent liability in respect of a legal claim arising from a CCMA matter, from which it is anticipated, after taking appropriate legal advice, that the outcome of this legal claim will not give rise to a loss beyond the amount of R1 million (2004: R500,000).

	2005	2004
	R	R
26. MATERIAL LOSS THROUGH ALLEGED CRIMINAL CONDUCT		
Material losses through alleged criminal conduct	917,000	-
Legal fees	717,466	-
Other losses written off	(717,466)	-
Less: Losses recovered	(917,000)	-
	-	-

NATIONAL EMPOWERMENT FUND TRUST

REGISTRATION NUMBER: IT 10145/00

TRUSTEES

The following Trustees term of office expired during the year under review:

Mr Sydney Maree (CEO - resigned 13 August 2004)

The following Trustees were appointed during the year under review:

Mr Tumelo Chipfupa (appointed 16 February 2005)
Ms Polo Radebe (appointed 15 March 2005)

The following Trustees continued in office during the year under review:

Dr Alistair Ruiters (Chairman)
Dr Mahlape Mohale
Ms Philisiwe Buthelezi
Mr Brian Molefe
Mr James Theledi
Mr Nchakha Moloi
(Acting CEO - appointed 19 August 2004)

BANKERS:	Standard Bank Limited First National Bank Limited
AUDITORS:	PricewaterhouseCoopers
BUSINESS ADDRESS:	230 Jan Smuts Avenue Cnr Bompas Road Dunkeld West 2196
POSTAL ADDRESS:	P.O. Box 31 Melrose Arch Melrose North 2076
REGISTERED ADDRESS:	230 Jan Smuts Avenue Cnr Bompas Road Dunkeld West 2196