NATIONAL EMPOWERMENT FUND
Growing Black Economic Participation

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Mr L McPatie (Appointed 3/12/2008)
Ms N Mesatywa (Appointed 3/12/2008)
Ms J Hoffmann (Term ended 2/12/2008)
Ms S Sebotsa (Term ended 2/12/2008)
Ms P Radebe (Resigned 24/4/2008)
Mr J Theledi (Term ended 2/12/2008)

BANKERS
Standard Bank Limited
First National Bank Limited
Rand Merchant Bank

AUDITORS
PricewaterhouseCoopers Inc.

BUSINESS ADDRESS
West Block
187 Rivonia Road
Morningside
2057

POSTAL ADDRESS
P.O. Box 31
Melrose Arch
Melrose North
2076

Tel: +27 (11) 305 8000
Fax: +27 (11) 305 8001
Call Centre: 0861 843 633
0861 (THE NEF)

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the dti
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NATIONAL EMPOWERMENT FUND
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INTO THE HANDS OF MANY

ANNUAL REPORT
2009

WELCOME TO THE NEF

NATIONAL EMPOWERMENT FUND

Growing Black Economic Participation

"The NEF is a small organisation with a big mandate. Tasked with facilitating the ideals of BB-BEE... ours is indeed a historic mission, which is nothing less than to continue the liberation struggle on the economic front."

Mr Ronnie Ntuli - Board Chairman

ANNUAL REPORT 2009

INTO THE HANDS OF MANY

"Into the hands of many" is the National Empowerment Fund's theme for the 2009 Annual Report. A theme often explores timeless and universal ideas that may be implied rather than stated explicitly. At the NEF we believe **into the hands of many** is the manifestation and encapsulation of our mission.

into the hands of many

i am one alone,
and remain alone until another takes my hand
if more reach out then we are many
and the we in us is born
when a community of builders rises

from dawn to dusk
and dusk to dawn
a new promise comes alive
in the hearts of those who dream
for a funder with a soul
to help grow seeds into fruits
and into seeds again
for another harvest to grow anew

hands that have clapped in joy,
wiped away tears,
clenched fists for freedom
comforted the old
and held the young

the wise of old have told that hands in a circle
holding fast
together clasped
can raise the sun
rouse the seas
and build a nation

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FOREWORD FROM THE MINISTER OF TRADE AND INDUSTRY THE HON. DR ROB DAVIES

Dr Rob Davies

This Annual Report records significant progress in the work of the National Empowerment Fund (NEF) since its formation. Established in terms of the National Empowerment Fund Act 105 of 1998, the NEF has significantly improved its performance in implementing its mandate which is the provision of investment funding to Black empowered businesses, wealth-creating investment opportunities for Black individuals, investing in and funding structures in direct support of Broad Based Black Economic Empowerment (BB-BEE).

As a member of **the dti** family, the NEF continues to stimulate sector-targeted economic growth, as well as job and wealth creation as a direct result of its investment and funding activities. In particular, it has, through the Asonge investment offer, managed to act as a warehousing conduit for the transfer of valuable equity allocations and investments to the Black public which in turn advances broad-based and sustainable empowerment. The NEF held 1.5% of the MTN Group's shareholding and was tasked with developing creative and effective retail products for its beneficiaries, with associated education and awareness initiatives behind these products. This is one of the ways in which government, through the NEF, hopes to assist the graduation of economic participation from the second to the first economy.

The NEF's mandate continues to focus on funding BB-BEE opportunities, including new and existing Black owned businesses, as well as promoting a savings and investment culture among Black beneficiaries.

Thus far, government, is pleased that up to and including the period 31 March 2009, the NEF, through its funding activities, had approved in excess of R1.4 billion, having disbursed a cumulative R978 million on 160 transactions. Although much still needs to be done in extending access to finance, measures are in place to expand the above mandate such as the recent launch of the strategy for the funding of Small Medium Enterprises.

Through its various projects and portfolios, the NEF will continue to expand, and include future releases of investment products with the addition of other savings products that will be structured around newly sourced and acquired assets.

As a gazetted "BEE Facilitator" in terms of the BB-BEE Codes of Good Practice, ensures that the NEF will continue playing a meaningful role as a facilitator of full Black ownership status. Utilising its BB-BEE facilitator status will ensure that the NEF continues to provide effective intervention strategies in championing the ideal of an inclusive economy.

We look forward to the continued creativity of the NEF in fulfilling its mandate, and are assured of its contribution to the nation's economic growth through ongoing engagement with **the dti**, National Treasury and members of the Parliamentary Portfolio and Select Committees.

Congratulations to the Board of Trustees, management and staff of the NEF for yet another successful year, to 86 000 Asonge investors for earning dividends on their shares and growing their investment by an average 60% throughout the investment period, and to those empowered entrepreneurs who have merited support from the NEF, for starting and growing their existing enterprises.

We wish you all even greater success going forward.

The Hon. Dr Rob Davies – MP
Minister of Trade and Industry
Republic of South Africa

"Our view is that we have a good BB-BEE policy. The current BB-BEE framework is adequate. We may just need to sharpen the implementation and communication and I'm especially concerned with cooperatives, especially in rural areas, who still find it hard to access their rights to benefits provided by BB-BEE."

H.E. President Jacob Zuma,

STRATEGIC POSITIONING

MISSION

The National Empowerment Fund is a catalyst of Broad-Based Black Economic Empowerment in South Africa.

We enable, develop, promote and implement innovative investment and transformation solutions to advance sustainable Black economic participation, in the economy.

VISION

Our vision is to become the leading provider of innovative transformation solutions for an economically inclusive South Africa.

"The BB-BEE Act was enacted in order to redress the imbalances of the past. Firstly, it was enacted to promote the achievement of the constitutional right to equality, in terms of Section 9 of the Equality Clause in the Constitution. More particularly, the BB-BEE Act was enacted to increase broad-based and effective participation of Black people in the economy and also to promote a higher growth rate, increased employment and more equitable income distribution."

The Hon. Deputy President, Mr Kgalema Motlanthe

THE NEF IMPLEMENTS ITS MANDATE IN THREE WAYS:

1 **Fund Management**
By structuring accessible retail savings products for Black people through its Asset Management Division, which is a custodian of certain equity allocations in State-Allocated Investments (SAIs), the NEF aims to foster a culture of savings and investment among its beneficiaries.

2 **Asset Management**
As a facilitator of the Codes of Good Practice of the Broad-Based Black Economic Empowerment Act (the Codes), to support the pillars of Black enterprise by providing finance and financial solutions across a range of sectors through its Fund Management division.

3 **Strategic Projects**
As a provider of project finance which allows Black entrepreneurs to participate in high growth strategic projects at an early stage without paying a premium for equity.

- Service excellence
- Result orientated
- Innovation and continuous improvement
- Ownership and accountability
- Recognition and reward
- Respect, empathy and fairness
- Honesty and integrity
- Open and honest communication
- People development

STRATEGIC ROLE AND POSITIONING

The NEF's role is to support BB-BEE. As the debate concerning what constitutes meaningful and sustainable BB-BEE evolves, the NEF anticipates future funding and investment requirements to help Black individuals, communities and businesses achieve each element of the Codes of Good Practice. These include a focus on preferential procurement, broadening the reach of Black equity ownership, transformation in management and staff and preventing the dilution of Black shareholding.

The NEF differentiates itself not only with a focused mandate for BB-BEE, but by also assuming a predominantly equity-based risk to maximise the Empowerment Dividend. Reward should balance the risk with the application of sound commercial decisions to support national priorities and government policy such as the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) or targeted investments through **the dti's** Industrial Policy Framework. The work of the NEF therefore straddles and complements other Development Finance Institutions (DFIs) by allowing the organisations to work in close collaboration.

With them, the NEF can enhance other DFIs and their mandates by sharing its specialist sector expertise and knowledge.

"We are clearly and unequivocally focused on overcoming the historic divide in our economy."

Mr Ronnie Ntuli – Board Chairman

REPORT OF THE CHAIRMAN OF THE BOARD OF TRUSTEES

"No-one can dispute that the economy's performance, especially as regards the pace of job creation, the quality of jobs, and reduction of poverty and inequality, has fallen far short of our expectations and aspirations. Our efforts have not sufficiently addressed severe structural imbalances and constraints that impede the economy from developing to its full potential. It is clear that these imbalances and constraints cannot be overcome by the market on its own, and requires an appropriate strategic role for the state."

The Hon. Dr Rob Davies – Minister of Trade and Industry

The African Context

Our history and our future as a society, as an economy, are inextricably bound to the African continent. As we continue to lead the quest for the restoration of the economic citizenship of Black South Africans, it might enrich our wisdom to borrow from Africa's experiences in this regard. As the recent political history of our continent has shown, the cold reality is that as Africans we are on our own. No foreign persons, institution or nation will come to our rescue. Our story shows that whenever they have said they will, they have been merely pursuing their own interest, an interest seldom aligned to our own. This view must not be interpreted as an argument against cooperation among nations. It simply means that unless and until we Africans have the courage to do the things we must do in order to construct ourselves economically, we will never be taken seriously in the global trade and investment arena. We must accept that we shall never plead ourselves out of mass poverty and into our rightful and equitable place in the trade and investment world.

As demonstrated by global history, productive enterprise continues to be the single-most viable foundation upon which all modern economies are built. If the architecture of any future economy on the continent is to be viable, it will have to be set on the plan to develop and entrench employment-generating and diverse domestic industries, both small and large.

Critical mass will be important if we are to sustain the development of Africa's economies. Our leaders must accept that certain borderlines as demarcated today

Mr Ronnie Ntuli

will only serve to hinder the development of our economies. Although desirable, the integration of the entire continent into a single market is not practical in the foreseeable future, but there are ready foundations for integration of regions within the continent.

In the medium term, the single most important matter for resolution by Africa's leadership is sustainable livelihoods for the citizens of the continent. As young Africans, we must insist on a future beyond poverty alleviation, and strive for a future of prosperity. This is part and parcel of the NEF's role in the South African Economy, and thus its purpose and the task for our generation, a pursuit in which we dare not fail.

As the current board of the NEF reaches the end of its tenure, it is opportune to reflect on the challenges and achievements of the past four years, and look to the future, and to the NEF's role in a dynamic and ever-changing society. We have learned from our experiences, and as new challenges such as the global financial crisis present themselves, our greatest strength will lie in being alert to the changes taking place around us, and in being able to deliver on our objectives by being focused yet flexible.

Reviewing the Mandate

When this Board was constituted in November 2005 the immediate challenge was to stabilise the NEF after its particularly challenging early years.

The primary objective was to put the NEF on a solid operational footing, to regain stakeholder and public trust, and to restore credibility for it to be in a sound position to deliver on its strategic goals. This involved a three-year process of redefining strategy, of reviewing and reconstituting infrastructure, systems, policies and procedures, and of ensuring that the right teams were in place to deliver on the NEF's far-reaching mandate.

The hard work involved in doing that has paid off. The NEF has regained its stature, credibility and effectiveness and, having refined its definition of target audiences, is disbursing capital more effectively and efficiently than it had ever done before. This has been achieved largely through the development of improved planning and implementation processes, and also by instituting reliable methodologies for monitoring and evaluation. Just as important, both our stakeholder relationships and balance sheet are now on firm ground. Net asset value, for instance, has grown from just over R2.1 billion at the end of the 2006 financial year to R4.6 billion at the end of 2009.

The Core Challenge

In this last year of the current Board's tenure, however, the core challenge has remained the same as it has always been - the fact that the NEF is a small organisation with a big mandate. Tasked with facilitating the ideals of BB-BEE, partly through engendering a culture of savings and investment among Black people, and partly through enabling Black entrepreneurship through financial and non-financial support, ours is indeed a historic mission, which is nothing less than to continue the liberation struggle on the economic front. It is a mission to contribute to our nation's growth by propelling the economic participation of Black people, so that they too can own, manage and develop sustainable enterprises, contributing to the creation of employment, rural development, skills acquisition, savings and investment solutions for the vast majority who live across the length and breadth of our beautiful land.

As an agency of **the dti**, the NEF has a key role to play in the implementation of BB-BEE, and in delivering on the key target areas set for the organisation by AsgiSA.

We are therefore clearly and unequivocally focused on overcoming the historic divide in our economy, and we can confidently declare that the NEF is implementing its mandate with a greater vigour, integrity and patriotism.

During the past four years, major NEF initiatives such as Asonge and the NEF's support for broad-based public share offers such as Sasol Inzalo have significantly increased Black participation in the economy, particularly through savings and investment, as have the many management buy-ins and buy-outs that the NEF has financed.

Increasing Black participation in the higher asset classes of the economy has been a very important undertaking for the NEF.

In the Asset Management arena, the phenomenal results of the NEF Asonge Share Scheme, which saw over 86 000 investors countrywide oversubscribing by 13%, has provided an exceptional empirical and sociological foundation upon which future strategic interventions will be devised.

These include:

- Ensuring that new products are aimed at accessible subscription levels and structures so that lower income groups are deliberately included,
- Addressing geographic access to product offerings through targeted communication campaigns, as well as engagement with provincial governments and other stakeholders in order to entrench the message of the need to save and invest,
- Obtaining the transfer of state allocated interests in State-Owned Commercial Enterprises (SOCE), a process that will no doubt see the NEF provide more equity ownership opportunities for Black people.

Similarly, Sasol Inzalo provided ordinary South Africans with the opportunity to become shareholders in a local company with global reach, operating in the strategically important energy sector. The NEF provided significant strategic advice and support to ensure that Sasol Inzalo became the success it did.

By 2005 when this Board's tenure began, the NEF had disbursed R25 million to 11 investees. On the Fund Management front, we are pleased that as at 31 March 2009 the NEF had approved 177 transactions worth in excess of R1.4 billion, which marks a significant achievement in the development and maturing of the NEF.

With these achievements behind us, it is now important to assess where the gaps are to gain greater insight into what Black participation in the economy really means, and to determine whether the path we are on remains definitive, or whether our objectives and methodologies require re-assessment.

Assessing Achievements

Facilitating empowerment through opening up channels for Black participation in the capital markets has been an important and valuable process. The historical exclusion of the Black majority from the investment market was a vital first hurdle to overcome, and will continue to remain an important focus for the NEF.

The fact remains, however, that real economic decision-making power in South Africa is still vested in the hands of a limited few, and is exercised mainly at board level. Just as significant, the gap between rich and poor in this country is one of the highest in the world, and BB-BEE has, to date, not fundamentally altered this position. It is therefore time for us to re-look at the spirit and not just the letter of BB-BEE, and to re-focus our agenda and our efforts.

The Path Ahead

What this means for us at the NEF is that we need to take a leadership role in re-defining the meaning of economic transformation and of Black participation in the economy, so that we can rapidly narrow the gap between our vision and our achievements. We are at a pivotal point in the history of the NEF, and at a time when there needs to be a paradigm shift in how we view and facilitate empowerment.

While the transfer of shares in significant corporate enterprises was an important first step, real empowerment is created organically, by ensuring that Black people not only have the ability and power to participate in the economy, but also to play a fundamental role in defining the national economic agenda.

For this reason, it is important for the NEF to constantly re-assess its focus and activities, and to ensure that they are aligned with the objectives of the developmental state. Our goal therefore should be to have a more measurable impact in terms of creating new capacity and new jobs, rather than simply redistributing existing value. It is our task now to facilitate Black participation not only in the corporate economy, but to extend that participation into new enterprises and geographies.

South Africa is indeed a country alive with possibility, and we are on the cusp of a great new beginning, despite the very real challenges we face. It is our task now to extend the value chain beyond extraction, to ensure that participation becomes a reality at all levels of the production process, and that capacity, jobs and wealth can be created by a new generation of Black entrepreneurs primed to envisage, seize and live the opportunities that new technologies and socio-economic developments are presenting.

Mr Ronnie Ntuli
Board Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER

"The Executive Committee and I are pleased to table this Annual Report 2009, which is a testament to how the NEF is fulfilling the mandate in bringing the rights of economic citizenship and empowerment into the hands of many."

– Ms Philisiwe Buthelezi – Chief Executive Officer

Ms Philisiwe Buthelezi

A DEMONSTRATION OF EXCEPTIONAL ACHIEVEMENTS

Introduction

The year under review has seen the National Empowerment Fund (NEF), an agency of **the dti**, mandated to grow Black participation in South Africa's economy, registering what we believe to be a demonstration of exceptional achievements in its three core areas of focus, Fund Management, Asset Management and Strategic Projects, with equally significant gains in its various support functions.

In retracing these steps and in paging through the diary of excellence which the NEF has continued to author, I am inspired by what the writer, Margaret Barber, says about memory: *"To look backward for a while is to refresh the eye, to restore it, and to render it the more fit for its prime function of looking forward."*

The operative theme for this period, *Into the Hands of Many,* is an apt narrative for a Development Finance Institution (DFI) whose ethos is to bridge the divide by providing financial and non-financial support for, as well as in engendering a culture of savings and investment among the Black multitudes who were previously excluded from the national economic life before the advent of freedom and democracy in 1994.

The Executive Committee and I are pleased to table this Annual Report 2009, which is a testament to how the NEF is fulfilling the mandate in bringing the rights of economic citizenship and empowerment into the hands of many.

Macro-Economic Environment

This review takes place against the backdrop of a year when our national economy began experiencing challenges which were primarily a result of the global economic crisis.

The NEF is acutely aware of the fact that the current financial crisis has had a profoundly negative impact on many Black Economic Empowerment (BEE) transactions. The significant decline in market values of many JSE-listed companies has reduced the value of the collateral that is typically provided to financiers as part of the financing structure. In some cases the trigger prices set by funders have been breached, resulting in remedial measures having to be taken by BEE parties and vendors to ensure the continued sustainability of transactions.

The other critical factor is that the crisis has led to a slowdown in economic growth and a tightening in credit markets, which hampers the ability of companies to expand their businesses and grow their earnings.

Fortunately, the NEF typically funds medium-sized BEE transactions in an unlisted environment and thus has not had the same exposure to the fall in listed equity prices. The NEF has, however, had to put in place measures to support investees with increased cost of borrowings and worsening economic conditions in general. The NEF has done this primarily through the post-investment and business mentoring functions.

The organisation has: (i) adhered to sound risk management practices; (ii) taken a longer term investment view; and (iii) restructured balance sheets when necessary, all in the interests of ensuring the sustainability of its clients.

Fund Management

The NEF's Fund Management Division (FMD) is structured into three funding operations, namely: (i) the Corporate Fund; (ii) the iMbewu Fund; and (iii) the newly created Rural and Community Development Fund (RCDF).

The Corporate Fund offers several products aimed at improving access to capital for Black entrepreneurs, namely Acquisition Finance, Project Finance, Expansion Finance, Capital Markets and Liquidity and Warehousing finance. Funding generally ranges from R5 million to R100 million in the Corporate Fund environment.

The iMbewu Fund is a suite of products aimed specifically at Black entrepreneurs wanting to start new businesses as well as supporting existing Black-owned businesses with expansion capital. iMbewu, which is Nguni for "seed", is buttressed by funding products such as entrepreneurship finance, procurement finance, and franchise finance. Here funding generally ranges from R250 000 to R20 million.

Of particular interest is how this fund focuses on the national priority of rural development as articulated by President Jacob Zuma this year. The RCDF, established during the year under review following Board approval in April 2008, is mandated to facilitate the ownership and management by workers, cooperatives and other collective enterprises in sustainable investment projects in local and rural communities.

The investment focus is on early-stage opportunities as well as on investments by community groups in existing companies. The Fund seeks to champion economic empowerment of community groups by providing access to finance as well as technical support to community beneficiaries to build capacity. Funding generally ranges from R1 million to R25 million.

The NEF set itself specific objectives in the Business Plan of 2008/9 relating to concluding investment transactions. Fund Management aimed to approve and disburse a large portion of 13 transactions of R300 million for the Corporate Fund and 50 transactions of R160 million for the iMbewu Fund and six transactions of R65 million for the Development Fund.

These targets were set within the context of the approval of capital for the year for Fund Management purposes of R313 million and cash reserves of just over R1 billion for Fund Management purposes.

Further targets were set for non-financial support in the area of Pre- and Post-Investment Unit, specifically with respect to the implementation of a customer relationship management system (CRM), and further professional assistance to investment applicants by Investment Associates with a view to improving the overall application to approval ratio of 3%.

Further, at the pre-investment level, a business planning toolkit and solution was made available online to those entrepreneurs requiring assistance with drafting bankable business plans. The toolkit is institutionally agnostic and thus budding entrepreneurs can utilise the NEF business plan toolkit and seek funding from other financial services institutions.

The targets set for the Post-Investment Unit were largely around improved monitoring systems through the CRM with direct access to information on the investee's loan servicing performance as well as the finalisation of a post investment management methodology captured in a procedure manual.

Overall, the performance impact of the NEF remains as measured by the assessment of Fund Management activity against the Empowerment Dividend, which aims to quantify the impact of investments against key criteria as follows:

- BB-BEE
- Women's participation
- Job creation
- SME development
- Regional development
- Sector specific support
- Portfolio return

On the transaction level the Corporate Fund achieved 10 new approvals of R297 million and disbursed eight transactions of R230 million. The iMbewu Fund and the RCDF collectively achieved 18 new approvals of R197 million and disbursed 35 transactions of R49 million. The iMbewu disbursement activity exceeds the approvals activity significantly because the reported disbursements include 24 investments undertaken through a bulk finance facility.

Despite reaching its highest ever value of approved and disbursed transactions, the Corporate Fund did not meet its overall targets as set out in the business plan for this fund. The investment levels of the Corporate Fund of R230 million, however, exceed the investment values achieved in 2007/08 of R101 million by 128%. The disbursed volumes represents a 33% increase on the 2007/08 levels.

The iMbewu Fund was again able to implement a large portion of its bulk financing product strategy with 35 transactions worth R49 million being disbursed, the highest number of loans ever advanced in a year and largely (over 60%) being attributable to the bulk financing facilities e.g. the Daimler Chrysler facility. The volumes of investment activity increased by 40% against the disbursed volumes achieved in 2007/08.

In aggregate, FMD achieved 28 approvals of R495 million and 43 disbursements of R279 million. This represents the highest rand value of investment activity in the five-year operational history of the NEF as well as a 37% increase in disbursement values and 39% increase in disbursement volumes over that achieved in 2007/08. The Division has also developed a pipeline of transactions that are at the legal stage, and that will be disbursed in the first quarter of the 2009/10 financial year.

It was during this period that the NEF cemented its reputation as a leading empowerment funder, having recorded the important milestone of cumulative approvals totalling more than R1 billion since its inception.

The cumulative approvals of R1.4 billion as at 31 March 2009 to Black businesses and Black entrepreneurs is an exceptional achievement in the NEF's commitment to growing BB-BEE.

This important accomplishment further demonstrates the NEF's commitment to contributing meaningfully to Black economic participation and indirectly to the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) initiatives by investing in sectors such as transportation, tourism and entertainment, ICT and media, food and agri-processing, construction and textiles, as prioritised by **the dti.**

The Pre-Investment Business Unit continued to provide a dedicated and professional customer interface amid challenges such as the poor quality of business plans received. The Unit processed 2 560 enquiries during the financial year, and screened 916 applications out of a total of 1 115 received. The Unit prides itself on the fact that it has adhered to the contracted turnaround times, and has kept complaints to below 3% of applications received.

The Pre-Investment Unit developed the business planning toolkit during the year. This was launched in the 2009/10 financial year. The toolkit allows for a highly interactive business planning system with substantiated assumptions, in multi languages and is Internet based for wide access by the public, at no fee. The strategic intention is for this system to assist with improving the overall approval rate being achieved by FMD from its current average of 3% (2% in 2008) of applications received. It will do this by assisting the entrepreneurs to compile well thought out and substantiated funding plans.

The Post-Investment Business Unit had an eventful year both in terms of managing the NEF portfolio and in terms of assisting the appointed consultancy to conceptualise the Portfolio Management Solution. The Unit concluded more than 220 site visits and performed risk assessments on nearly all the NEF investee companies as at the financial year end.

The Unit finalised the establishment of a mentorship panel during the year through a public tender process and by adopting best practice in the selection of consultants appointed to the panel. The finalisation of the panel is a landmark achievement for the NEF. The NEF now has the capacity, through the mentorship panel, to assist investee companies requiring technical assistance following the NEF's investment.

To this end, the Unit has already begun to implement mentorship programmes for a number of distressed investee companies to mitigate the effects of the ongoing economic recession. In addition, the team developed a sector position paper for the transport sector incorporating the lessons learnt by the NEF in investing here. Further, the finance and post investment functions have been integrated at a systems level allowing both tracking and the managing of the performance of the NEF loans book.

The Legal Unit has become a key partner and service provider to the Funds and to Post Investment in implementing various important procedures. The Unit provided legal advice on more than 20 due diligence investigations, and has drafted and project managed numerous legal agreements and disbursement compliance processes. In addition, the Unit assisted Post Investment with more than 30 work-out and reorganisation matters.

Asset Management

Targets for the Asset Management Division (AMD) were set in the context of the approval of further retail investment products, the implementation of the investor education initiative and the successful transfer of further identified State Allocated Investments (SAIs). Some work was also planned for the conceptualisation and development of an Enterprise Development fund in line with the principles of the Codes of Good Practice and based on the input from the Board of Trustees in the 2007/8 strategic planning session, for feedback in the 2008/9 strategic planning session.

A number of SAIs were to be housed under custody of the NEF for eventual transfer to Black people to fulfil a key part of the NEF mandate which is to create equity ownership opportunities to Black people from these SAIs.

The first of these transfers took place in July 2007 under the auspices of the highly successful NEF Asonge Share Scheme, which saw about 86 000 investors buying in excess of 12 million shares currently worth R1.4 billion, in a public share offer that was oversubscribed by 13%.

A supplier has been appointed through a public tender process to manage the national investor education campaign which will focus on broader investor education themes such as: (i) illiquid equities; (ii) equities; (iii) unit trusts; and (iv) all manner of debt instruments over and above the Asonge Share Scheme. This campaign will result in 74 workshops nationwide where members of the public, and in particular poorer residents of the townships and villages of our land, will be encouraged to save and invest.

The campaign thus far has resulted in 5.7% of the Asonge investors selling their acquired shares with most clearly awaiting the full two-year term in anticipation of the bonus share award in September 2009, guaranteed at an additional bonus share for every 10 held at the time. In spite of the economic downturn, this investment has grown by 63.9% (as at 7 July 2009) in value.

The AMD has also concluded the design of an additional retail product targeting the transformation of the retail sector with **the dti** and an entrepreneur. Significant progress has been made on the transfer of the South African Forestry Company Limited (SAFCOL) equity allocations with several submissions being made to the Department of Public Enterprises and being largely accepted for the imminent transfer of the forestry stakes into an SPV trust.

Shortly after the end of the year under review, the Cabinet announced the historic and significant decision to increase the NEF's shareholding in the national lottery operator, Gidani, from 5% to an allocation of 10%.

The NEF welcomed this important decision as a vote of confidence by government in the ability of the NEF to continue fulfilling its mandate of bringing more South Africans into the economic mainstream, as a means to redress the historical legacies of racially-based economic disadvantage. To date the AMD has engaged **the dti** on this allocation, and is presently at the memorandum of understanding phase and is moving rapidly toward the transfer of the allocated shares onto the books of the NEF.

Through AMD's retail product development, the NEF will structure mechanisms around the Gidani allocation to facilitate the transfer of real economic benefits of holding this equity stake. These benefits will be destined for broad-based Black beneficiary participation that can significantly improve the lives or prospects of those in our targeted communities through the following three mechanisms:

- Enhancement of Black public share offers distribution network.
- The provision of access to communications technologies in rural areas.
- Provision of bursaries and scholarship funding in support skills development in the Information Communication Technology (ICT) sector.

The Retail Integration Programme is presently at the feasibility stage with strategic partners in place. This programme will see Black consumers acquiring equity ownership in the retail sector. This initiative is aimed at unlocking value and creating wealth for Black consumers through equity ownership as well as assisting the retailers with transformation issues.

The NEF played a key role as a strategic advisor to SASOL on its first Black Public Offer, yet another milestone that has confirmed the NEF as an authority and market leader and maker in Black Public Retail Offers.

The AMD, along with Strategy and Planning, has an active research department that will continue to push the boundaries of understanding with respect to the effect economic variables have on BB-BEE, the effectiveness of NEF interventions concerning the Empowerment Dividend and wealth creation for Black people as this relates to Black public share offers, and delving into market trends that can serve as indicators for identification of opportunities for NEF to act as an advisor and/or BEE facilitator.

Strategic Projects Fund

A new and exciting innovation during the year under review was the inauguration of the Strategic Projects Fund (SPF), established with a mandate to increase the participation of Black people (BB-BEE) in early stage projects that are aligned to the AsgiSA initiative.

Historically, most BEE deals were concluded via mergers and acquisitions with existing companies, and when transactions are completed, BEE beneficiaries would be left with less value to extract as these companies would either be matured, overpriced or subject to harsh market volatility as we have seen in recent times.

Most wealth is created and earned by those who have the means and ability to participate in projects that are high-risk but still in their infancy. It is in this space that a funding gap exists, particularly for Black people, and especially in transactions that require larger investment quantums, and also have very long timelines before dividends are realised. These would include projects such as the Coega Aluminum Smelter or the PetroSA Coega project.

The SPF aims to acquire equity in such national strategic projects within South Africa at a stage when the business bankable plan is still being developed. These projects are usually co-financed with other development funding institutions and commercial investors. The SPF aims to warehouse equity for BB-BEE and help drive transformation within the project. Once initial project risks have been reduced, and the NEF has earned its projected returns, the NEF through the AMD or other means, would then transfer its shareholding to selected BB-BEE groups through a transparent process as was the case with the NEF Asonge Share Scheme.

Accordingly, the SPF has been tasked with the responsibility of strategically identifying, initiating and scoping suitable projects that are aligned to the growth and development strategies of the country in a way that enables BEE to play a pivotal role. These projects are almost always of a Greenfield nature and fall into one of the following four sectors: (i) Business Process Outsourcing; (ii) Mining and Mineral Beneficiation; (iii) Renewable Energy, and (iv) Agro-processing and Tourism.

Some of the successes of SPF to date have been:

- A 6.2% equity investment in a R1.2 billion Solar Panel Manufacturing plant. The transaction was approved in the previous financial year and was subject to specific closure milestones that were met successfully after the signing of all business agreements and after the conclusion of financing agreements with other co-financiers. This means the Solar Project has moved from being a project to become a business and construction of the plant has begun. This is important as projects can take anything between two to five years before conclusion on agreements.
- Investment in a R80 million biomass manufacturing company called Renu Energy which will produce a renewable energy feedstock for power plants in Europe. The NEF has warehoused 26% equity for BB-BEE. The plant is currently ramping up production.

A further ten key sector transactions are under consideration and three scoping studies have been concluded in other targeted sectors. One pre-feasibility study has been concluded while three joint development agreements are being negotiated.

Through some of these projects, along with the FMD, the SPF are poised to play a vital role in NEF's prospects of reaching the next milestone of R2 billion approved transactions. Overall, the transactions currently under the SPF's consideration have a potential NEF investment value of R1 billion over the next two to three years. I am pleased to announce that the team has also grown from three to four people, with a Projects Investment Associate joining in April this year.

Financial Management

The highlight this year in respect of the financial reporting of the NEF was to be able to again report on the basis of an unqualified audit opinion for the year ending 31 March 2009.

This was achieved despite moving into an even more complex accounting environment with extreme difficulties experienced in the area of debating fair values of investments and impairments of loans within our R1 billion portfolio.

As a consequence of the diligent work of the NEF's finance team, our accounting disclosures and policies now compare favourably to local and international best practice for commercial investment banks and funds.

The Net Asset Value of the NEF has increased from R2.1 billion in 2005/06, to R4.6 billion currently. This has largely been a factor of appreciation in fair value of the Asset Management portfolio as well as the capitalisation of the NEF by **the dti.** Expenditure has increased in line with Net Asset Value but remains at an average of 2% of the Net Asset Value, which is an acceptable level for a development finance institution.

The current capitalisation size of the NEF allows it to move forward and make a meaningful contribution to its mandate as demonstrated recently with its investment approvals now exceeding R1.4 billion.

At a finance level, over and above the need for ongoing full regulatory compliance and unqualified audit opinion, the need for the stabilisation and full resourcing of the finance department was identified as an imperative. The finance strategy was developed in conjunction with the Strategy and Planning department to introduce a high level of scenario planning for the NEF in order to project the financial sustainability of the NEF and the level of capital required to achieve this sustainability.

The surplus for the year is R104 million for 2009 versus R952 million in 2008. The 2008 surplus includes R800 million in Asonge proceeds. Impairments and write-offs account for 24% of the originated loan portfolio.

Siyasebenza – Information systems

The entire year under review was taken up by the scoping, design, implementation, training and support around the success of project Siyasebenza, Nguni for "hard at work".

This project involved the implementation of information systems to cover the entire organisation's business processes and management information reporting requirements.

The following modules successfully went live over this year:

- Pre-Investment — Customer Relationship Management (CRM)
- iMbewu — CRM
- Corporate — CRM
- Post-Investment — CRM/ Loans Management System (LMS)
- Procurement — SharePoint Portal/Business Portal/ ERP
- Finance — ERP/ LMS
- Human Resources — ERP HR/Employee Self Service

The business process and workflow implementation phase was concluded with only Post Investment and Employee Self Service in the final stages of implementation.

Risk Management, Internal Audit and Compliance

The current global and local economic climate has increased the need for effective risk management practices within organizations. The decline in the global and local economies has negatively impacted on small and medium enterprises. As a result, risk relating to funding of small and medium enterprises has increased. The NEF has a dedicated risk management function reporting directly to the CEO and Finance and Risk Management Committee.

Established in August 2006, the Risk Management department plays a key role in facilitating the management of risks at the NEF. The department is responsible for creating an awareness of risk management, assisting management in creating a strong control environment and ensuring that the NEF adheres to corporate governance practices. During the current year the department has been involved in key initiatives such as establishing the risk appetite and risk bearing capacity of the NEF which is assisting with future planning of the NEF.

The division is also responsible for implementing a fraud prevention plan and has been responsible for the rollout of a fraud hotline.

With the increase in activity in the regulatory environment the division is implementing a formalized approach to compliance, to ensure that the organization adheres to all relevant legislation and all compliance issues are timeously identified.

In addition the division is currently involved in facilitating the Internal Audit process at the NEF, which is currently mainly outsourced.

Thought Leadership

A strategy for the effective positioning of the NEF brand in the market lacked key attributes in previous years' submission of this strategy and the NEF was tasked to apply our efforts to these final aspects of a robust Marketing and Communications Strategy. This target was a necessity despite the ongoing neutral and positive coverage that the NEF had been enjoying in the media, as it would set out the strategic key messages that would need to be continuously relayed in these coverage opportunities in order to effectively and positively position the NEF brand in the public's perception.

The performance of the Marketing and Communications activities of the NEF can best be measured against the level of media coverage it enjoyed over the year and the level of public engagements, which resulted in participation in more than 30 key public events.

Overall, the NEF obtained coverage in 206 articles and corporate mentions amounting to an average of 20 articles per month, which were largely a positive endorsement (58%) or neutral (38%).

In order to effectively manage the key messages that were being delivered at these interventions and in the media, work commenced on the conclusion of the Marketing and Communications Strategy under the direct leadership of the Executive and which ultimately led to its approval by the Board in April 2009.

The Brand Audit undertaken in the latter part of the year points to the need to position the NEF as a thought leader in economic transformation. This includes the implementation of key anchor projects such as the development of a post-graduate module on BB-BEE with business schools, drawing on the considerable intellectual capital which the NEF has developed as a result of its mandate.

Other opportunities, linked to the need to optimise advertising and media coverage, include the inauguration of regular public roundtables in order for the NEF to lead public discourse on Economic Empowerment and transformation, and to entrench BB-BEE at the centre of the national agenda.

Stakeholder Relations

This year the NEF accompanied or hosted the following delegations at the invitation of the respective stakeholders as an expert-source on the implementation of BB-BEE:

- the Presidential delegation to Qatar,
- the Deputy Presidential delegation to Turkey,
- the dti's delegation to Switzerland and the UK, and
- the African Investor (AI) Summit delegation to the New York Stock Exchange NYSE.

Two presentations were made to Parliament this year. The Strategic Plan was presented in March 2008 and the Annual Report was presented to the Portfolio Committee on Trade and Industry in November 2008, as part of **the dti** joint presentation. Input was made into **the dti** presentation to the NCOP Select Committee on Economics and Foreign Affairs for January 2009.

Of the 31 presentations and exhibitions prepared during the year, several were made as part of and in support of **the dti** agency programme.

Over the year under review the NEF further grew in stature as a DFI with a distinct voice and as a source of reference to other DFIs servicing the South African market. This view became progressively more apparent in the references to the NEF in the media. The NEF has in turn been called upon by **the dti** and the other dominant DFIs to express its view on matters relating to the DFI landscape with special emphasis on the policy supporting its overall mandate, namely BB-BEE.

Human Resources

In the 2007/2008 strategic planning process, the Board of Trustees identified the approval of an HR Strategy required to deal with the attraction, retention and overall wellness of human capital as pivotal.

Firstly the management of the HR portfolio needed to be dealt with, after which the recruitment of staff to support expansion of the NEF became a key operations target. The HR Department played a major role in the compiling a 90-day plan that sought to address mainly the following areas:

- staff resignations, and
- simplifying the recruitment process and finding innovative ways to fill positions efficiently.

The HR Department has been successful in appointing a total of 35 employees until March 2009. To date, the NEF staff complement has grown to 104 employees. In terms of employment equity, the NEF employs 93.5% Black employees, 57% of which are female.

Appreciation

We thank the NEF staff for their generosity in donating clothing, food and other essentials to the victims of xenophobia earlier in the year.

Significant credit goes to the Executive of the NEF who are my key partners in the implementation of the mandate to grow Black participation in the economy. In fulfilling that mandate we are assisted by an able management core, and in no small measure, by a workforce that has come to believe in the vision of achieving an inclusive economy.

We take particular pride in the exceptional and visionary leadership of the Board of Trustees, an esteemed collective of some of corporate South Africa's most reputable minds.

We acknowledge the sterling support and guidance of the government in general, and in particular the Minister, Deputy Ministers, the Directors General and staff of **the dti**, as well as Parliament for the privilege of its wisdom.

We also thank the family of investees whose courage and entrepreneurial spirit is the energy that fuels our mandate, and whose resolve to grow our economy we oblige in daily and patriotic service. You are the empowerment dividend.

Ms Philisiwe Buthelezi –
Chief Executive Officer

"The national policy on BB-BEE also has sound economic as well as constitutional objectives in mind. They are to promote the economic unity of the nation, protect the common market, and promote equal opportunity and equal access to government services."

The Hon. Mr Ebrahim Patel – Minister of Economic Development

PROFILES OF THE BOARD OF TRUSTEES

Mr Ronnie Ntuli

Mr Ronnie Ntuli – Board Chairman, LLB

Mr Ntuli is founder and Chairman of Thelo Group, an independent investment company with interests in the aviation and resources sectors, and is also CEO of Incwala Resources, a R13.5 billion resources investment company focusing primarily on the Platinum Group Metals sector. Preceding his role at Thelo Group, in partnership with one of Africa's largest banking groups, Ronnie founded Andisa Capital a diversified financial services group with interests in private equity, stock-broking, capital markets, corporate finance and treasury solutions, for which he was CEO.

Mr Ntuli is Chairman of the NEF. He is also Deputy Chairman of Comair Limited, a company listed on the JSE Securities Exchange with investments in the Aviation and Travel sectors and operates airlines such as British Airways and Kulula. He is a member of the Honorary International Investor Council (HIIC) for the President of the Federal Republic of Nigeria. The HIIC is a body of leading international business-people that advises the President and members of the federal government on how Nigeria can encourage further investment in the country.

Mr Ntuli is a former President of the Johannesburg Chamber of Commerce and Industry and he is a member of a number of boards and public sector committees. He holds an LLB from the University of Edinburgh.

Ms Philisiwe Buthelezi

Ms Philisiwe Buthelezi – CEO, MBA Corporate Finance, MSc Economics; thesis not defended

Ms Buthelezi was appointed Chief Executive Officer in July 2005, bringing a diverse knowledge of banking, capital markets and international investment in South Africa. Her experiences encompass both private and public sector activities and provide the NEF with unparalleled understanding of the environment in which the organisation operates. Prior to joining the NEF, Ms Buthelezi worked for a French Investment Bank in London, held responsibility for Risk Management Control at the South African Reserve Bank and worked in the Treasury division at Standard Corporate and Merchant Bank.

She was employed by **the dti** to promote European investment in South Africa. In 2002 she returned to South Africa to become the Chief Director of the Black Economic Empowerment Unit of **the dti**, which developed the government's Broad-Based Black Economic Empowerment strategy, the BB-BEE Act and the Codes of Good Practice. Ms Buthelezi is Chairperson of Group Five and also serves on the Boards of Mvelaphanda Resources and Afripalm Resources.

Ms Avril Halstead MBA, MA, B.Comm Honours, Social Sciences

Ms Halstead was Chief Director with the National Treasury to which she was appointed in March 2007. In this position she led the design and implementation of financial structures for recapitalising state owned enterprises. She was instrumental in the unbundling and listing of Vodacom. Ms Halstead has held strategic positions with the Nelson Mandela Foundation (consultant), McKinsey and Company's, Kerzener International (consultant), Old Mutual (project manager: BEE Investment Vehicle) and Wipcapital (corporate financial risk management advisor).

Ms Avril Halstead

"Congratulations to the Board of Trustees, management and staff of the NEF for yet another successful year."

The Hon. Dr Rob Davies – Minister of Trade and Industry

Mr Kabelo Seitshiro

Mr Kabelo Seitshiro BCom, CA (SA)

Mr Seitshiro brings a wealth of experience to the Board of Trustees. He chairs the Finance and Risk Management Committee of the NEF. He is an executive director for IDG Financial Services. Mr Seitshiro was previously a Chief Director: Asset Management for the National Treasury. With a background in auditing, several aspects of investment banking, including structured and corporate finance, he was a director of the Export Credit Insurance Corporation of South Africa Limited and a council member of the Vega School of Brand Communication.

Mr Lloyd Donovan McPatie

Mr Lloyd Donovan McPatie National Diploma in Cost and Management Accounting. Chartered Management Accounting - in progress.

Mr McPatie currently holds the position of Financial Analyst with the Department of Public Enterprises (DPE).

He specialises in performing in-depth financial and commercial analysis on the State Owned Enterprises (SOE) such as Denel and Safcol. Mr McPatie started his career in the banking industry, specifically in the Information Technology Division in 1982, where he was responsible for network maintenance and configuration. After six years he decided to change course and started a career in Management Accounting. He obtained a National Diploma in Cost and Management Accounting at Port Elizabeth Technikon in 1996. He spent 10 years in the automotive manufacturing industry, where he gained extensive knowledge in the management and financial accounting fields, with special focus on manufacturing processes and supply chain management. Before joining the DPE, he spent six years at De Beers Africa Exploration Office. He formed an integral part of the executive management team, providing financial and commercial oversight for the exploration activities in Africa, controlling a budget of about US$60 million.

He is currently finalising his studies towards becoming a Chartered Management Accountant with the Chartered Institute of Management Accountants (CIMA).

Ms Nomonde Mesatywa BProc, PG Diploma in Industrial Relations and Certificate in Legal Practise. LLM - in progress

Ms Mesatywa is the Chief Director for BEE in **the dti**. She graduated from the Universtity of KZN. She holds a BProc, Post Graduate Diploma in Industrial Relations and a Certificate in Legal Practice, and is pursuing her LLM. After completing her articles, she practiced as an attorney with the Port Elizabeth Justice Centre, focusing on various areas of human rights and public law. She subsequently joined the Commission on Restitution: Land Rights in 2001 where she headed the legal division until 2004. In December 2004 she joined **the dti** as a legal advisor, and was promoted to Director of the BEE Unit in 2006.

Ms Nomonde Mesatywa

Mr Thando Mhlambiso AB, MBA, JD

Mr Mhlambiso is a Managing Principal and head of infrastructure equity investments at Absa Capital. To the Board of the NEF he brings 18 years' experience in private equity investing, investment banking and corporate finance law from both South Africa and the United States. In South Africa, Mr Mhlambiso was managing partner of Seaview Partners, CEO of Sanlam Private Equity and a founding partner of Kagiso Ventures Private Equity Fund. In the United States, Mr Mhlambiso was a founding partner of Genesis Capital Partners, an M&A associate of JP Morgan and a corporate attorney of Skadden Arps Slate Meagher and Flom. He chairs the investment committee of the NEF Board and serves as a director of Allan Gray, Chairman of E^2 and vice-chairman of council (and a member of the executive and remuneration committees of council) of the University of Cape Town.

Mr Thando Mhlambiso

REPORT OF THE TRUSTEES

This report sets out the results achieved by the National Empowerment Fund (NEF) against Key Performance Indicators to be found in the Strategic Plan for the years 2008 – 2012. The focus of this report will be fiscal year 2008/9, where both qualitative and quantitative results will be examined as befits a Development Finance Institution (DFI). Further, the report is distinctively divided between the Core and Support functions of the NEF in recognition of the fact that delivery on mandate would be impossible without a well-rounded organisation, which the Board and management have built.

THE HISTORY OF THE NEF

The NEF was established by the National Empowerment Fund Act No 105 of 1998 (the NEF Act), with the purpose of promoting and facilitating Black economic equality and transformation. Its mandate and mission is to be a catalyst of BB-BEE. The NEF, in recognition of the national character of its mandate, is committed to maximising its reach to all provinces in pursuit of its mandate to promote BB-BEE participation in the South African economy. As such, the NEF has organised itself and crafted interventions specifically designed to nurture the entrepreneurial spirit of Black people in South Africa, and in so doing, move the country towards its goal of an inclusive economy.

With this Report, the Board of Trustees present to the government, the Parliament and people of the Republic of South Africa an account of how the NEF is discharging its mandate as the driver of BB-BEE, and how its mandate seeks to bring real economic opportunities into the hands of many.

Strategic Planning Framework

In order to implement its mandate, the NEF has developed a three-year Strategic Plan for the years 2008/09 to 2010/11. The strategy was developed through a broad consultative process. The consultation started with internal divisional strategic planning meetings. The output of this exercise was tabled for further refinement at the combined Executive and Management Committee strategic workshop that took place in November 2007 and then again at the end of February 2008. In March 2008, the NEF Board of Trustees approved the final version of the Strategy and Business Plan.

Accordingly, the Board of Trustees challenged each division of the NEF in respect of the articulation of their respective strategies for the coming years to examine the planned activities and outputs to effectively respond to the injunction: **"What are we as the NEF, doing in this area of focus, which is extraordinary, in the implementation of our mandate."** This document therefore elaborates on the NEF's strategic responses to this challenge.

In addition, the NEF completed an Annual Business Plan for 2009/10. This Business Plan reflects the details regarding the planned approvals and disbursements for the Fund Management Division and associated activities for 1 April 2009 to 31 March 2010. The business plan has also outlined the planned activities of the three core divisions for the same period, namely Asset Management, Fund Management and the recently established Strategic Projects Fund, including a finance and resource plan to support the implementation of the core strategies.

THE QUEST FOR ECONOMIC CITIZENSHIP FOR ALL

As a direct result of apartheid's social engineering, Black people (African, Coloured and Indian) were largely excluded from the economic mainstream, consigned largely to small retail activity, small-scale farming and jobs/careers where capital could not be accumulated. The result has been that collectively, Black South Africans own less than 15% of the national economy, despite their constituting over 85% of the population.

New leadership: Three tools to deliver on mandate

The appointment of the second Board of Trustees in November 2005, following the appointment of the current Chief Executive Officer (CEO), Ms Philisiwe Buthelezi, saw the scene set for the overall revamp of the operations and strategic plan of the NEF. This strategic plan added another leg to the NEF mandate, which built on the Fund Management Division (FMD) and the Asset Management Division (AMD) with the introduction of Strategic Projects Fund (SPF).

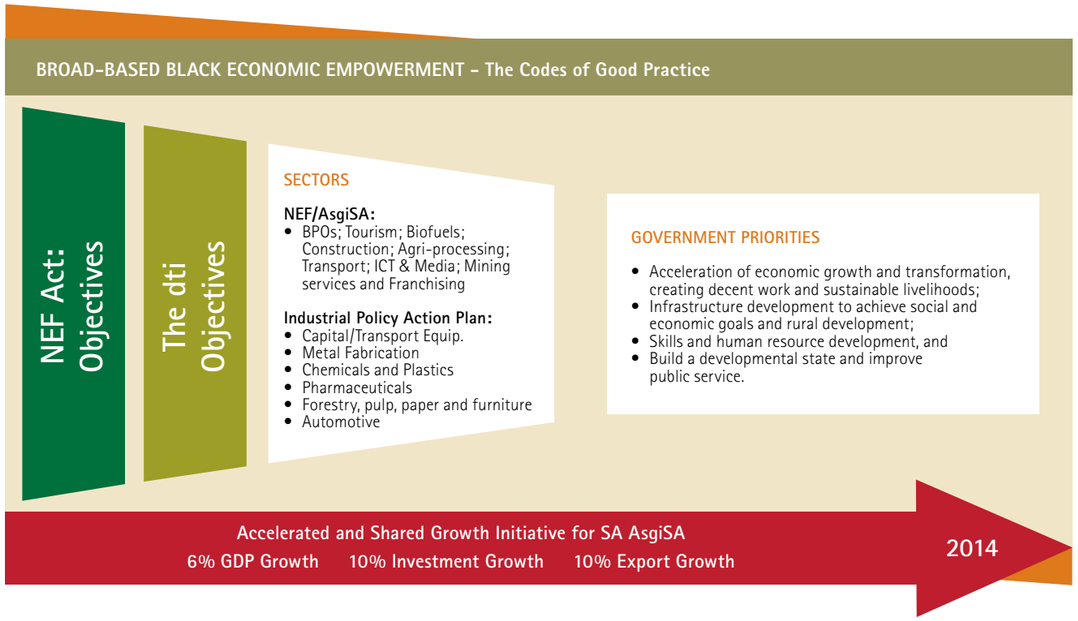


Figure 1: The Strategic Planning Framework

As stated previously, the report of the Trustees will highlight the core divisions of the NEF as well as what is euphemistically called the support divisions as a means of fully reflecting how the NEF delivers on its mandate.

CORE DIVISIONS

The NEF implements its mandate in three distinct ways:

- Firstly, it provides financial and non-financial solutions across a range of sectors to advance sustainable Black economic participation in business enterprises through its Fund Management Division.
- Secondly, it structures equity-based retail products to ensure meaningful economic participation and maximised economic benefits through promoting savings and investment activities to a broad base of Black people through its AMD: and
- Thirdly, through its Strategic Projects Fund, the NEF plays a central role in early stage projects by identifying, initiating, scoping and developing projects aligned to the AsgiSA Strategy in partnership with industry experts and financiers. These projects, once identified, will be taken through four-stages in project development phases which are Scoping, Pre-feasibility, Bankable Feasibility and Financial Closure in similar way to typical venture capital finance.

  The SPF allows the NEF the ability to secure and warehouse for BEE equity stakes in large-scale investments at low valuations due to early stage project participation.

Since inception up to 31 March 2009 the NEF approved 177 transactions worth R1.4 billion, and 160 transactions of R978 million were disbursed. As at 31 March 2009, transactions included in work-in-progress total 50 deals worth R1.077 billion. By percentage, 67% of the portfolio by value has been disbursed to buy equity in White-owned businesses on behalf of Black entrepreneurs; and 82% of the portfolio by number has been disbursed to Black entrepreneurs starting up or expanding their own businesses.

By number, 75% of the portfolio is based on loan funding and 25% of the portfolio is in loan and equity funding. However, by value 31% of the portfolio is based on loan funding and 69% of the portfolio is in loan and equity funding; 76% of NEF's funds are invested in deals below R5 million and 24% above R5 million. The NEF's R978 million invested portfolio has leveraged a further R1.980 billion worth of third-party funding.

	(R) Value	% By Value	By Number	% By Number
Early Stage	R217 m	22.3%	101	63.0%
Development Stage	R103 m	10.5%	30	18.8%
Later Stage	R658 m	67.3%	29	18.2%
	R978 m	**100%**	**160**	**100%**

Table 1: Riason D'être of the NEF's Programmatic Interventions

Investment Methodology and Portfolio

The NEF's investment methodology enables the institution to pursue national priorities such as BB-BEE, **the dti's** industrial policy objectives and the targeted government programmes such as the AsgiSA. The AsgiSA is a plan by government to boost the country's growth to 6% and halve poverty and unemployment by 2014.

FUND MANAGEMENT

The Fund Management Division (FMD) was established in 2006 and began its activities in earnest with the appointment of the current CIO and senior management team to promote and support business ventures pioneered and run by Black people.

The programmatic interventions for the year under review are set out below.

Business Planner

The NEF identified the writing of business plans as one of the key challenges faced by Black entrepreneurs. After investigating this market failure, the NEF developed an online tool available free to the public on the NEF's website. This tool is a step-by-step guide designed to help entrepreneurs in the compilation of a business plan including financial projections.

The salient features of the business planner are as follows:

- The output (business plan) is institutionally agnostic – meaning once produced it can be taken to any of the DFIs or other financial institutions, and
- The Financial Projections model is currently available in five languages, namely xiTsonga, seSotho, siZulu, English and Afrikaans.

While the tool became available on-line during the third quarter of the year under review, the national and provincial launches of the business planner will take place in the next financial year.

Rural and Community Development Fund

The Board has approved the establishment of a dedicated Rural and Community Development Fund (RCDF) to address the funding requirements of rural and community development projects in various provinces. An amount of R300 million has been allocated to the fund. Some of the projects that have been funded to date include Amajuba Berries and Middlesdrift Dairies.

The NEF is particularly proud of its RCDF in that its creation is a direct result of the NEF understanding the needs of its target market, and aligning itself with national policy.

Mentorship Programme

The mission of the Post-Investment Unit is to provide non-financial business support to NEF investees for the purpose of bolstering their operational capacity. Accordingly, one of the initiatives of the Post-Investment Unit is the mentorship programme through which the NEF provides advice on business processes. The Unit is grounded in the philosophy of "turn around, don't liquidate", which is a recognition of the NEF's developmental role.

The provincial deployment and rollout plan of the mentors has commenced and will continue beyond financial year 2012. The mentorships panel consists of 77 mentors, with representatives from each of the provinces, and the NEF itself provides mentorship to its investees without charging any fees. It is hoped that the mentorship programme will be adopted as a standard for the investing of capital in the SME sector.

National Footprint – SME Strategy

In an attempt to better serve its market the NEF has identified the need to "go where its clients are", as such, it has developed a strategy for its SME programme. The concept is a simple one and entails the establishment of NEF presence in provinces that have been underserved by the organisation to stimulate "deal flow" and to be seen as a funder of first choice by local entrepreneurs.

While the modalities of presence are still being developed, it is envisaged that the NEF will employ a combination of a "co-location" or "go it alone" strategy as is practical under the circumstance. The Provinces to be targeted will be: (i) Limpopo; (ii) Northern Cape; (iii) Mpumalanga; (iv) North West; (v) Eastern Cape and (vi) Free State.

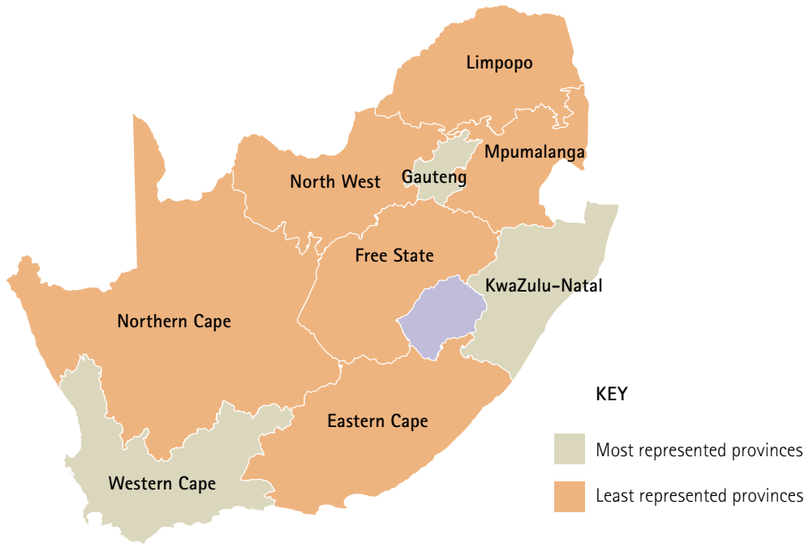


Figure 2: The NEF Small and Medium Enterprises National Footprint Strategy

ASSET MANAGEMENT

The Asset Management Division (AMD) is one of the NEF's key interventions in delivering on its mandate. The AMD was established in 2006/7 and began activities in earnest, building up to a peak in 2007/8 with the launch of the NEF Asonge Share Scheme.

The AMD was created specifically to address the above objectives that the NEF Asonge Share Scheme was launched targeting more than 86 000 beneficiaries. Asonge has provided an exceptional empirical and sociological foundation upon which future strategic inventions will be devised. These interventions are:

- Ensure that new products are aimed at accessible subscription levels and structures so that lower income groups are not excluded,
- Address geographic access to product offerings through targeted communication campaigns, engagement with provincial governments and the existing NEF Asonge share register, and
- Capitalise on the NEF Asonge share register with future offers allowing the Black public diversification opportunities and extend the reach of future offers through this channel.

Mandate

In discharging its mandate, the AMD is guided by the following two imperatives:

- Provide Black people with direct and indirect opportunities to acquire share interests in state-owned and private business enterprises; and
- Encourage and promote investments, savings and meaningful economic participation among Black people.

AMD is also assisted by the following four legal and policy instruments:
(i) the NEF's founding Act of 1998; (ii) the BB-BEE Act of 2003; (iii) the Policy Framework for an Accelerated Agenda for the Restructuring of State-Owned Commercial Enterprise (August 2000), which requires the NEF to broaden empowerment with State-Owned Commercial Enterprise (SOCE) allocations through individual and collective share ownership; and (iv) the Cabinet Memorandum No. 32 of 29 November 2000, which was adopted on 6 December 2000, nominating the following SOCE equity allocation for transfer to the NEF.

Asset	Shareholding %	Status
MTN Group	**1.5**	**Received by NEF**
Telkom	5	Not yet received
SAA	5	Not yet received
ACSA	10	Not yet received
Connex travel	**10**	**Received by NEF**
Viamax	10	Not yet received
Syncat	10	Not yet received
Transwerk Perway	10	Not yet received
Sentech	10	Not yet received
Uthingo*	**5**	**Received by NEF**
SAFCOL	10	In discussion

* The company Uthingo is currently undergoing a winding-down application

Table 2: Designated State Allocated Investments

The success of the NEF Asonge Share Scheme in the 2007/2008 financial year positioned the NEF as an unrivalled authority in Black Public Offers (BPOs). The NEF's expertise in BPOs resulted in Sasol soliciting the NEF's strategic advice and services for their "SASOL Inzalo" BPO in the foregoing financial year. This advisory work comprised counsel on the offer structure, marketing and communications as well as investor education. It is with endorsement that the Board can assert that the AMD has been successfully implementing its mandate.

The AMD remains driven to inculcate a culture of savings and investment among Black people. The NEF has remained actively involved through its investor education programme in encouraging Asonge Investors after the expiry of the 12 month lock-in period, to retain their shares and thus qualify for their bonus shares. This educational intervention on the part of the NEF's AMD has led to increased understanding of investment instruments and has resulted in a mere 5.7% of the Asonge investors having traded their shares.

The AMD is also involved in a number of programmes meant to drive Black participation in the shareholding of SOCEs and to increase the understanding of Black people in financial instruments.

Other AMD programmes are set out below and represent the full scope of AMD programmatic offerings in support of the NEF's mandate.

South African Forestry Company Limited (SAFCOL)

The NEF has made good progress on securing the in-principle support for the transfer of the SAFCOL equity allocations from the Department of Public Enterprises (DPE) with conclusion herein being expected in the second quarter of the new financial year. The allocation strategy presented here is unique and again bears testimony to the capability of the NEF in the design of effective broad-based ownership schemes, along with the desired support mechanisms to assist in their successful implementation.

Gidani

The decision to increase the NEF's allocation in Gidani to 10%, from an original 5% when the current National Lottery operating licence was awarded in 2008, demonstrates government's recognition of the NEF's unique successes with Asonge. Asonge shares were sold for R73,84 in June 2007 and have grown by an average 60% throughout the investment period, despite the economic downturn.

The dti has been engaged with respect to the Gidani shares culminating in a way forward that should see the Gidani shares transferred to the NEF balance sheet by the close of the third quarter of 2009/2010.

Retail Integration and Enterprise Development

The AMD has also considered the implementation of a further retail product and an Enterprise Development Fund which are both in the process of scenario testing and planning. Both products will deepen the NEF mission of achieving the broadest based empowerment for our people and, in the case of the retail sector, transform an area of our economy that has undergone minimal transformation.

Investor Education

The NEF will in the years 2009 – 2011 be conducting 74 seminars on investor literacy, in all the provinces of the Republic, to promote a culture of savings and investment among our communities. The investor education programme will start in July 2009 in Northern Cape and end in February 2011 in Limpopo Province.

The seminars will serve the following purpose:

- Facilitation by accredited facilitators with examples and case studies in local languages,
- Facilitation of interactive education seminars to provide the target audience with the necessary tools on how to save/invest with the different financial products and savings options available in the market, and
- Providing the audience with an education booklet which becomes a reinforcement tool.

The AMD will continue to identify gaps in transformation and actively intervene through design and implementation of solutions aimed at sectoral transformation and enhancing general enterprise performance on each element of the BEE scorecard.

Another potent arrow in the quiver of the NEF, and the third pillar of its intervention ability is the Strategic Projects Fund (SPF), which is to provide Black people access into early stage and greenfields projects. The SPF and its activities for the year under review are set out as follows:

STRATEGIC PROJECTS FUND

Strategic Projects Fund (SPF) mandate within the NEF is to play a central role in early stage projects by identifying, initiating, scoping and developing projects aligned to the AsgiSA Strategy in partnership with industry experts and financiers.

Once identified projects are taken through four-stages in project development which are: (i) Scoping; (ii) Pre-feasibility; (iii) Bankable Feasibility; and (iv) Financial Closure in similar way to typical venture capital finance. The SPF allows the NEF the ability to secure and warehouse for BEE equity stakes in large scale investments with "long-lead-times" at low valuations due to early stage project participation in the following sectors:

- Renewable energy
- Mining and minerals beneficiation
- Agro processing
- Tourism
- Business process outsourcing
- Infrastructure

Milestones

An example of a deal concluded by the SPF would be Thin Film Solar Technologies (TFST), a new €83 million production facility located in Paarl, Western Cape. The main shareholders are Venfin, Central Energy Fund and Photovoltaic Technology Intellectual Property (Pty) Ltd. Operational Company – Thin Film Solar Technology (Pty) Ltd (TFST).

The transaction entailed an opportunity for the NEF to warehouse a 6.2% shareholding for BEE in the development of 30 Mega Watt peak "Green power" production plant in the Western Cape, Paarl. The plant will hold the master licence for Africa and manufacture photovoltaic cells. The NEF invested R37 million in the R830 million TFST project. Upon completion the project will create 150 direct jobs and will generate €300 million of foreign exchange through its first six years of sales. The thin film Photovoltaic solar panel is used as an alternative source of electricity and is a renewable energy source.

Yet another success of SPF has been Renu Energy a bio-fuel facility located in the KwaZulu-Natal, which uses forestry waste to create pellets that are used in Europe as fuel for electricity generation. Once it reaches capacity, Renu will also contribute positively to the nation's balance of payments by generating hard currency in exchange for product.

EMPOWERMENT DIVIDEND

The achievements outlined above all speak to what the NEF has describe and termed the "empowerment dividend" that the NEF is mandated to foster.

The NEF measures and assess its impact not only on the basis of financial return, but in accordance with what we refer to as the Empowerment Dividend or Social Internal Rate of Return (SIRR). The SIRR by definition has to be multiples of an Internal Rate of Return (IRR) as the social impact of the NEF's investing has to manifest itself in more than financial return.

SPF, AMD and FMD are thus all drivers of the NEF's Empowerment Dividend. The overall BB-BEE score as calculated in the balanced scorecard is thus used as a principal measure of the contribution that the business under consideration is going to make to the furthering of BB-BEE. This score and subsequent progress in meeting its targets is evaluated at the date that funding is approved as well as subsequent to this through the post investment monitoring function of the NEF.

Targets in respect of BB-BEE are not specifically set at this stage, though minimum eligibility criteria are in place against each specific product offering.

The Empowerment Dividend elements are as follows:

- **Participation by Black women –** the NEF emphasises the empowerment of women by providing for an additional weighting for Black women participation, over and above that allocated in the balanced scorecard. The target for women's participation is 40% of the BEE ownership level supported in each transaction. While the current performance of 31% is admittedly low, the Board believes that future programmatic interventions such as the Business Plan toolkit, to be discussed later in this report, will mitigate those market failures which impede the entry of Black women entrepreneurs in the economic mainstream.

  It is instructive that the phenomenally successful NEF Asonge Share Scheme of 2007 revealed a greater propensity among Black women to invest in higher asset classes. Women, however, still have lesser means of economic participation. By number, more women than men subscribed, nearly meeting the 50% planned allocation. By value, however, women subscribed for 39% of the 50% allocation.

	Rand Invested	Number of Jobs	Existing Jobs	New Jobs	Rand per Job
Acquisition Funding	R459 m	2 409	1 595	814	121 248
Capital Market	R64 m	4 507	4 444	63	14 220
Entrepreneurs Fund	R102 m	1 288	474	814	82 275
Franchise	R52 m	503	80	423	86 825
Liquidity and Warehousing	R150 m	3 981	3 696	285	74 386
Procurement	R91 m	1 225	352	873	56 585
Project Finance	R29 m	1 131	274	857	27 071
Rural and Community	R31 m	822	0	822	0
Total Portfolio	**R978 m**	**15 866**	**10 915**	**4 951**	**53 060**

Table 3: The NEF Job Creation Programme

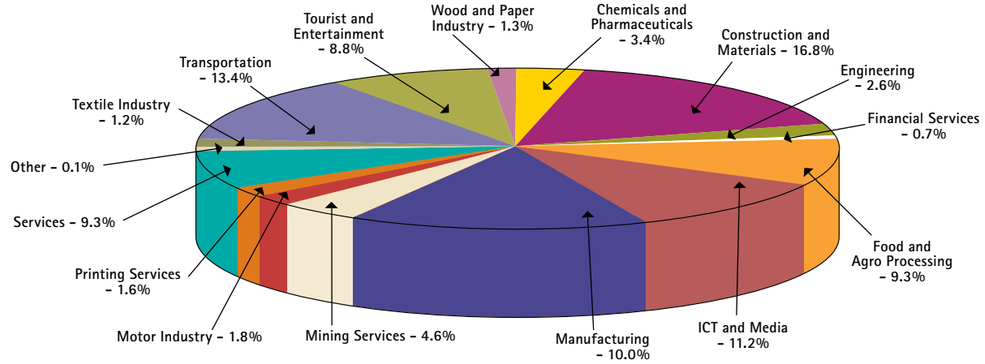


Figure 3: NEF Invested Portfolio by Sector by Value as at 31 March 2009

"For me an important area where the NEF is making a significant difference is in investor education, which is meant to help more and more people to save and invest."

Ms Agnes Mukwevho – Facilities

- **Job Creation –** Contribution towards employment creation and the number of jobs created per rand invested or jobs sustained through expansion type activities. Targets in terms of job creation are not specifically set though the results are monitored by business stage and against industry reported job investment levels and costs.
- **Investment in Priority Growth Sectors –** The number of investments facilitating Black ownership and control of existing and new enterprises in the priority sectors of the economy as identified by the AsgiSA and the National Industrial Policy Framework (NIPF).
- **Geographic Spread –** Geographic spread of investments and contribution towards increased economic activity across all provinces, particularly in areas of regional economic disadvantage. Targets in terms of geographic spread are set to attempt to surpass the respective provinces relative contribution to national Gross Domestic Product (GDP).
- **Investment Return –** The real return that each Fund realises on capital employed, after the impairment ratios experienced for that fund, as a combined measure of debt, equity and quasi equity invested. Investment return targets aim to achieve a real return of the equivalent of the risk free rate of return for iMbewu Fund and at least an 18% IRR for Corporate Fund and Strategic Projects Fund. The activities above are made possible by the support functions of the NEF which assist in driving and delivering on mandate.

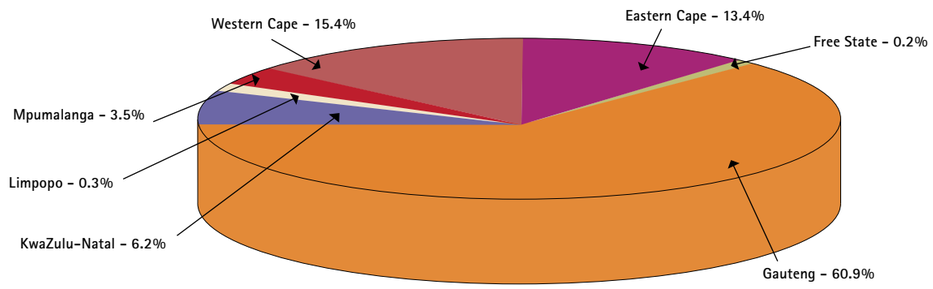


Figure 4: NEF Invested Portfolio by Region by Value as at 31 March 2009

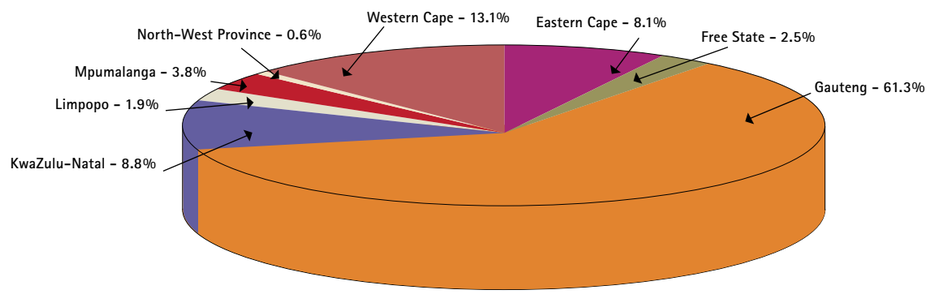


Figure 5: NEF Invested Portfolio by Region by Number as at 31 March 2009

While the statistics above largely mirror the country's GDP dynamics, the NEF cannot neglect the Northern Cape, North West, Limpopo, Free State and Mpumalanga Provinces. Similarly, the Board believes that the NEF can optimise its funding footprint in the Eastern Cape, KwaZulu-Natal and the Western Cape, in order to bridge the economic divide on a national scale. Accordingly, and as discussed in the latter part of this Report, the NEF will be adopting a number of meaningful and effective measures to maximise its visibility and to take its value proposition more aggressively across the country, and to provide innovative financial and non-financial support to Black entrepreneurs countrywide, into the hands of many.

We are encouraged, however, that the results of the NEF Asonge Share Scheme, which was oversubscribed by 13% when the results were declared in 2007, revealed a greater provincial response from the targeted Black public, as outlined below:

Province	Allocation %	Subscriptions	Subscriptions %	Over/Under Subs (-)
Eastern Cape	13.5%	R35,283,118	4.0%	- 71%
Free State	6.3%	R22,073,204	2.5%	- 60%
Gauteng	21.5%	R434,221,613	48.8%	127%
KwaZulu-Natal	21.4%	R191,039,774	21.5%	1%
Limpopo	10.5%	R44,372,407	5.0%	- 52%
Mpumalanga	7.3%	R33,205,804	3.7%	- 49%
Northern Cape	2.2%	R7,495,183	0.8%	- 62%
North West	7.5%	R29,947,841	3.4%	- 55%
Western Cape	9.8%	R91,594,913	10.3%	5%
	100.0%	**R889,233,857**	**100.0%**	

Table 4: Results of the NEF Asonge Share Scheme by Province

When the results were declared, the allocations by province were planned in accordance with population statistics, but the actual subscriptions indicated significantly more personal investment capacity in Gauteng. In pursuit of the strategic objective to encourage a culture of savings and investment among Black people, allocations from undersubscribed provinces were transferred to oversubscribed provinces, and as a result of overwhelming interest shown in Asonge, the Board approved a further 1 376 058 shares for the share scheme worth R103 million to match the 13% oversubscription level.

FINANCE

The Net Asset Value is used as a key measure of the increasing critical mass of the Trust at each reporting date. This has increased and appreciated to a level of R4.6 billion as at 31 March 2009 and is supported by Capital and Reserves as depicted in the Figure 6.

The reported accumulated surplus is represented largely by the re-allocation from the fair value non-distributable reserve (NDR) "transfer" of the value unlocked by the Asonge Share Scheme. This entailed the offering of half of the 1.5% MTN share portfolio held by the NEF to investors by means of a subscription process, the proceeds of which had to now be accounted for in accumulated surplus.

Trust capital now represents the total transfers received for fund management purposes from **the dti**, through the annual Parliament voted budget.

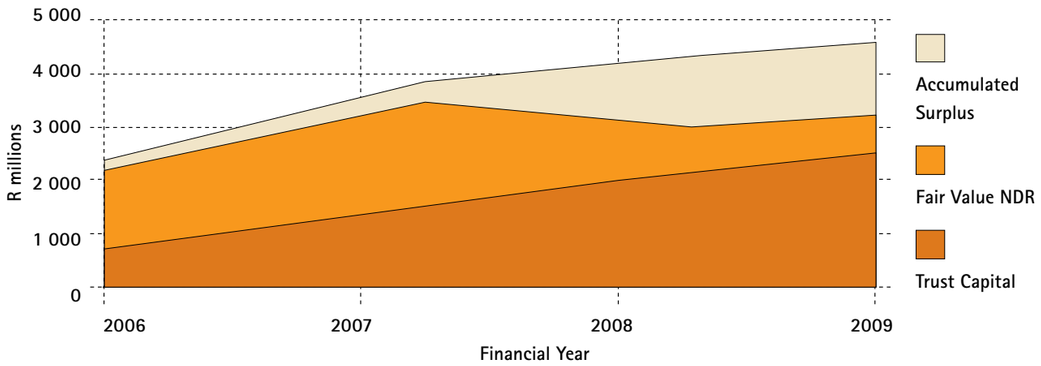


Figure 6: Capital and Reserves

CAPITAL AND RESERVES

The above capital and reserves have been applied in terms of actual activity to March 2009 as well as projected activity for the two years to March 2011:

A further measure that the NEF watches closely each year is the impairment ratio of originated loans as an indicator of the viability of the businesses the NEF Fund Management Division is investing in. This ratio is considered at an overall level, inclusive of any write-offs each year, so as to present a complete perspective. It is further considered at an individual fund level, that is, for the Corporate Fund and for the iMbewu Fund. The year ending March 2009 saw write-offs being reported for the first time since accounting for the Fund management activities of the NEF.

This was in fact merely an accounting entry to the write-off account, since the affected investments were already fully impaired in previous financial years. The legal collection process had, however, not been fully concluded with the intention to collect what security could be collected on these non-performing loans.

The overall impairment plus write-off ratio for this financial year was 24% (2008: 19%) of the cost value of the originated loans portfolio. This comprised a 15% impairment ratio plus 9% of the loans portfolio being written off this year. This overall ratio was up from the previous year and is symptomatic of the increasing business risk the loans portfolio demonstrates, largely as a result of the difficult economic situation underwhich these companies traded and the business risk associated with the SME businesses being supported. A total of 22% of the value of the portfolio is reported as early stage business and 57% of the value of the write-offs in fact were early stage businesses.

This ratio of failure is unfortunately consistent with industry norms. Notwithstanding this, the NEF's Post-Investment Unit actively monitors each transaction in the portfolio. The written-off transactions, however, date back to the years up to 2004/5 and 2005/6 at a time where this Unit was not yet in place. We expect that this Unit's involvement will lessen write-offs for transactions, especially start-ups that were funded in the years from 2006/7.

Effective interest earned on the loans portfolio increased to 14% for the year (2008: 12%) but after impairments, the loans portfolio yielded an annualised return of 2% per year.

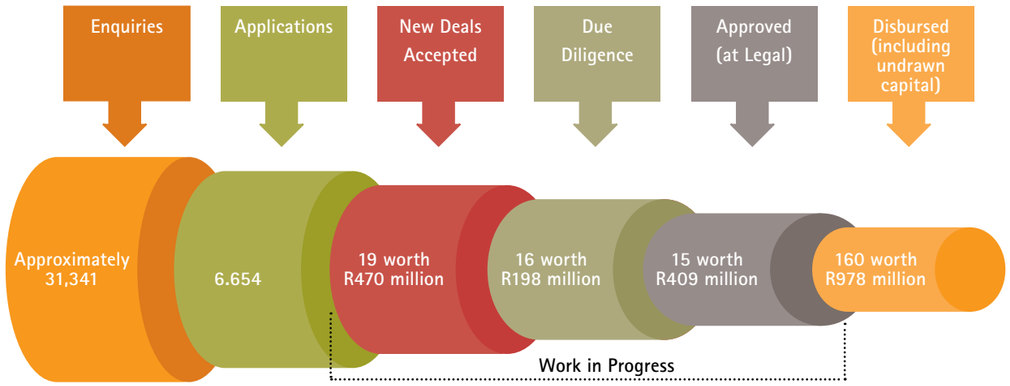
The unlisted equity portfolios are still young in terms of fund management maturity and though are being fair valued each year, will not demonstrate the intended returns for some years still. These yielded R5,9 million (2008: R9,6 million) in dividends as reported in the Annual Financial Statements.

The most reportable investment activities in the AMD were the treasury management of the cash proceeds yielded from the Asonge Share Scheme offered in the previous financial year, which yielded R130 million in interest income (2008: R22 million), an effective 11.5% for the year, and the need to provide for the bonus share to be awarded in the next financial year. This provision of R121 million this year, reflects the expected fair value charge to the income statement to be incurred at the time of awarding the bonus share in September 2009.

Operations

The operational activities required to sustain the core investing activities for the year were financed entirely out of finance income this financial year. This need arose following the virement of the NEF 2008/9 voted transfer through the Medium Term Budget Policy Statement which was presented to Parliament in November 2008 by the Minister of Finance.

This was undertaken in consultation with the NEF by **the dti** since the NEF clearly has been able to demonstrate its sustainability of operational expenditure being borne out of investment and financing activity income. This scenario is unlikely to re-occur in the next financial year since voted transfers for operations have been received in full at the date of this report. It is uncertain that the Medium-Term Expenditure Framework (MTEF) has made provision for further funding for the NEF, both for investment and operations activities. The Board is aware of this possible scenario and is working closely with management on the capitalisation needs and scenarios over this MTEF period.



NEF Work in Progress: 50 transactions worth R1.077 billion

Figure 7: NEF Process Report as at 31 March 2009

Expenditure

Expenditure trends have grown in line with the rolling three-year strategic plans of the NEF. The operational costs for the NEF of R108 million (2008: R83 million) were maintained within the budget set for the financial year of R135 million (2008: R100 million), with some savings being incurred in the human resource costs budgeted for, though the NEF only reported a vacancy rate of 15% as at the end of the year (2008: 26%). This improvement is as a result of the recruitment plans put in motion by a better managed HR department at the NEF.

Travel expenditure has been separately disclosed from this financial year to fully disclose all expenditure in line with government's expenditure management initiatives.

Expenditure by nature may be specifically commented on as follows:

- Professional fees were largely represented by legal expenses incurred through the newly appointed legal counsel panel, tasked with assisting with drafting of transaction agreements plus collections on defaulting loans. Some consulting fees were incurred in the areas of Information Technology as part of the outsourced model followed in this financial year. There is, however, increasing in sourcing taking place in this area which will be reflected in the next year's expenditure trends;
- Marketing activities increased in line with the increased campaign plans for promoting the brand awareness and product awareness of the NEF;
- Personnel costs represent 62% of total costs incurred (2008: 61%) since the NEF staff complement is largely comprised of investment professionals (50% of total staff).

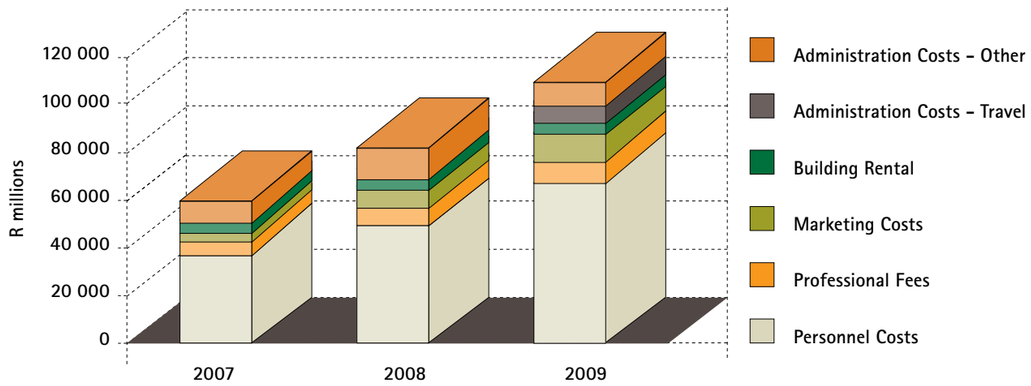


Figure 8: Operations Expenditure

Cash Management

The NEF management embarked on an active cash management programme this year, supported by an initiative to establish a fully functional treasury operations department. The latter is still undergoing Board and National Treasury review and approval and is set to be implemented in the next financial year.

Cash management activities resulted in annualised returns of 11% being earned on cash invested with the NEF appointed banks (2008: 10.5%). R1.055 billion of the cash on hand (2008: R0.925 billion) was as a result of the NEF Asonge Share Scheme retail offer and is still subject to National Treasury approval for the NEF to retain this cash for investment activities.

Therefore of the cash on hand, R1.5 billion is available for investment activities of the NEF as reflected below:

	2009	2008
	R000's	R000's
CASH AND CASH EQUIVALENTS		
Trust capital for investments	**R1,391,592**	R1,250,046
Interest earned on cash	**R157,067**	R142,320
Proceeds on Asonge Share Scheme (incl. interest)	**R1,055,529**	R925,391
	R2,604,188	R2,317,757

Table 5: Cash and Cash Equivalents as at 31 March 2009

Procurement

The NEF, by the nature of its mandate, supports preferential procurement through its Supply Chain Management Policy which strives to procure the bulk of its goods and services from BB-BEE suppliers. The assessment of NEF suppliers thus focuses on all elements of the scorecard over and above ownership only, though ownership does also play a key role in the assessment.

During the year under review the NEF achieved procurement spend as detailed below:

	Owership >25.1%	Ownership >50.1%	Total Procurement
Value of goods procured	R36,404,031	R28,785,188	R42,768,720
% of goods procured	85%	67%	

Table 6: Preferential Procurement Activity Report as at 31 March 2009

"Access to finance is made even more difficult by the fact that many aspiring entrepreneurs with good ideas do not know how to put together a good business plan. The NEF provides a real solution to address this challenge."

Mr Nthato Makhubo – Pre-Investment Unit

INFORMATION TECHNOLOGY

Project Siyasebenza update

As the NEF's business model grew over the years, the business needed to streamline processes and implement integrated business systems to support the business model. The primary objective of the project was to re-engineer existing business processes in line with best practice and implement supporting systems.

The envisaged systems needed to fulfil the following:

- electronic document management,
- electronic workflow,
- enhanced management information reporting, and
- automated process controls.

End Product of the Project Siyasebenza

The final deliverable of project Siyasebenza is an integrated end-to-end system that enables the business to meet both its operational and reporting goals from a single repository of NEF information. The integrated system is composed of the following line of business systems:

- CreditEase (Loans Management),
- Microsoft Dynamics ERP (HR, Finance, Procurement),
- Microsoft Dynamics CRM (Fund Management Division),
- Microsoft SharePoint Portal (Intranet, Document Management),
- Microsoft Business Portal (Requisition Management, Leave Management, Workflow), and
- Management Information Reporting

The greatest business benefit is the standardisation of business processes across the organisation built on a common system platform. To further support users and entrench the process culture, standard operating procedures were developed for each department and made available on the Intranet.

Formulation of an IST strategy

Key components of the envisaged In-service Training Strategy (IST strategy) will be built on high availability of computing platforms, leveraging the current IT investment, developing internal support competency and implementing a risk and governance framework.

Strategic Drivers

- leverage the current IT resources in respect of full functionality,
- infrastructure modernisation,
- competency and skills development,
- readiness for regional presence,
- cost containment,
- standardisation of processes, procedures and methods, and
- risk management and governance.

Given the drivers set out here, an IST road map was designed to help us achieve specific objectives as set out in the different departmental strategies. The road map comprises two aspects of IST, namely IT operations and the enablement of business strategies.

Infrastructure Modernisation

One of the key deliverables of Project Siyasebenza was the modernisation of the infrastructure in terms of servers, databases and user workstations. The server and database landscape was fully converted to cope with the demands of the new line of business systems. The user workstation modernisation project will be concluded in the second quarter of the 2010 financial year.

Project Siyasebenza: Phase 2

Phase 2 of Project Siyasebenza will focus more on introducing new business capabilities, business process optimisation and ongoing enhancements. Some high-level requirements have been identified by line managers and planning for their analysis phase is already underway.

Human Capital

The NEF has seen tremendous growth during the last financial year with the headcount growing from 86 employees at the beginning of the financial year to 104 end, with a total of 35 new employees being appointed. This significantly reduced the vacancy rate to 14.5%. The rate of attrition also decreased and this is attributed to the NEF's implementation of retention initiatives.

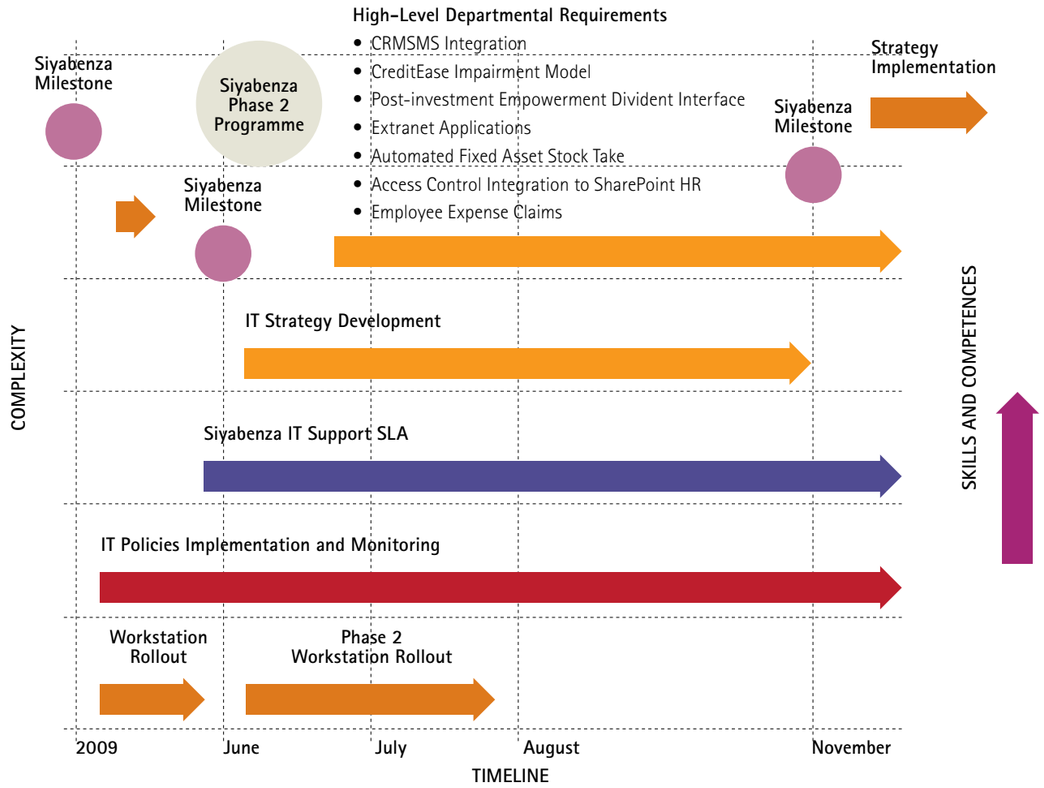


Figure 9: First Road Map

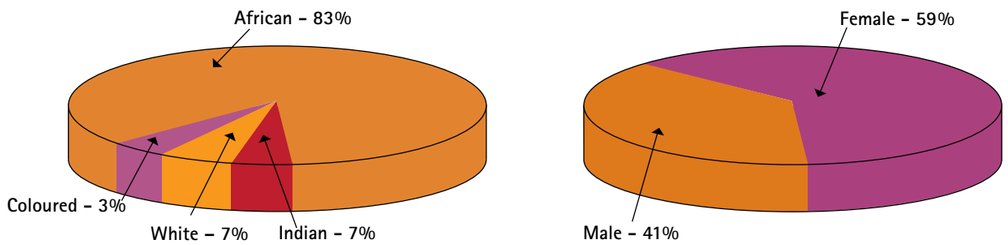


Figure 10: NEF EE Report

The HR department has also migrated from being an administrative function to that of a strategic partnership role, which has led to HR and the various departments working together more effectively to achieve the NEF's mandate. As an academy of excellence involved in the implementation of a unique mandate, training and development has continued apace, with several employees successfully completing various qualifications ranging from degrees, certificates, diplomas, MBAs, CA qualifications and short courses as a result of a comprehensive study assistance programme that will equip employees with the knowledge and skills required to perform at or above required organisational levels.

	Level of Employee	No	%	Permanent	Contact
1	Top Management	3	2.9%	3	-
2	Senior Management	12	11.5%	7	-
3	Middle Management	7	6.7%	7	-
4	Professional	48	46.2%	48	-
5	Clerical	34	32.7%	31	3
	GRAND TOTAL	**104**	**100%**	**101**	**3**

Table 7: Levels of Employees

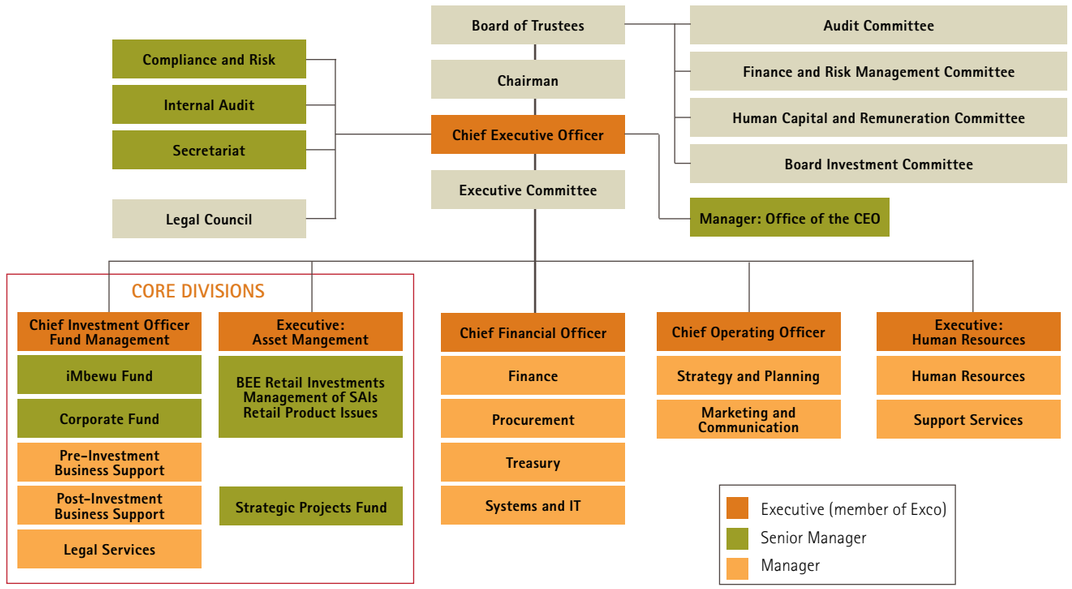


Figure 11: Organisational Structure

The implementation of the Long-Term Incentive Scheme can be cited as another success aimed at retaining key skilled individuals within the NEF as the competition and demand for experienced and skilled staff remains a challenge for all employers. The employee wellness programme, which offers staff ongoing health management, psycho-social support, work-life balance, financial and legal advice was launched in January 2009 and bears further testimony to a caring employer of choice, and by so doing increases productivity, decreases absenteeism and reduces staff turnover. A breakdown of the employee levels within the organisation are presented in Table 7. The race and gender breakdowns are presented in Figure 10.

Allocation of M and C budget – 40 %	Contribution to GDP (2007)	Contribution to GDP (2007)	Allocation of M and C budget - 60%
Northern Cape	2.2%	33.5%	Gauteng
North West	6.5%	16.2%	KwaZulu-Natal
Limpopo	6.9%	14.5%	Western Cape
Mpumalanga	6.9%	7.8%	Eastern Cape
Free State	5.4%		
Per Annum	**28%**	**72%**	**Per Annum**

Table 8: Allocation of Marketing and Communications budget

MARKETING AND COMMUNICATIONS

The NEF's Marketing and Communications Strategy recognises the strategic and political imperative for the NEF to communicate its value proposition to all the provinces of the Republic. Accordingly, the NEF has directed its Marketing and Communications department to commit 40% of its advertising budget to those provinces where the NEF has historically had lower investment presence, namely Northern Cape, North West, Limpopo, Mpumalanga and Free State, as outlined in Table 8.

The Board believes that this strategic imperative, which effectively and deliberately targets five provinces, committing a percentage of the advertising spend which is proportionally higher than that of their collective contribution to GDP, gives practical expression to the NEF's commitment to taking its products and services across all provinces in a manner reminiscent of the NEF Asonge Share Scheme.

The NEF has adopted the same approach in respect of media relations, which will see the department supporting various initiatives discussed hereunder, namely the launch of the Business Planner and the Mentorship programme, as well as the Investor Education campaign, as follows:

- craft and distribute press releases to local media,
- invite local media to seminars, provincial launches and related activities,
- arrange for local media interviews, and
- advertise in local media.

BEE Summits

Along with **the dti**, local and provincial governments and other Development Finance Institutions, the NEF will embark on a national road show that will entail two visits to each province, culminating in a National BEE Summit.

The objectives of this initiative are:

- to communicate basic information about BB-BEE to people at the very lowest levels of the South African Economy,
- to provide an engagement platform to interact on a regular basis with low-income groups across the provinces, and
- to provide government departments and with corporates a platform to communicate the best way for SMMEs to access procurement and enterprise development opportunities on a sustainable basis.

The Provincial Roundtable Strategy

The BEE roundtable strategy is an ongoing initiative whose objective it is to optimise the NEF's regional invested portfolio through intensive local interaction and communication engagements with a variety of stakeholders.

Typically, these include:

- MECs for Finance, Economic Affairs and Agriculture,
- Rural and community leaders,
- Constituency Members of Parliament,
- local Development Finance Institutions (DFIs),
- local entrepreneurs and co-operatives, and
- the mass media.

Of note should be the fact that "roundtable" engagements will continue in conjunction with the provincial launches of the Business Planner and the Mentorship programme.

STRATEGY AND PLANNING

The Strategy and Planning Unit is responsible for championing and driving the strategic planning process to ensure that the strategies of all internal divisions are aligned to the mandate of the NEF. As part of this process the Unit strives to ensure that the strategic process is informed by sound environmental analysis, and in doing so, serves as an internal consultant to all units within the NEF, monitoring the performance of the NEF, and driving the use of new and improved business tools such as the Balanced Scorecard.

"Our Development Finance Institutions in general are playing an enhanced role during the present economic crisis through financing public investments and drawing private finance into public investment programmes. Most of our DFIs are in a sound financial position, and are well-placed to play a greater role in providing loans or liquidity in support of government's economic objectives."

The Hon. Mr Pravin Gordhan – Minister of Finance

THE LEGAL SERVICES UNIT

The Legal Services Unit (LSU) provides legal support services to the FMD and to the broader NEF. The LSU is tasked with drafting legal agreements, assisting with legal due diligence reviews and managing registration of the relevant NEF security/collateral as well as providing support to the Post Investment Unit. The Legal Unit's strategy focuses on providing a professional and efficient service to internal clients while also being a knowledge centre with regards to all matters of law and developments within the legal fraternity. To give effect to this vision, the Unit will provide regular updates on *inter alia*:

- Tax Law, which will deal directly with the often complex tax issues around restructuring of SPVs or acquisitions, options, etc, such as STC, CGT and VAT.
- Competition Law to provide an update on the amendments to the Competition Act of 1998 as well as deal with matters of concern around mergers and acquisitions.
- The Companies Bill - to be promulgated early in 2010, seeks to overhaul the existing Companies Act No. 61 of 1973 and contains critical amendments that will influence the NEF's transactions *inter alia*, Business Rescue (dealing with potential insolvencies of companies), Section 38 and structures of public and private companies and close corporations in general.
- Consumer Protection Bill – The bill deals with responsibilities of suppliers of goods and services and consumer entitlements.

CONCLUSIONS

The mandated objectives of the NEF are a constant source of reflection for the Board, Executive and Independent Committee Members. In seeking to deliver on its mandate issues of corporate governance, accountability, transparency and fairness, legislative developments and the government's regulatory requirements, are infused in all activities of the organisation.

Mr Ronnie Ntuli
Board Chairman

Ms Philisiwe Buthelezi
Chief Exective Officer

REPORT ON CORPORATE GOVERNANCE

Introduction

Corporate governance is one of the key pillars on which the day-to-day operations of the NEF is based. Through the continuous improvement of existing corporate governance structures and establishment of new ones, the NEF's governance framework has evolved to include a suite of processes and procedures that enable the Board of Trustees and the Executive to optimally perform their legal responsibilities.

Legislative Framework

The NEF is founded on the basis of the National Empowerment Fund Act No. 105 of 1998 and it further subscribes to the principles embodied in the *Report on Corporate Governance for South Africa 2002 (King II Report)* and the *Protocol on Corporate Governance in the Public Sector 2002*. The entity's financial reporting requirements are guided by the provisions of the Public Finance Management Act No. 1 of 1999 (PFMA), as well as the National Treasury Regulations published in terms of that Act.

Corporate Governance Structures

The hierarchical organisational structure consists of the government of the Republic of South Africa, represented by the Department of Trade and Industry (**the dti**), as the sole shareholder, the Board of Trustees which is the organisation's accounting authority in terms of the PFMA and the Chief Executive Officer who is appointed by the Board of Trustees, with the approval of the Minister of Trade and Industry.

The dti

To regulate the relationship between **the dti** and the NEF, a shareholder compact is concluded every three years, setting the objectives and key performance targets of the NEF. Conversely undertakings from **the dti** are also set out in the shareholder compact.

The Board of Trustees

The NEF is governed by a Board of Trustees appointed by the President of the Republic of South Africa, on the advice of the Minister of Trade and Industry.

On 2 December 2008, the term of the Board of Trustees which had commenced on 1 November 2005, came to an end. Cabinet, through the Minister of Trade and Industry, granted an extension of the term by a period of one year.

This extension saw the appointment of additional Trustees who are representatives of the Departments of Trade and Industry, Public Entities and National Treasury respectively. As evidenced in the profiles of the Trustees contained in this annual report, the Board's experience and expertise spans across a myriad of areas that enable it to deliver the NEF mandate, namely growing participation of Black people in the country's economy.

Role and function of the Board

In line with good Corporate Governance Principles the Board has developed a charter that maps out its roles and responsibilities and this strengthens and confirms the responsibilities endowed upon it by the NEF Act.

In addition to the traditional responsibilities of Boards in general such as providing the organisation's strategic direction; monitoring operational performance; ensuring risk effective risk management etc, the NEF Board is also responsible for approving transactions that exceed the delegated authority levels within the organisation.

Remuneration of the Board

The remuneration framework for independent non-executive Trustees and Board Committee members is determined by the shareholder and full disclosure of emoluments is contained on page 107 of the Annual Financial Statements.

Attendance of the Board

During the period under review the Board convened eight Board meetings, three of which were specially convened to deal with particular matters of urgency.

The attendance record of the members of the Board was as follows:

Member	24/04/ 2008	28/07/ 2008	26/08/ 2008	22/09/ 2008 (special)	28/10/ 2008	28/11/ 2008	14/03/ 2009 (special)	27/03/ 2009 (special)
Mr R Ntuli	√	√	√	√	√	√	√	√
Ms P Buthelezi	√	√	√	√	√	√	√	√
Ms A Halstead*	-	-	-	-	-	-	√	√
Ms J Hoffmann•	√	Apology	Apology	Apology	Apology	Apology	-	-
Mr L McPatie*	-	-	-	-	-	-	√	√
Mr T Mhlambiso	√	√	√	-	Apology	√	√	√
Ms N Mesatywa*	-	-	-	-	-	-	√	√
Ms P Radebe#	√	-	-	-	-	-	-	-
Ms S Sebotsa•	√	Apology	√	√	√	√	-	-
Mr K Seitshiro	√	√	Apology	Apology	√	√	√	√
Mr J Theledi•	√	√	√	√	√	√	-	-

* Appointed on 3 December 2008
• Term ended on 2 December 2008
\# Resigned 24 April 2008

Board Committees

In line with the delegation of authority framework approved by the Board, it has delegated various responsibilities to Board Committees, which are established by the Board and members of which are appointed by the Board. The activities of these Committees are regulated by charters which are developed in accordance with governance best practice and approved by the Board.

The various Board Committees membership comprises at least one Trustee and independent members who neither form part of the Board of Trustees nor the Executive. These are individuals who are selected based on the contribution they bring to the NEF, based on their expertise and experience.

The Chairpersons of all the Board Committees, namely the Audit; Investment; Human Capital and Remuneration; and Risk Management Committees have provided separate reports, wherein their activities have been highlighted.

Executive Committee

In accordance with the delegation of authority referred to above, an Executive Committee which separates its business into Investments and Operations, deals with the daily operations of the organisation. Comprising the Chief Executive Officer, Chief Investment Officer, Chief Financial Officer and Chief Operating Officer, the Executive Committees co-opt the relevant Heads of Departments as members thereof.

The Executive Investment Committee meets weekly to assess and decide on transactions that are within its delegated authority and Executive Operations Committee is also convened weekly, dependent on items that require its consideration and approval.

Management Committee

A Management Committee that has been established by the Executive and comprises the organisation's senior management, deals with operational issues and refers them to the Executive Committee for consideration and approval. Policies and procedures are some of the issues that are conceptualised and interrogated by this Committee for recommendation to the Executive Committee.

Secretariat

All the corporate governance structures that are linked with the Board of Trustees, including the Board and its Committees, are administered by a Secretariat department that boasts competencies and experience in the corporate governance, compliance and administration aspects of the business.

The Secretariat provides counsel to the Board and Executive on issues of a corporate governance and compliance nature and ensures that all administrative requirements in terms of meeting governance are adhered to.

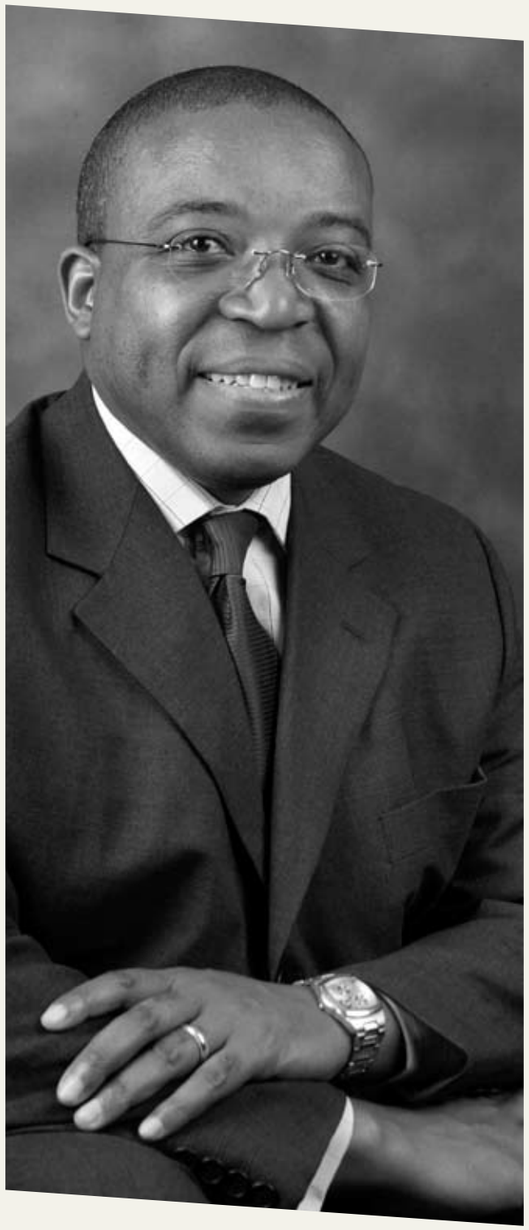
Conclusion

The Board of Trustees together with the staff, and executive management of the NEF hope to continue serving the nation by delivering on the mandate that it has been entrusted with.

"The NEF is a young organisation but has proven to be an important vehicle for the economic growth of the country. With the current high unemployment rate and the difficulty of finding formal employment, the NEF plays a vital role through funding of Black entrepreneurs, resulting in employment opportunities for jobseekers."

Ms Asanda Ngesi – Strategy and Planning

REPORT OF THE BOARD INVESTMENT COMMITTEE



Mr Thando Mhlambiso

The Board of Trustees of The National Empowerment Fund established a Board Investment Committee (the BIC) to assist the board to, among other matters, evaluate, approve or decline investment proposals that would otherwise be considered by the Board, to consider investment valuations and investment policies and to monitor the performance of the investment portfolio.

During the period under review, the NEF Executive Committee tabled 17 transactions worth an aggregate of R613 million to the BIC for consideration and approval. The BIC approved 12 transactions worth R438 million and declined five transactions totalling R175 million. Importantly, the BIC continued to play a critical oversight role, ensuring that transactions approved contribute to NEF's strategic objectives, while ensuring adherence to sound investment risk management principles.

The BIC considered transactions covering a diverse range of industry sectors and investment stages, ranging from early stage projects to equity transformation transactions. In line with the NEF's strategy of accelerating financial and non-financial support to Black-owned SMEs, the BIC approved two bulk finance facilities amounting to R100 million. This included a facility of R50 million relating to a partnership between NEF and the Independent Development Trust (IDT). The facility will see the NEF providing working capital finance and technical support to an estimated 30 small construction companies that were awarded contracts under IDT programmes.

The BIC approvals also include an amount of R60 million to Motseng Investment Holdings to facilitate the acquisition of the Trennplast group of companies operating in the furniture wholesale industry. The transaction enables Motseng to take operational control of a leading mid-market player in the furniture industry. The transaction includes broad-based empowerment, including participation by Black employees.

The NEF has also identified the empowerment of local communities as a critical strategic objective. To this end, BIC approved an investment of R50 million in support of community groups to acquire a 25% beneficial interest in a commercial property development in KwaZulu-Natal. The transaction entails innovative financial structuring and technical support by the NEF to empower community beneficiaries.

The BIC also approved a R38 million investment into a renewable energy project. The project will see the NEF acquiring a 26% equity interest in a strategic project with a view to warehousing the stake for BB-BEE parties. The project includes downstream economic opportunities for local communities thereby contributing to job creation.

The NEF invested R279 million in 43 investee companies throughout its fund management operations during the period under review.

The major sectors supported during the year under review are manufacturing (33%), services (25%), transportation (18%) and ICT and media (7%).

As at 31 March 2009, the NEF investment portfolio has been invested 61% in Gauteng, 15% in Western Cape, 13% in Eastern Cape, 6% in KwaZulu-Natal and 3% in Mpumalanga by value.

The NEF investment policies and procedures are now firmly in place. The investment team have been strengthened in terms of skills and capacity and are now well placed to increase delivery on the NEF's mandate of being a catalyst for BB-BEE.

Membership and Attendance

As at 31 March 2009, the BIC comprised the following seven individuals:

- Mr Thando Mhlambiso, Chairman of the BIC and NEF Trustee,
- Ms Philisiwe Buthelezi, Chief Executive Officer and NEF Trustee,
- Ms Lindiwe Bakoro, Member,
- Ms Cora Fernandez, Member,
- Ms Jennifer Hoffmann, Member and NEF Trustee (term ended on 2 December 2008),
- Ms Polo Radebe, Member and NEF Trustee (resigned on 24 April 2008),
- Mr Kugan Thaver, Member, and
- Ms Nomonde Mesatywa, Member and NEF Trustee (appointed on 3 December 2008).

The attendance record of the members of the BIC during the year under review was as follow:

Member	17/04/ 2008	29/05/ 2008	04/07/ 2008	24/07/ 2008	28/08/ 2008	18/09/ 2008	16/10/ 2008	01/12/ 2008	19/02/ 2009	19/03/ 2009
Mr T Mhlambiso	√	√	√	√	√	√	√	√	√	√
Ms P Buthelezi	√	√	Apology	Apology	√	√	Apology	√	√	Apology
Ms C Fernandez	Apology	√	Apology	√	Apology	Absent	√	√	√	√
Ms J Hoffmann•	√	Apology	√	Apology	√	Apology	√	Apology	-	-
Ms P Radebe*	√	-	-	-	-	-	-	-	-	-
Mr K Thaver	Apology	Apology	√	Apology	√	√	Apology	Apology	√	√
Ms L Bakoro	Apology	√	√	Apology	√	√	√	√	√	√
Ms N Mesatywa#	-	-	-	-	-	-	-	-	-	Apology

* Resigned 24 April 2008

• Term ended on 2 December 2008

\# Appointed on 3 Decemeber 2008

Mr Thando Mhlambiso
Chairman of the Board Investment Committee

REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2009.

Audit Committee Members and Attendance

The Audit Committee, consisting of the members listed below, met 4 times during the year under review to undertake its responsibilities.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulations 3.1.13 and 27(1). The Audit Committee also reports that it has prepared appropriate terms of reference, which have been adopted by the Board of Trustees. The Audit Committee has regulated its affairs in compliance with these terms and has discharged all responsibilities contained therein.

Effectiveness of Internal Control

The report and conclusion from the internal audit findings for the year presented an overall finding that the key controls implemented by Management to address the general controls environment in the areas covered in the internal audit plan were adequate. This finding provided reasonable assurance that the risk areas included in the internal audit coverage plan were being properly managed and controlled through the system of internal control, which is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed.

This observation provides comfort that Management implemented improved controls in the areas reported in the Audit Committee report on the year ended 31 March 2008. The External Auditors have reported that there has been a clear improvement in the overall control environment from last year, with the necessary attention from Management, highlighted last year, being implemented during this year under review.

In our opinion, based on discussions with Management and the Internal and External Auditors, the audit findings reported in the current year have been adequately responded to by Management. Where undertakings have been made to address control weaknesses, these will be followed up on a quarterly basis by the Audit Committee through a recently implemented tracking register.

The attendance of the Audit Committee members were as follows:

Member	21/5/2008	22/7/2008	11/11/2008	26/02/2009
Mr A C Coombe (Independent Chairman)	√	√	√	√
Mr R G Nicholls (Independent member)	√	√	√	√
Mr J Theledi (Non-Executive trustee)*	Apology	√	√	-
Ms P Buthelezi (CEO - *ex officio*)	√	√	√	√
Mr L McPatie•	-	-	-	-

* Term ended on 2 December 2008

• Appointed on 3 December 2008

A separate Finance and Risk Management Committee monitors and oversees the assessment and mitigation of risk on a prioritised basis throughout the Trust. 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.

Quality of Management Reports

During the financial year under review quarterly management reports have been further enhanced by including performance information related to core business activities. The Audit Committee is satisfied with the content and quality of quarterly management reports prepared and issued by Management and the Board of Trustees.

The Board of Trustees has now implemented a finance oversight function through the Risk Management Committee to review the budgetary process, the quarterly management accounts and other key financial matters.

Evaluation of Annual Financial Statements

The Audit Committee has:

- reviewed and discussed with the External Auditors and Management the audited Annual Financial Statements to be included in the Annual Report;
- reviewed the external auditors management letter and Management's responses thereto;
- reviewed the appropriateness of accounting policies and practices; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee has discussed, concurs with and accepts the conclusions of the External Auditors on the Annual Financial Statements, read together with the report of the External Auditors and has recommended these to the Board of Trustees for acceptance.

Mr Anthony Coombe
Chairman of the Audit Committee

"The NEF has provided me with a first-hand opportunity to work with and develop new entrepreneurs and SMME businesses. The opportunity allows for a reciprocal learning process for the entrepreneur and for me, via the joint pursuit of economic and social self-sustainability."

Mr Andrew Buchanan – Post-Investment Unit

REPORT OF THE FINANCE AND RISK MANAGEMENT COMMITTEE

Mr Kabelo Seitshiro

Market Overview

With the financial crisis having spilled over into the real economy, economic activity in both high income and developing countries has dropped sharply, leading to increased unemployment and rising poverty levels. However, the global economy may be on a road to recovery, as we see rapidly recovering capital market issuances and easing credit spreads. On the domestic front, the economy contracted by a significant 6.4% led by a declining demand for SA exports, particularly in mining and manufacturing.

The contraction has had a negative impact on SMEs, a core target market of the NEF. Sectors worst affected by this downturn include the transport and logistics sectors, and the retail sector. Given the NEF's exposure to the transport and logistics sector, the NEF has not been immune to the current financial crisis, leading to the erosion of capital being classified as one of our top five risks for the organisation.

Rolling out our services to the Northern Cape, North West and Limpopo provinces remains a challenge despite management's best efforts to attract investment requests from these provinces. As an organisation, the NEF now has systems and procedures in place that allow it to have a more aggressive approach to actualising its mandate as a BEE development finance institution.

Risk Management

The NEF's mandate requires it to operate in a much riskier segment of the market and it is critical that it has a clear and focused approach to Risk Management. The NEF has, as a result, chosen to use an Enterprise-Wide Risk Management (ERM) approach versus a silo approach to Risk Management. The ERM approach looks at risks within and across all business lines and activities of the organisation to consider how one area of the organisation may affect the risks of other business units and the enterprise as a whole.

The Board Risk Management Committee

The NEF Board of Trustees is accountable for Risk Management. To assist with this process, the Board has established a separate Finance and Risk Management Committee (FRMC) that reports directly to the Board. The FRMC operates pursuant to the provisions of the NEF Delegation of Authority and the charter of the FRMC.

The FRMC oversees all credit, market, treasury and operational risk management activities, as well as co-ordinating corporate oversight units.

The FRMC is largely constituted by the Executive Management of the NEF to ensure that management takes ownership of the risks of the organisation. In addition, the committee is chaired by a Non-Executive Board of Trustee Member and the Audit Committee is represented by its Chairperson.

The role of the FRMC is to:

- review procedures for identifying and managing risks,
- ensure that executive management have effectively identified key risk and that they are adequately managed,
- establish and maintain an understanding of risks that need to be managed,
- consider the control environment directed towards the proper management of risk including reviewing internal auditor's conclusions for audits conducted over specific risk areas,
- consider the results/reports of the combined assurance efforts by all assurance providers and to ensure that appropriate action is taken to address identified areas for improvement,
- ensure that management identify all relevant legislation that needs to be adhered to and that adequate measures are in place to adhere to legislation,
- receive updates on investigations into theft, fraud, etc,
- review any other matters that fall within the ambit of its Charter, and
- report to the Board of Trustees on overall risk management and the extent of any action taken by management to address areas identified for improvement.

During the current financial year, the role of the Risk Management Committee was expanded to include finance and it was renamed the Finance and Risk Management Committee (FRMC). Further responsibilities of the FRMC include oversight and review of:

- the budgetary process,
- quarterly management accounts and Annual Financial Statements, and
- reported financial control weaknesses and other key financial matters.

Risk Management Framework

The NEF has a Risk Management Framework in place which provides guidance on the risk management process to be followed.

The key elements of the Risk Management framework are:

- policies,
- structures,
- processes (how we identify, assess, address and report on our risk), and
- standards for risk management at the NEF.

Risk Management Awareness

Risk management awareness sessions are held regularly with management and staff to inculcate a risk management culture at the NEF.

Fraud Prevention Plan

An approved Fraud Prevention plan is in place. The plan indicates the fraud risks identified, measures in place to mitigate against these risks and the fraud risk management strategy of the NEF. The plan is currently being re-examined and updated.

Disaster Recovery Plan

An approved disaster recovery plan is in place, certain elements of which were tested during the current year.

Delegation of Authority Framework

An approved Delegation of Authority framework is in place and currently being re-examined to determine if it caters for the growth in operations.

Risk Assessment

Operational risk assessments have been completed for all areas within the NEF and key strategic risks have been identified. Risk registers are updated every quarter in terms of any changes and/or progress made on actions identified. Updated risk registers are submitted to the FRMC on a quarterly basis and semi-annually to the Board.

Risk Appetite Exercise

External specialists were engaged to assist with completing the second part of the risk appetite exercise. The results are used to calculate the Risk-Bearing Capacity (RBC) of the NEF. The RBC is defined as "the financial loss that can be borne in the medium term without changing strategic plans or financing requirements, also defined as an acceptable amount of financial impairment that can be retained without a significant impact on the business within a finite time horizon".

This exercise will help determine the level of risk the NEF is willing to accept without influencing its future sustainability. In addition, various scenario planning stress testings have been made to the NEF Balance sheet.

Investment Portfolio

Risk management of the invested portfolio is a key focus of the FRMC. To this extent it has closely considered the risk management initiatives put in place by management on the current investment portfolio. A Post-Investment Business Unit is in place to closely monitor the portfolio. The Post-Investment Unit has visited all investees during the March 2009 financial year. The results of the post-investment visits are reported to the Post-Investment Business Unit's management committee each month and are reported to the FRMC each quarter. In addition, various initiatives i.e. restructuring of Imbewu portfolio and the appointment of mentors have been put in place to assist clients with the poor trading conditions.

Compliance with Laws and Regulation

A formalised compliance framework has been prepared and is being implemented to ensure that all legislation that influences the NEF's operations are complied with. A compliance register has been prepared and is currently being monitored. The impact of new legislation (New Companies Act) has also been analysed for the NEF.

Policies

The FRMC has reviewed and ensured the implementation of the following policies over the past four years:

- Cash Management Policy (currently being re-examined)
- Materiality Framework (currently being re-examined)
- Delegation of Authority Framework (currently being re-examined)
- Risk Management Framework
- Fraud Prevention Plan (currently being re-examined)
- Disaster Recovery Plan

KEY CATEGORIES OF RISKS

Credit Risk

The risk that the NEF portfolio may be eroded due to funding poor quality and high risk deals such as start-ups, poor monitoring of investees and lack of sufficient business skills by entrepreneurs.

The NEF mitigates this risk by ensuring that we have adequate screening and due diligence processes in place before an investment is approved. An approved investment policy and procedure manual is in place to guide staff. All staff have been trained on this manual. In addition we have prudential limits in place and have also entered into strategic partnerships with banks and other DFIs to share risks. The rollout of product categories such as franchising, procurement contracts etc, will also assist in reducing our exposure in this area.

The establishment of an effective Post-Investment Unit is also playing a key role in monitoring and managing the existing portfolios. This unit identifies potential problems with investees before they occur. In addition mentors are also appointed to assist investees who lack skills and expertise. A Mentorship Panel has been established and the mentorship strategy is in the process of being rolled out. Legal action is also taken against defaulting clients and these matters are reported on at the monthly Post-Investment Committee meetings.

Market Risk

The impact of shrinking global and local economy has negatively impacted on the NEF's operations.

The close monitoring of the portfolio by the Post-Investment Unit has identified industries and businesses that are in distress and initiatives such as restructuring of loan and mentorship have been implemented.

In addition portfolio prudential limits are in place to ensure that exposure to specific sectors are capped.

"Many businesses collapse in the first two years of operation, and the mentorship programme, which provides on-going support, guidance and monitoring is an important support service which the NEF provides at no cost to its investees."

Ms Thabisa Mange – Legal Services

Operational Risks

These relate to human capital, systems and reputational risks. As the activities of the NEF is dependent on skills and performance of its staff we need to ensure that we have robust human capital practices in place.

The NEF mitigates this risk by having a robust recruitment process and various training initiatives. Significant progress has been made in this area and the total staff complement has increased from 86 as at 31 March 2008 to 104 as at 31 March 2009.

A performance management process is in place and linked to reward mechanisms. In addition, a balanced scorecard tool to monitor and track performance is being rolled out. Various incentive structures are in place and an employee-wellness programme has been implemented.

The NEF has implemented an Information Technology system to ensure that efficiencies are maximised and controls are enhanced.

The NEF also places a significant emphasis on managing its stakeholders and reputation and during the current year a brand audit was completed and results were presented to the Finance and Risk Management Committee.

Membership and Attendance

As at 31 March 2009, the FRMC comprised the following members:

- Mr Kabelo Seitshiro, Chairman of the Committee and Trustee
- Mr Anthony Coombe, Independent and Audit Committee Chairman
- Ms Philisiwe Buthelezi, Chief Executive Officer and Trustee
- Mr Colin Clarke, Chief Operating Officer (appointed on 1 March 2009)
- Mr Frencel Gillion, Chief Investment Officer
- Mr Mohammed Mia, Risk and Compliance Manager
- Ms Prabashnee Pillay, Human Resources Manager
- Mr Andrew Wright, Chief Financial Officer

During the year under review, the attendance record of the members of the FRMC was as follows:

Member	19/06/2008	16/09/2008	18/11/2008	06/03/2009
Mr K Seitshiro	√	√	√	√
Mr A Coombe	√	√	√	√
Ms P Buthelezi	√	√	√	√
Mr C Clarke*	-	-	-	√
Mr F Gillion	√	Apology	√	√
Mr M Mia	√	√	√	√
Ms P Pillay	√	√	Apology	√
Mr A Wright	√	√	√	√

* Appointed on 1 March 2009

Mr Kabelo Seitshiro
Chairman of the Finance and Risk Management Committee

REPORT OF THE HUMAN CAPITAL AND REMUNERATION COMMITTEE

Established by the Board of Trustees, the primary purpose of the Human Capital and Remuneration Committee (HCRC) is to review, consider and make recommendations to the Board on the human capital policies, procedures and structures that regulate the relationship between the NEF as the employer and its staff.

The HCRC is governed by its charter which is approved by the Board and which bestows on the Committee the responsibility, among others, to oversee and monitor the level and remuneration structure of Executives and staff to ensure that the organisation's employees are fairly rewarded for their individual contributions to the organisation's overall performance.

The Committee enjoys membership of representatives that bring a broad range of expertise and experience in human resources and other related fields, who are appointed by the Board on recommendation from the Executive and the Committee.

During the reporting period, the HCRC saw the organisation through a vigorous remuneration benchmarking exercise that was conducted with the assistance of remuneration consultants. The purpose of the benchmarking was to ensure that the organisation is on a par with other institutions comparable to the NEF. The result of the benchmarking was a credible process to determine a competitive level of remuneration and performance awards for all deserving employees of the NEF.

The Committee continued to oversee the staff composition and its alignment in terms of its representivity with the country's demographics. The Committee also oversaw the implementation of the retention strategies that had been approved in the previous year. It was pleasing to see positive results in this regard, evidenced by the low turnover of staff and accelerated implementation of the recruitment plan.

Membership and Attendance

The membership of the HCRC is as follows:

- Ms Sonja Sebotsa, Chairperson of the HCRC, and Non-Executive Trustee,
- Ms Avril Halstead, Chairperson and Non-Executive Trustee,
- Ms Barbara Lombard, Independent, and
- Adv. Mike Marcus, Independent.

As a result of the expiry of her term as a Trustee, the HCRC lost its Chairperson, Ms Sonja Sebotsa, on 2 December 2008, following which the post remained open until the appointment of new members and extension of other members' term on the Board. This saw the appointment of Ms Avril Halstead, a Trustee, as the Chairperson of the HCRC.

During the year under review, the attendance record of the members of the HCRC was as follows:

	16/04/08	19/08/08
Ms S Sebotsa*	√	√
Adv. M Marcus	√	√
Ms A Halstead•	√	√
Ms B Lombard	√	√

* Term of office expired 2 December 2008

• Appointed to the Board in March 2009

Halstead

Ms Avril Halstead
Chairperson of the Human Capital and Remuneration Committee

EXECUTIVE COMMITTEE

Ms Philisiwe Buthelezi

Ms Philisiwe Buthelezi
Chief Executive Officer
MBA (Corporate Finance), MSc (Economics; thesis not defended)

Ms Buthelezi was appointed Chief Executive Officer in July 2005, bringing a diverse knowledge of banking, capital markets and international investment in South Africa. Her experiences encompass both private and public sector activities and provide the NEF with unparalleled understanding of the environment in which the organisation operates. Prior to joining the NEF, Ms Buthelezi worked for a French Investment Bank in London, held responsibility for Risk Management Control at the South African Reserve Bank and worked in the Treasury division at Standard Corporate and Merchant Bank. She was employed by **the dti** to promote European investment in South Africa. In 2002 she returned to South Africa to become the Chief Director of the Black Economic Empowerment Unit of **the dti**, which developed the government's Broad-Based Black Economic Empowerment strategy, the BB-BEE Act and the Codes of Good Practice. Ms Buthelezi is Chairperson of Group Five and also serves on the Boards of Mvelaphanda Resources and Afripalm Resources.

Mr Frencel Gillion

Mr Frencel Gillion
Chief Investment Officer
B.Com (Hons.) CA (SA)

Mr Gillion is a qualified chartered accountant with more than 13 years' experience in finance and banking in areas such as corporate finance, project finance and private equity. His experience was gained in both private sector and development finance institutions. He joined the NEF from Actis Private Equity where he was an investment manager in its BEE Fund. He previously held the position of Head: Corporate Finance at DBSA where managed the DBSA's BEE investment portfolio as well as its Private Equity Fund of Funds Portfolio. Before then Mr Gillion was head: public finance at African Merchant Bank (AMB). The division was responsible for providing corporate finance advice on numerous privatisation mandates. Mr Gillion started his a career with the IDC where he gained valuable investment experience in a broad range of economic sectors. He is currently a member of the Board of the South African Venture Capitalists Association (SAVCA) and is also a member of the Fuel Logistics Group.

"I have gained invaluable working experience and have enjoyed remarkable career and personal growth at the NEF. The NEF is important to the prosperity of South Africa's economy and for its future stability because it is contributing to the eradication of unemployment and poverty."

Ms Fiona Alexander – Fund Management Division

Mr Andrew Wright

Mr Andrew Wright
Chief Financial Officer
B.Compt (Unisa), FCCA (UK), FCIS (SA), CPA (TX)

Mr Wright completed articles in auditing and accounting with BDO Spencer Steward in Parktown, Johannesburg in 1995. He is admitted as a fellow of ICSA and ACCA (in the UK) and is also a member of the Texas Society of Certified Public Accountants in the United States. Mr Wright's career experience includes investment banking, private equity and venture capital fund management as well as development finance in the public sector. In June 2004 he joined the National Empowerment Fund, to assist in the rollout and implementation of its approved business plan. Mr Wright was later appointed Chief Financial Officer and thereafter, in 2006, as Chief Operating Officer, responsible for strategic and business planning and performance measurement of the organisation. He returned to the portfolio of Chief Financial Officer in 2008.

Mr Colin Wayne Clarke III

Mr Colin Wayne Clarke III
Chief Operating Officer
MBA (UK), JD (USA), BA (USA)

Mr Clarke has many years of international legal and corporate finance experience with multinational organisations such as BP Amoco, where he served as legal counsel in their acquisitions department. Mr Clarke has also held the position of Deputy Director for Trade and Investment at the African America Institute (AAI) and Programme Director for the Africa Regional Assistance Electoral Fund (AREAF), established to assist African countries' transition to democracy.

Mr Clarke gained extensive private equity experience in Africa having served as legal counsel and partner with two southern African focused private equity funds: (i) US$120 million Southern African Enterprise Development Fund (SAEDF); and (ii) Sloan Financial Groups US$100 million New Africa Advisors Fund. He has served as Managing Principal for Cable Partners Africa, a technology focused private equity group. Most recently, he was with the special projects division of Lonrho Africa Plc where he oversaw their Fast Moving Consumer Goods (FMCG), division where he was directly responsible for acquisition strategies in the water and related products group.

Mr Clarke holds a Bachelor of Arts (BA) from the University of Texas at Austin, USA; a Juris Doctorate (Law) from the University of Denver, School of Law, USA; and Masters of Business Administration (MBA) from the Säid Business School, Oxford University, England, and is admitted as an advocate to the High Court of South Africa.

He has served on the board of directors of: ATIO – SA, MSI (now CelTel), and FP du Toit, and now Connex.

FUNDING PRODUCTS AND SERVICES

ENTREPRENEURSHIP FUND

The product aims to address the financing needs of Small and Medium Enterprises (SMEs). The product supports both the creation of new Black SMEs and the provision of expansion capital to Black businesses that are already empowered.

The key features of the Entrepreneurship Fund are as follows:

Size of Investment
Minimum R250 000 to maximum R5 million; however the maximum limit can be exceeded based on commercial merit of the specific transaction.

Instruments
- Self-terminating instruments including equity loans, preference shares and debentures
- Mainly debt instruments in the case of expansion capital funding.

BEE Ownership
Minimum of 50.1%. Relaxed BEE ownership allows BEE groups to partner with other non-HDP management/investors.

A BEE shareholding of less that 50.1% would be considered in the case of established companies.

Target IRR for Fund
Risk-free rate plus inflation.

Pricing of Individual Investments
Based on NEF pricing model and would range between 12% and 18% IRR.

BEE Financial Contribution
Assessed on case-by-case basis, against suretyship from BEE group and own contribution Black entrepreneurs.

Investment Criteria
- BEE party should be actively involved in the business,
- Industry experience in consortium, i.e. from BEE party or other partners,
- NEF mentorship programme, participation may be required,
- Capital structure should be sustainable,
- Business with clear value add/ competitive market positioning,
- including access to markets,
- Sustainable business model, and
- Business should employ a minimum of five people.

Investment Horizon
Five to seven years.

PROCUREMENT FINANCE

The product seeks to provide access to finance to Black SMEs that have been able to exploit opportunities available as a result of preferential procurement initiation.

The key features of the Procurement Finance product are as follows:

Investment Sizes
Minimum R250 000 to maximum R10 million, although the R10 million threshold can be exceeded depending on the merits of the project.

BEE Contribution
Determined on case-by-case basis.

Instrument
Working capital and/or asset based finance against secured contract.

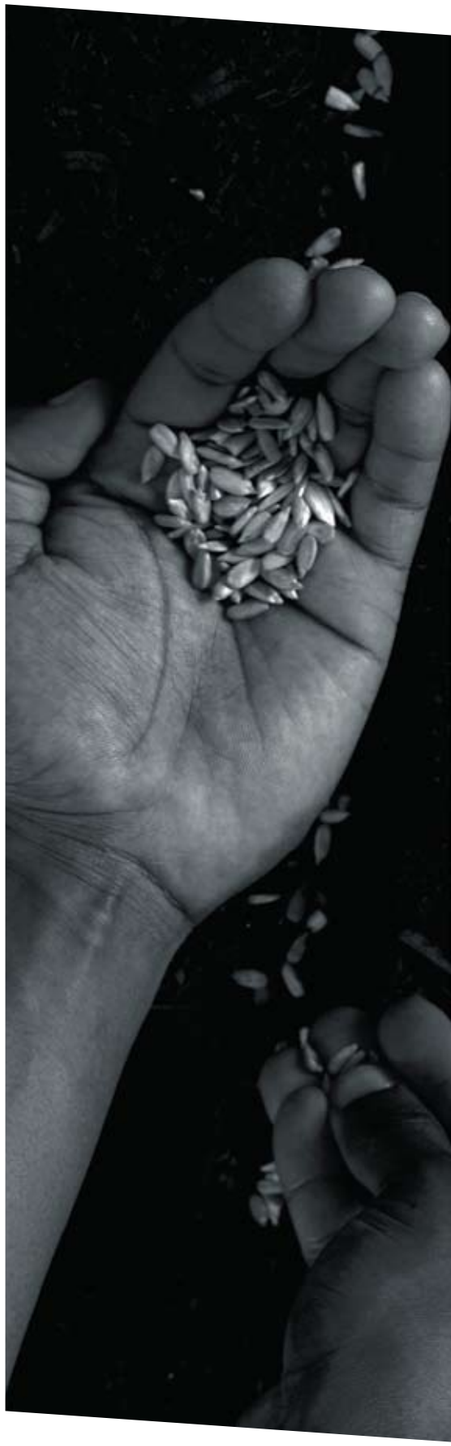
Pricing
Linked to prime overdraft rate.

Loan Term
Matched to contract term, but generally not less than 24 months.

BEE Ownership
Minimum of 50.1%.

Other Criteria
- Active BEE management participation,
- Industry knowledge within ownership/ management structure,
- NEF will seek to co-finance with commercial banks to mitigate risk, and
- NEF reserves the right to oblige applicant to participate in the NEF mentorship programme

Key Sector
- All sectors, but preference is given to **the dti** priority sectors.



FRANCHISE FUND

The Franchise Fund is geared towards enabling Black people to leverage the infrastructure available in the franchise industry to gain access to economic opportunities.

The key features of the Franchise product are as follows:

Investment Sizes
R250 000 to R5 million.

Instrument
Debt, quasi-equity and equity.

Pricing
Priced on case-by-case basis, overall IRR of between 12% to 15%.

BEE Ownership
50.1% minimum.

Investment Horizon
Five to seven years.

Other Criteria
- NEF prefers to fund franchises where the franchisor has a track record of at least three years,
- Active involvement by BEE parties,
- BEE contribution assessed on case-by-case basis,
- Transactions will be structured with sustainable capital structure, and
- BEE party to have pre-qualified with franchisor.

PROJECT EQUITY FINANCE
The product addresses the financing requirements of BEE parties seeking to participate in medium sized Greenfields projects.

The key features of the Project Equity Finance product are as follows:

Investment Sizes
Minimum NEF investment of R5 million with a maximum of R25 million, although investments above R25 million would be motivated on a case-by-case basis.

Instrument
Debt, quasi-equity and equity instruments.

Pricing
Priced on a case-by-case basis, overall target IRR of between 15% to 18%.

BEE Ownership
Minimum 25.1% BEE shareholding. The reduced BEE shareholding requirement would enable BEE groups to partner with experienced operators, technical partners and other financial partners to raise the equity funding requirements.

Investment Horizon
Up to 10 years.

Other Criteria
- NEF to invest in primarily equity and quasi-equity investments in support of BEE,
- Total equity capital generally not to be less than 40% of the total project funding costs.
- Exceptions would be considered and motivated on a case by-case basis,
- BEE specific financial contribution assessed on a case-by-case basis,
- Commercial viability of the project is critical,
- NEF exposure to the project not to exceed 50% of total project costs,
- Proven management experience, and
- Debt funding raised from the market to match equity funding provided by NEF and other project sponsors

RURAL AND COMMUNITY DEVELOPMENT FUND PROGRAMME ("RCDFP")

In accordance with the BB-BEE Act, the RCDFP facilitates increasing the extent to which workers, cooperatives and other collective enterprises own and manage business enterprises. Also, it supports the BB-BEE Act objectives of empowering local and rural communities.

The key features of the RCDFP product are as follows:

BEE Ownership
50.1% plus.

Criteria
- Sustainable investment projects,
- Management expertise in the structure appointed by NEF, and
- NEF will give preference to projects with strong social upliftment benefits.

Investment Sizes
R1 million to R25 million per project.

Instrument
Debt, equity and quasi-equity. Instruments to be serviced from cash flows.

Pricing
NEF pricing model. NEF will target a nominal IRR of 10% to 15% depending on the nature of the transaction.

Investment Focus
Early staged projects (the project is to be supported by an off-take agreement) and investments by community groups in existing companies, i.e. buy-ins, buyouts.

Investment Horizon
Up to 10 years, depending on the nature of the investment.

ACQUISITION FINANCE

The Acquisition Finance product supports Black entrepreneurs seeking to acquire equity stakes in existing businesses. The product represents NEF's intervention in addressing the Black equity ownership requirements of the BEE Codes of Good Practice.

The key features of the Acquisition Finance product are as follows:

BEE Ownership
Minimum 25.1% Black ownership.

Criteria
- Active BEE involvement in investee companies/governance structures,
- Funding structures to include SPVs and LBOs,
- BEE financial contribution determined on a case-by-case basis,
- Minimum IRR of 18%, nominal pre-tax,
- Clear exit strategy should be in place, and
- Overall transaction including funding from other lenders should result in sustainable empowerment.

Investment Sizes
Minimum of R5 million to maximum of R100 million NEF investment.

Instrument
Investment instruments to include debt but primarily will be in the form of subordinated debt, preference shares and ordinary equity.

Pricing
Pricing will be done on a case-by-case basis taking into account project risk; however a minimum IRR of 18% is targeted.

Investment Focus
Focus on partnerships with existing management teams and other equity investors, in the case of the LBO model.

CAPITAL MARKETS

The product is targeted at companies that are seeking to list on the JSE or the AltX markets. The product facilitates the participation by BEE groups and in particular Black women in the equity ownership of the targeted companies. The product also caters for expansion capital to listed BEE companies.

The key features of the Capital Markets product are as follows:

BEE Ownership
Minimum 25.1% Black ownership.

Criteria
- Active BEE involvement in investee companies/governance structures, and
- Funding structures to include SPVs and LBOs, and
- BEE financial contribution determined on a case-by-case basis,
- Minimum IRR of 18%, nominal pre-tax, and
- Clear exit strategy should be in place, and
- Overall transaction including funding from other lenders should result in sustainable empowerment.

Investment Sizes
Minimum of R5 million to maximum of R100 million NEF investment.

Instrument
Investment instruments will primarily be in the form of subordinated debt, preference shares and ordinary equity.

Pricing
Pricing will be done on a case-by-case basis taking into account project risk; however a minimum IRR of 18% is targeted.

Investment Focus
Focus on medium to large companies.

Investment Horizon
Between five and seven years.

LIQUIDITY AND WAREHOUSING PRODUCT

This product assists BEE shareholders who need to sell a portion or all of their shares in a target company in order to create liquidity for the BEE group. The intention is for NEF to acquire and temporarily warehouse these shares before on-selling the shares to new BEE shareholders. The product also allows BEE groups to refinance BEE shareholdings where existing financing structures are costly and/or inefficient.

The key features of Liquidity and Warehousing Product are as follows:

BEE Ownership
Minimum BEE ownership of 25.1% before and after intervention by NEF.

Criteria
- BEE groups should have been invested in the target company for at least three years prior to offering the shares to NEF for on-selling to other BEE groups in the case of disinvestment by the BEE groups,
- The valuation of the shares in question should be acceptable to NEF,
- New BEE groups to either be proposed by exiting BEE shareholders or selected by NEF,
- New BEE groups to be acceptable to target company shareholders,
- Active BEE involvement in investee companies/ governance structures,
- In case of refinancing, NEF will generally not be providing refinancing in respect of a BEE shareholding that is "out of the money",
- Funding structures to include SPVs and LBOs,
- BEE financial contribution determined on case-by-case basis,
- Minimum IRR of 18%, nominal pre-tax,
- Clear exit strategy should be in place, and
- Overall funding transaction should result in sustainable empowerment.

Investment Sizes
Minimum of R5 million to maximum of R100 million NEF investment.

Instrument
Investment instruments will primarily be in the form of subordinated debt, preference shares and ordinary equity.

Pricing
Pricing will be done on a case-by-case basis taking into account project risk; however minimum IRR of 18% is targeted.

Investment Focus
Focus on medium to large companies.

Investment Horizon
Between three to five years.

CODES OF GOOD PRACTICE FOR BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The codes of Good Practice as per the requirements of the Broad-Based Black Economic Empowerment (BB-BEE) Act No. 53 of 2003.

1. OWNERSHIP

The participation by Black people, in companies where there is real economic interest/value and decision making/ voting rights by people that own either part of the whole company

2. MANAGEMENT CONTROL

The participation by Black people in the companies where they are executive board members, executive directors, senior management, other management, or non-executive directors.

3. EMPLOYMENT EQUITY

The participation by Black people in companies at junior, middle or senior management.

4. PREFERENTIAL PROCUREMENT

The recognition of buying of goods from qualifying small enterprises, exempted micro enterprises and Black-owned or Black enterprises.

5. SKILLS DEVELOPMENT

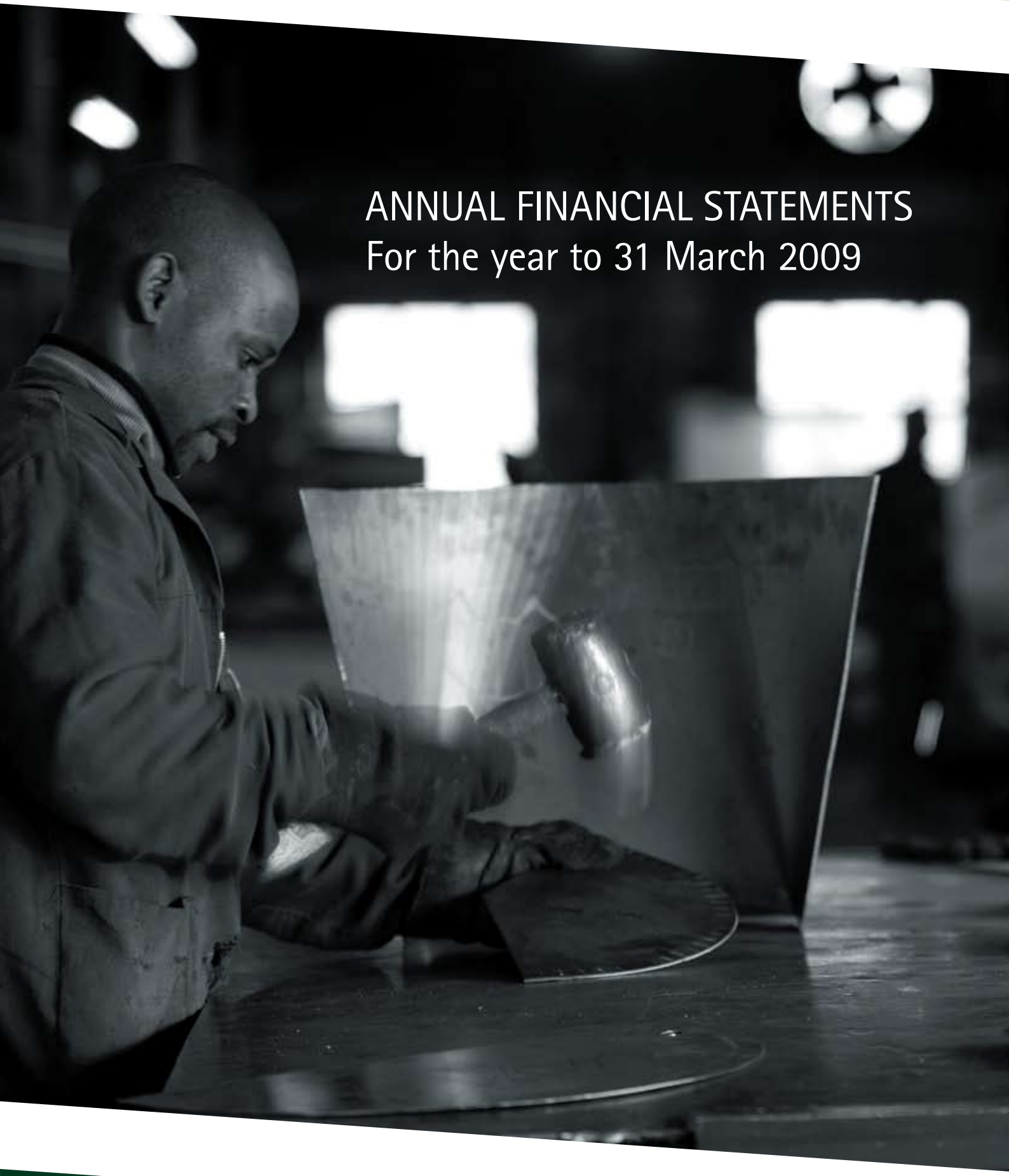
The training and development of skills of Black employees in companies.

6. ENTERPRISE DEVELOPMENT

The assistance provided by large companies and government to qualifying small enterprises, exempted micro enterprises and Black-owned or women-owned enterprises

7. SOCIO-ECONOMIC DEVELOPMENT

Assistance provided by business and government in facilitating the improvement of living standards of Black people in rural areas, Black unemployed people and Black people with disabilities.



ANNUAL FINANCIAL STATEMENTS
For the year to 31 March 2009

CONTENTS

APPROVAL OF THE FINANCIAL STATEMENTS

The Trustees are responsible for the preparation, integrity and fair presentation of the financial statements of the National Empowerment Fund. The financial statements presented on pages 74 to 110 have been prepared in accordance with Generally Recognised Accounting Practice and South African Statements of Generally Accepted Accounting Practice and include amounts based on judgements and estimates made by management. The Trustees also prepared the other information included in the Annual 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 financial statments. The Trustees have no reason to believe that the Trust will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Trust.

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers Incorporated, which was given unrestricted access to all financial records and related data, including minutes of all meeting of all meetings Trustees and Committees of the Board. The Trustees believe that all representations made to the independent auditors during their audit are valid and appropriate.

The financial statements were approved by the Board of Trustees on 29 July 2009 and are signed on its behalf.

Ms Philisiwe Buthelezi
Chief Exective Officer
Date: 29 July 2009

Mr Andrew Wright
Chief Financial Officer
Date: 29 July 2009

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

We have audited the Annual Financial Statements of the National Empowerment Fund Trust, which comprise the trustees' report, the statement of financial position as at 31 March 2009, the statement of financial performance, the statement of changes in net assets, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 74 to 110.

Trustees' Responsibility for the Financial Statements

The entity's trustees are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act No. 1 of 1999 (PFMA), as amended, and by the National Empowerment Fund Act No. 105 of 1998. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing read with General Notice 616 of 2008 issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion these financial statements present fairly, in all material respects, the financial position of the National Empowerment Fund Trust as at 31 March 2009 and of its financial performance and cash flows for the year then ended, in accordance with the basis of accounting and in the manner required by the PFMA as amended and section 12(4) of the National Empowerment Fund Act.

Other Reporting Responsibilities

We have reviewed the performance information as set out in the Report of the Trustees on pages 24 to 42.

Trustees' Responsibility for Performance Information

The trustees have additional responsibilities as required by section 55(2) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the Trust.

Auditors' Responsibility for Performance Iinformation

We conducted procedures of an audit nature in accordance with section 13 of the Public Audit Act, 2004 read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. In terms of the foregoing our examination included performing procedures to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgment.

We believe the evidence we have obtained is sufficient and appropriate to report that no findings were identified as a result of our procedures.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: R Harichunder
Registered Auditor
Pretoria
29 July 2009

STATEMENT OF FINANCIAL POSTION
For the year to 31 March 2009

	Notes	2009 R000's	2008 R000's
ASSETS			
Non-current assets		**1,949,810**	1,905,796
Property, plant and equipment	4	**4,371**	4,071
Intangible assets	5	**7,088**	3,651
Investments in associates	6	**45,776**	21,770
Investments available-for-sale	7	**1,203,989**	1,381,000
Originated loans and preference shares	8	**688,586**	495,304
Investments held-to-maturity	9	**-**	-
Current assets		**2,688,358**	2,394,483
Investments held-for-trade	10	**60,186**	59,799
Trade and other receivables	11	**23,984**	16,927
Cash and cash equivalents	12	**2,604,188**	2,317,757
TOTAL ASSETS		**4,638,168**	4,300,279
EQUITY AND LIABILITIES			
Capital and reserves		**4,486,544**	4,270,407
Trust capital	13	**2,156,789**	1,843,857
Fair value reserves	14	**1,088,596**	1,289,434
Accumulated surplus		**1,241,159**	1,137,116
Non-current liabilities		**-**	170
Finance lease liability	15	**-**	170
Current liabilities		**151,624**	29,702
Trade and other payables	16	**29,460**	24,327
Provisions	17	**121,994**	4,776
Current portion of finance lease liability	15	**170**	599
TOTAL EQUITY AND LIABILITIES		**4,638,168**	4,300,279

STATEMENT OF FINANCIAL PERFORMANCE
For the year to 31 March 2009

	Notes	2009 R000's	2008 R000's
Revenue		**66**	**100,068**
Transfers received to fund operations		**-**	100,000
Other revenue		**66**	68
Administration expenses		**(108,340)**	(83,405)
Net operating (expenditure)/ income		**(108,274)**	16,663
Finance income		**171,005**	154,002
Interest received from originated loans and preference shares		**103,015**	64,501
Less: Impairment of originated loans	8	**(89,077)**	(52,819)
Net income from originated loans and preference shares		**13,938**	11,682
Interest received from banks		**157,067**	142,320
Income/(loss) from investments		**20,554**	(18,799)
Dividends received from investments held-for-trade		**5,861**	9,636
Profit/(loss) on disposal of investments		**-**	(5,788)
Interest on investments held-to-maturity		**1,895**	2,640
Impairment – investments held-to-maturity		**(1,895)**	(2,640)
Fair value gains/(losses)		**14,693**	(22,647)
– Investments held-for-trade	10	**387**	(10,429)
– Investments in associates	6	**14,306**	(12,218)
Income from asset management		**20,758**	799,948
Dividends received from investments available-for-sale		**20,195**	15,204
Interest received on retail offer cash proceeds		**130,138**	22,275
(Expenditure)/income on retail activities	19	**(129,575)**	762,469
– Fair Value of investment disposals		**-**	1,037,954
– Less retail offer costs and provisions		**(129,575)**	(275,485)
SURPLUS FOR THE YEAR	20	**104,043**	951,814

CASH FLOW STATEMENT
For the year to 31 March 2009

	Notes	2009 R000's	2008 R000's
Cash flows from operating activities	24.1	**(119,365)**	(2,597)
Cash (outflows)/ receipts from operations		**(6,990)**	107,423
Cash paid to suppliers and employees		**(112,375)**	(110,020)
Cash flows from investing activities		**92,864**	917,442
Additions to property, plant and equipment	4	**(2,099)**	(3,934)
Additions to intangible assets	5	**(5,428)**	(3,686)
Investment disbursements	24.2	**(291,200)**	(195,084)
Dividends received		**26,056**	24,840
Interest receipts		**287,205**	152,846
Repayments on originated Loans		**78,330**	30,462
Proceeds from retail offer		**-**	903,115
Proceeds from sale of investments		**-**	8,883
Cash flows from financing activities		**312,932**	609,954
Increase in trust capital	13	**312,932**	609,954
Increase in cash and cash equivalents		**286,431**	1,524,799
Cash and cash equivalents at beginning of the year		**2,317,757**	792,958
Cash and cash equivalents at end of the year	12	**2,604,188**	2,317,757

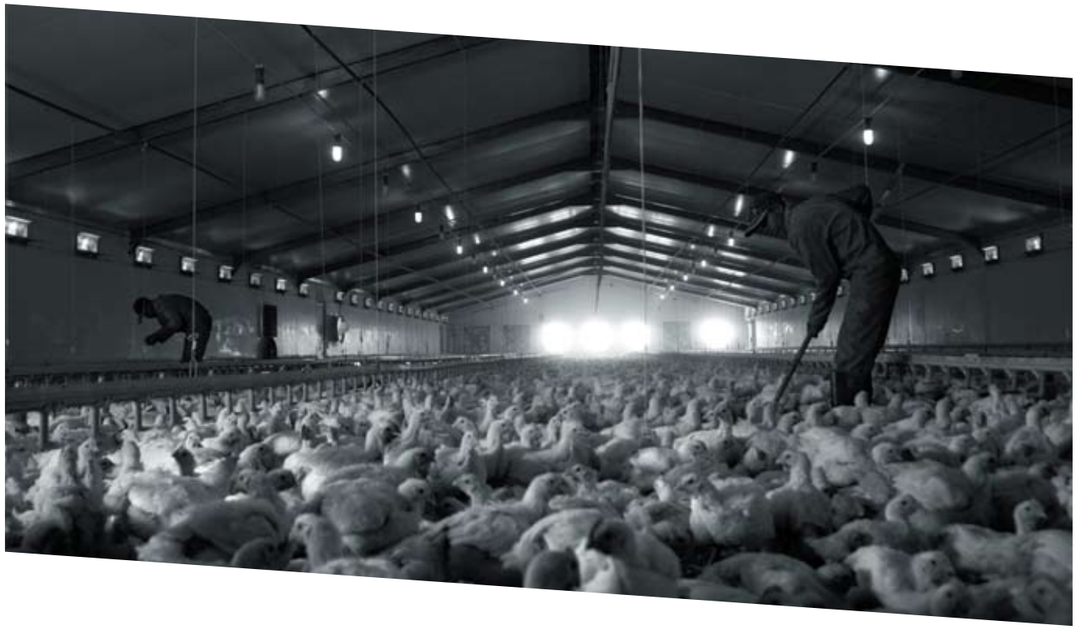
"The pre-investment process was a bit lengthy but there was always someone there when I was doing my follow-ups on the application. I am quite satisfied with the post-investment process in that they are flexible when it comes to the repayment schedule, given the current economic challenges, and very understanding especially with our clients that pay late. I would most definitely recommend this institution to anyone who needs this intervention because in today's economic climate, every entrepreneur needs a patriotic funder."

Mr Philemon Kasotja Mochabe – Cool Breeze Air conditioning and Refrigeration cc

STATEMENT OF CHANGES IN NET ASSETS
For the year to 31 March 2009

	Trust capital R000's	Fair value reserves R000's	Accumulated surplus R000's	Total R000's
Balance at 31 March 2007	**1,233,903**	**2,129,909**	**185,302**	**3,549,114**
Trust capital introduced	**609,954**	**-**	**-**	**609,954**
Fair value gains – investment available for sale	**-**	**197,479**	**-**	**197,479**
Fair value derecognition on disposal of investment available for sale transferred to Statement of Financial Performance	**-**	**(1,037,954)**	**-**	**(1,037,954)**
Surplus for the year *	**-**	**-**	**951,814**	**951,814**
Balance as at 31 March 2008	**1,843,857**	**1,289,434**	**1,137,116**	**4,270,407**
Trust capital introduced	**312,932**	**-**	**-**	**312,932**
Fair value gains/(losses) – investment available for sale	**-**	**(200,838)**	**-**	**(200,838)**
Surplus for the year	**-**	**-**	**104,043**	**104,043**
Balance at 31 March 2009	**2,156,789**	**1,088,596**	**1,241,159**	**4,486,544**

* The retention of the surplus reported for the year ending 31 March 2008 is still subject to National Treasury approval in terms of an application made by the Trust under S53(3) of the PFMA



NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year to 31 March 2009

1. 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.

1.1 Basis of Preparation

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statements as follows:

Standard	
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the financial statements:

1.1.1 Terminology Differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income Statement
Statement of financial position	Balance Sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Reporting date	Balance sheet date

1.1.2 The cash flow statement is prepared in accordance with the direct method.

1.1.3 Specific information where relevant has been presented separately on the Statement of Financial Position, such as:

a. Receivables from non-exchange transactions, including taxes and transfers;
b. Taxes and transfers payable;
c. Trade and other payables from non-exchange transactions.

1.1.4 Amount and nature of any restrictions on cash balances where relevant must be disclosed.

Paragraphs 11 - 15 of GRAP 1 have not been implemented due to the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non disclosure will not affect the objective of the financial statements.

In the view of the specialised nature of the entity and specific disclosure requirements in terms of GAAP (in particular financial instruments), the financial statements have been prepared using GAAP terminology, where GRAP terminology above does not apply.

1.1.5 Adoption of new standards and interpretations effective for the current year:

(a) Standards, amendment and interpretations effective in 2008

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Trust applied IFRIC 14 from 1 January 2008, but did not have any impact on the Trust's accounts.

IAS 39 (AC 133) - 'Financial Instruments: Recognition and Measurement' and IFRS 7 (AC 144) 'Financial Instruments: Disclosures - Reclassification of Financial Assets' (Amendments). The amendments introduces the possibility of reclassifications for certain financial assets previously classified as 'held for trading' or 'available for sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification. The re-classification had to be completed by 31 July 2008. These amendments were considered by the Trust but were not relevant to any financial instruments accounted for at the time.

(b) Interpretation early adopted by the Trust

IFRIC 11, 'IFRS 2 – Trust and treasury share transactions' (effective from 1 January 2009), was early adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Trust entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Trust companies. This interpretation does not have an impact on the Trust's financial statements.

(c) Standards, amendments and interpretations effective in 2008 but not relevant.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Trust's operations:

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Trust's operations because none of the Trust's companies provide for public sector services.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Trust.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Trust's accounting periods beginning on or after 1 January 2009 or later periods, but the Trust has not early adopted them:

GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
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IAS 23 (Amendment), 'Borrowing costs' (effective for years commencing on or after 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Trust will apply IAS 23 (Amended) from 1 January 2009 but is currently not applicable to the Trust as there are no qualifying assets.

IFRS 8, 'Operating segments ' (effective for years commencing on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Trust will apply IFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

IAS 32 (AC 125) (Amendment), 'Financial Instruments: Presentation' and IAS 1 (AC 101) 'Presentation of financial statements - Puttable Financial Instruments and Obligations Arising on Liquidation' (effective for years commencing on or after 1 January 2009)

Revisions and amendments that will have little or no effect on the Trust:

IAS 1 (Revised), 'Presentation of financial statements' (effective for years commencing on or after 1 January 2009).
IAS 23 (Amendment), 'Borrowing costs' (effective for years commencing on or after 1 January 2009).
IFRS 2 (Amendment), 'Share-based payment' (effective for years commencing on or after 1 January 2009).
IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective for years commencing on or after I January 2009).
IFRS 3 (AC 140) (Revised), 'Business Combinations' (effective for years commencing on or after 1 Jul 2009).

(e) Interpretations to existing standards that are not yet effective and not relevant for the Trust's operations.
The following interpretations to existing standards have been published and are mandatory for the Trust's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Trust's operations:

IFRIC 13, 'Customer loyalty programmes' (effective for years commencing on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Trust's operations because none of the Trust's companies operate any loyalty programmes.

1.2 Consolidation

(a) Joint Ventures

Joint ventures 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 ventures are recognised only to the extent of the profit or loss attributable to the interest of the other party.

(b) 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.

AC 110 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 through profit and loss in terms of IAS39 (AC133).

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. It is probable that future economic benefits will flow to the Trust 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 comprises of voted transfers from **the dti** to fund operations.

Interest is recognised on a time-aportioned basis using the effective interest rate method. When a receivable is impaired, the Trust reduces the carrying amount to it's 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.

Transfers received from the Department of Trade and Industry are recognised in full when received.

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

1.4 Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment cost. Historical cost includes expenditure that is directly attributable to acquisition of the items. 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 income statement during the financial period in which they are incurred.

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

Computer equipment and intangibles	33.30%
Leasehold improvements	20%
Audio visual equipment	33.33%
Motor vehicles	25%
Office equipment	20% - 40%
Furniture and fittings	16.67%
Paintings	2%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Assets under R2000 are written off immediately.

An assets' carrying amount is written down immediately 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 income statement, under the 'other gains/losses' line.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
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1.5 Intangible Assets

Acquired computer software is capitalised on the basis of cost incurred to acquire and bring to use the specific software and is amortised on a straight-line basis over the expected useful life of the assets, usually three to five years. Intangible assets with an indefinite useful life are not amortised. The useful life of intangible assets that are not being amortised are reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets.

1.6 Financial Assets – Cash and Cash Equivalents

Cash and cash equivalents are carried at cost at balance sheet date which is considered to be an appropriate fair value. 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.

1.7 Financial Instruments

The Trust classifies its financial instruments in the following categories: financial assets at fair value through profit and loss; loans and receivables; investments held-to-maturity ; and available-for-sale financial assets. Management determines the classification of investments at initial recognition.

(a) Loans and receivables

Loans and receivables 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 balance sheet date. These are classified as non-current. They arise when the Trust provides money, goods or services directly to a debtor with no intention of trading the receivables. The Trust's loans and receivables comprise originated loans, preference shares and trade and other receivables in the balance sheet.

(b) Investments held-to-maturity

Investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Trust has the positive intention and ability to hold to maturity. These assets are classified as non-current unless the maturity date is less than 12 months after reporting date.

(c) Financial assets at fair value through profit and loss.

This category has two subcategories: financial assets held-for-trading and those designated at fair value through Statement of Financial Performance 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 current assets except for investments in associates designated at fair value which are classified as non-current.

(d) Available-for-sale investments

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. These are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale investments are those 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.

Interest income is recognised when it is accrued in terms of the underlying governing loan agreements. Dividend income is recognised when it is declared.

(e) Embedded derivative financial instruments

The Trust has invested in convertable preference shares and in ordinary shares, which in cases have put and call options written against them, which in some instances are considered as embedded derivatives. These preference shares are classified as originated loans and ordinary shares are classified as investments in associates and investments available for sale, and are structured as part of the equity exit and investment return mechanisms used by the NEF. In such instances where an embedded derivative is identified, these are to be treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a stand alone derivative; and the combined contract is not recognised at fair value with any gains or losses from the change in fair value being recognised in the statement of financial performance (profit and loss). 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 through profit and loss (held for trading).

Recognition

Regular purchases and sales of financial assets at fair value through profit and loss, held-to-maturity and available-for-sale are recognised on trade date, which is the date on which the Trust commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or where the Trust has transferred substantially all risks and rewards of ownership.

Measurement

Available-for-sale financial assets and held for trade investments are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit and loss category are included in the Statement of Financial Performance in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Financial Performance.

Fair Value

The fair value of listed investments in active markets are based on current bid prices.

For unlisted securities and for 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 based on discounted price earnings multiples on latest company earnings as reported in their financial statements, comparable to other similar sector companies, less non-current liabilities. These valuation techniques are commonly used by market participants and based on South African Venture Capital Association guidelines.

Fair value estimation – day 1 profit

The Trust relies on enterprise value calculations when it evaluates equity purchase transactions and investments on behalf of funding applications. To some extent there is 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 investments available for sale and would only relate to acquisitions in their first year of history whose fair values closely match costs of equity investment. Any implied First day profits would be immaterial since equity acquisitions are subscribed for at par and at most would be 10% to 15% of the par cost of such equity.

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1.8 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 group about, among others, the following loss events:

(i) significant financial difficulty of the issuer or obligor;
(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; or
(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 held-to-maturity 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 Statement of Financial Performance. If a loan or held-to-maturity 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 for Trusts of such assets indicative of the debtors' 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 decrease the amount of the provision for loan impairment in the income statement.

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 Statement of Financial Performance.

(b) Renegotiated originated loans

Originated loans that have been subject to impairment losses and whose settlement terms have been formally 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.

1.9 Off-setting

The Trust offsets assets and liabilities if, and only if, the Trust:
– 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.

1.10 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.

Leases where the Trust has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the lease equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
For the year to 31 March 2009

1.11 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. 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.

(b) Bonus plan

The Trust recognises a liability and an expense for bonuses. The Trust recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

1.12 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, with the relevant increase in the provision due to the passage of time being recognised as an interest expense.

1.13 Trade Payables

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

2 FINANCIAL RISK MANAGEMENT

2.1 Credit Risk

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 investments held to maturity, originated loans and preference shares as well as any trade and other receivables arising out of investment activities of the Trust.

The risk of default on investments held to maturity and originated loans is actively managed especially through the fully established Post Investment Department, responsible for the ongoing performance monitoring of and individual performance reporting on the originated loans, preference shares and investments held to maturity portfolio.

For banks, only the two National Treasury approved banks in use by the Trust are used for cash and call deposits and these are split between the banks.

CASH BALANCES AS AT THE 31 MARCH 2009

	Credit Ratings	Closing balances
		R000s
Standard Bank	AA+	1,243,057
First National Bank	A-2	274,282
Rand Merchant Bank	A-2	1,086,842
Total Cash		**2,604,181**

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).

The impairment methodology utilised by the Trust results in Originated Loans that are in excess of 60 days in arrears ie, two repayment installments in arrears, being subjected to a level of impairment, in line with the overall period in arrears. The Originated Loans that have not been impaired all remain at the 60 day period of ageing, in that they remain regularly monitored with a high likelihood that some repayment installments 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.

None of the financial assets that are performing have been renegotiated in the last year.

Originated Loans are individually impaired. After impairments the originated loans (Note 8.1) may be analysed as follows:

	2009	2008
	R000's	R000's
Normal monitoring and performing loans	538,434	392,735
Close monitoring	85,864	50,142
Partly/fully impaired	120,463	106,157
Note 8.1	**744,761**	549,034

The average loan disbursed is R 5 700 000, with the minimum being R 269 000, and the maximum being R60 500 000.

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

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Collateral obtained by the Trust

The development finance mandate of the Trust prescribes that it often advances debt funding to Black empowered entities that would not normally be able to raise such funding under normal credit lending conditions. Any collateral raised in respect of such funding advanced represents commitment from the borrower rather than commercially collectable collateral. The Trust hence does not place much reliance on collateral obtained on originated loans but has undertaken a fair value assessment of collateral on performing or impaired loans. To the extent that a fully impaired loan is in breach and is transferred for legal collection, then the Trust considers the values of any nominal collateral available against such collections.

	Land and buildings R000's	Plant and equipment R000's	Furniture and equipment R000's	Motor vehicles R000's	Office equipment R000's	TOTAL R000's
Held in favour of performing loans	5,716	81,029	10,675	87,293	7,542	192,255
Held in favour of impaired loans	11,857	65,408	17,784	33,947	1,109	130,105
Total cost value	17,573	146,437	28,459	121,240	8,651	322,360
Valuation discount rate to cost (%)	60%	75%	75%	75%	90%	-
Fair value	7,029	36,609	7,115	30,310	865	81,928

Collateral available against current fully impaired loans that are in breach and have been transferred for legal collections includes the following forms:

- Special notarial bonds on any plant and equipment funded
- General notarial bonds on movable assets
- Cession of trade debtors and specific cash balances

Any fair value of such collateral is considered against collectible debt at outstanding amounts, including accrued interest. The fair value of collateral is considered to be the cost value less a discount rate viewed by management in terms of the particular collateral asset class, which would be incurred in easily liquidating the collateral. These rates are based on estimates currently and will be reassessed each year against actual value of collateral collections when and if liquidated.

2.2 Market Risk

Market risk (including foreign exchange rate risk, interest rate risk, other price risk) represents the risk that the value of investments will fluctuate because of changes in market interest rates and prices, whether those changes are caused by factors specific to individual instruments 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.

(a) 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.

(b) 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 was totally 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.

A significant part (2009 - 82%: 2007 – 78%) of the Trust's investment portfolio is advanced in the form of originated loans. These loans are advanced at interest rates which are fixed as well as others that are linked to the prime lending rates over terms generally ranging from 5 to 8 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 analyses. The underlying risk therefore within the range of interest rate changes run in sensitivity analyses is the business risk associated with the approval of loans to applying businesses. This business risk is assessed regularly by the Post-Investment Unit 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 2009, the portfolio was assessed from this risk rating approach as follows:

Category	% by number	% by value
Performing	42%	72%
Impairments	16%	8%
Workouts	42%	20%

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

During the year under review and in response to the effects that the global economic crisis was having on some of the originated loans portfolio, the Trust approved an originated loans restructuring programme for eligible investments. This programme allows for originated loans that would be performing if it were not for the impact of the economic downturn conditions, to undergo a restructuring process resulting in the deferment of up to half of outstanding capital 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 loans in 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.

As at the reporting date, no loans had undergone any restructuring in terms of this approved business rescue programme.

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 rate environment around originated loans and cash and cash equivalents was considered as follows:

	Interest earned R000's	Sensitivity of 1% effective adjustment R000's
Originated loans	94,846	8,159
Cash and cash equivalents	287,205	26,042
Total effect on Profit/Loss	382,051	34,201

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c) Other 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 at fair value through statement of changes in net assets. These investments are as a result of the state allocated investment in MTN and some listed investments 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 non-distributable 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 minimum exposure to other price risk is limited with the bulk of the risk being associated with underlying business and credit risk.

The effect of the international economic and investment downturn in the equities market for listed shares eroded the fair value reported through the non-ditributable reserve to the extent of R200 838 438. Had this international downturn not transpired then the reduction in fair value on the non-ditributable reserve could have been lessened to the extent of this value.

2.3 Liquidity Risk

The Trust is capitalised annually 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. This funding is voted annually and advanced in tranches by **the dti** to cover operational and fund management capital requirements for disbursements during the year. For the year under review, **the dti** reallocated voted funds destined for the Trust to other dti agencies via the Mid Term Budget Policy Statement process. This virement of the entire voted transfer for the operational costs of the Trust did not affect the liquidity risk of the Trust since significant cash balances remained with the Trust during the year.

The Trust received significant advances of capital for its fund management activities over the past three years. Further liquidity has been added through the proceeds obtained from the NEF Asonge Share Scheme which raised further cash proceeds from the retailing of part of the Trust's share portfolio in MTN as part of the retail mandate of the Trust. Cash from the NEF Asonge Share Scheme has been separately invested in an interest bearing treasury account until these funds are earmarked for further asset management and investment activities in consulation with **the dti** and National Treasury.

The cash balances of the Trust are invested in treasury and call accounts of its two 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. An event of this nature would represent the highest concentration of current liquidity risk but is fully mitigated by remaining cash balances covering current and planned committments for the next two years.

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. As these classes of financial liabilities are current, it is assumed that the effect of discounting, if any, is immaterial.

2.4 Capital Risk

Trust Capital primarily comprises funds transferred from for the purposes of granting funding to eligible Black empowered businesses through its fund management products. To date Cash Funds received from **the dti** for these purposes totals R1 985 789 472 (2008:R1 672 857 472 - note 13). Funding for operations is advanced by **the dti** also in the form of transfer funds. These are matched against operational expenditure for the year and to the extent there is some level of operational surplus or deficit, then this is transferred or offset to Accumulated Surplus once approval is granted in this respect from National Treasury.

Capital advanced for fund management from voted transfers 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. The accounting split between capital and operations is stricly maintained in terms of PFMA requirements.

Proceeds raised on asset management retail product subscriptions are transferred to capital through profit and loss upon derecognition of available for sale assets fair valued through non-distributable reserves. This capital is managed separately and utilised for the purposes of reapplication into asset management activities and other related investments in consultation with **the dti** and National Treasury.
Since inception the Trust has been funded out of transfer funds from **the dti** against presentation and approval of its annual business plan and budget. The Trust will be moving towards self sustainability due to interest income being received on its originated loans portfolio as well as on cash balances invested in bank treasury and call accounts.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on originated loans

The Trust reviews its loan portfolios to assess impairment at half-yearly intervals. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, 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 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
- Value of security
- Arrear payments
- Integrity of borrower

Originated Loans are individually assessed and impaired utilising management's impairment matrix.

(b) Impairment of equity investments

The Trust determines that equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Trust evaluates among other factors, the normal volatility in earnings. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

(c) Fair value on unlisted securities

The Trust establishes fair value of unlisted securities by enterprise valuation techniques as outlined in note 1.6 financial assets: fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
For the year to 31 March 2009

4. PROPERTY, PLANT AND EQUIPMENT

2009	Owned								Leased	
	Motor Vehicles R000's	Computer Equipment R000's	Audio Visual Equipment R000's	Office Equipment R000's	Furniture and Fittings R000's	Leasehold Improvements R000's	Paintings R000's	Total R000's	Computer Equipment R000's	Total R000's
Opening Balance										
Cost	408	1,351	609	790	2,894	3,034	270	9,356	1,809	11,165
Accumulated depreciation	(48)	(953)	(571)	(419)	(1,517)	(2,427)	(53)	(5,988)	(1,106)	(7,094)
Net Book Value	**360**	**398**	**38**	**371**	**1,377**	**607**	**217**	**3,368**	**703**	**4,071**
Movement for the year:										
Additions	-	1,036	22	46	395	590	11	2,099	-	2,099
Disposals	-	-	-	-	-	-	-	-	-	-
Re-classification*	-	215	36	(362)	156	(45)		-	-	-
Depreciation on disposed asset	-	-	-	-	-	-	-	-	-	-
Depreciation	(111)	(511)	(71)	50	(521)	(108)	19	(1,255)	(544)	(1,799)
Closing Balance	**(111)**	**740**	**(13)**	**(266)**	**30**	**436**	**30**	**844**	**(544)**	**300**
Cost	408	2,602	666	474	3,445	3,578	281	11,454	1,809	13,264
Accumulated depreciation	(158)	(1,464)	(642)	(370)	(2,038)	(2,536)	(35)	(7,243)	(1,650)	(8,893)
Net Book Value	**249**	**1,138**	**24**	**105**	**1,406**	**1,043**	**247**	**4,212**	**159**	**4,371**

2008	Owned								Leased	
	Motor Vehicles R000's	Computer Equipment R000's	Audiovisual Equipment R000's	Office Equipment R000's	Furniture and Fittings R000's	Leasehold Improvements R000's	Paintings R000's	Total R000's	Computer Equipment R000's	Total R000's
Opening Balance										
Cost	136	987	599	569	2,358	2,450	270	7,369	-	7,369
Accumulated depreciation	(136)	(661)	(530)	(300)	(953)	(2,450)	(43)	(5,073)	-	(5,073)
Net Book Value	**-**	**326**	**69**	**269**	**1,405**	**-**	**227**	**2,296**	**-**	**2,296**
Movement for the year:										
Additions	408	365	10	222	536	584	-	2,125	1,809	3,934
Disposals at cost	(136)	-	-	-	-	-	-	(136)	-	(136)
Depreciation on disposed asset	136	-	-	-	-	-	-	136	-	136
Depreciation	(48)	(293)	(41)	(120)	(564)	23	(10)	(1,053)	(1,106)	(2,159)
	360	**72**	**(31)**	**102**	**(28)**	**607**	**(10)**	**1,072**	**703**	**1,775**
Closing Balance										
Cost	408	1,351	609	790	2,894	3,034	270	9,356	1,809	11,165
Accumulated depreciation	(48)	(953)	(571)	(419)	(1,517)	(2,427)	(53)	(5,988)	(1,106)	(7,094)
Net Book Value	**360**	**398**	**38**	**371**	**1,377**	**607**	**217**	**3,368**	**703**	**4,071**

* During the implementation of the new ERP/CRM system various asset item were re-classified due to an earlier incorrect classification.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
For the year to 31 March 2009

	2009 R000's	2008 R000's
5 INTANGIBLE ASSETS		
Computer software		
Opening Balance		
Cost	**4,032**	346
Accumulated amortisation	**(381)**	(220)
Net Book Value	**3,651**	126
Movement for the year:		
Additions	**5,428**	3,686
Amortisation	**(1,991)**	(161)
	3,437	3,525
Closing Balance		
Cost	**9,460**	4,032
Accumulated amortisation	**(2,372)**	(381)
Net Book Value	**7,088**	3,651
6 INVESTMENT IN ASSOCIATES		
Investment at cost	**30,567**	20,867
– Opening balance	**20,867**	11,197
– Additions	**9,701**	9,670
– Disposals/write off	**(1)**	-
Fair value adjustments	**15,209**	903
– Balance brought forward from prior year	**903**	13,121
Gains/(losses) during year	**14,306**	(12,218)
– Fair value losses	**-**	(12,218)
– Fair value gains	**14,306**	-
Net investment in associates	**45,776**	21,770

The Trust's principal associates are:			2009	2008
Name	Country of incorporation	Principal activity	Interest held (%)	Interest held (%)
Unlisted:				
Blink Media Holdings (Pty) Ltd	South Africa	Media	-	40.00%
Blue Glamour (Pty) Ltd	South Africa	Manufacturing	32.00%	32.00%
Choice Technologies (Pty) Ltd	South Africa	ICT and Media	49.00%	49.00%
Clickrite (Pty) Ltd	South Africa	Printing	-	40.00%
Dezzo Timbers (Pty) Ltd	South Africa	Timber	30.00%	30.00%
DMS Powders (Pty) Ltd	South Africa	Mining	20.00%	20.00%
Emergia Solutions (Pty) Ltd	South Africa	Financial Services	-	49.00%
Exotic Bread (Pty) Ltd	South Africa	Agro processing	49.00%	49.00%
Inca Concrete Masonry (Pty) Ltd	South Africa	Construction	35.00%	35.00%
Lak Investment T/A Stone Age (Pty) Ltd	South Africa	Construction	25.00%	25.00%
Lindiwe Wines (Pty) Ltd	South Africa	Marketing and Distribution	-	49.00%
Notae Entertainment (Pty) Ltd	South Africa	Tourism and Entertainment	26.00%	26.00%
Nucleus Administrators (Pty) Ltd	South Africa	Financial Services	-	49.00%
Safepak (Pty) Ltd	South Africa	Manufacturing	20.00%	20.00%
Stutt Brick Company (Pty) Ltd	South Africa	Construction	45.00%	45.00%
Wiredloop (Pty) Ltd	South Africa	ICT and Media	25.00%	25.00%
Amajuba Berries (Pty) Ltd*	South Africa	Farming	51.00%	51.00%
Izingwe Automotive (Pty) Ltd	South Africa	Automotive	20.00%	20.00%
Colliery Dust Control (Pty) Ltd	South Africa	Mining	40.10%	-
False Bay Bricks (Pty) Ltd	South Africa	Construction	30.00%	-
Trennplast (Pty) Ltd	South Africa	Manufacturing	26.50%	-
White Heat Trading 4 (Pty) Ltd	South Africa	Manufacturing	34.5%	-
Middelsdrift Dairy (Pty) Ltd	South Africa	Farming	40.00%	-

"My experience of the NEF's application process was quite a pleasant one, since the investment team was very flexible and treated my deal with interest and care. They did not treat it as any other deal at their doorstep. All I think needs to be done is that the NEF becomes more visible to the public so that everyone that is interested in applying may know what this institution is about. The disbursement process was very fast as well."

Mr Sibusiso Ncube – Incoso Foods (Pty) Ltd t/a Sunset Rock – Eshowe

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
For the year to 31 March 2009

	Voting power		Equity at cost	
Name	2009 %	2008 %	2009 R000's	2008 R000's
Unlisted:				
Blink Media Holdings (Pty) Ltd	-	40.0%	-	80
Blue Glamour (Pty) Ltd	32.0%	32.0%	20	20
Choice Technologies (Pty) Ltd	49.0%	49.0%	10,000,000	10,000,000
Clickrite (Pty) Ltd	-	40.0%	-	120
Dezzo Timbers (Pty) Ltd	30.0%	30.0%	30	30
DMS Powders (Pty) Ltd	20.0%	20.0%	1,000,000	1,000,000
Emergia Solutions (Pty) Ltd	-	49.0%	-	96
Exotic Bread (Pty) Ltd	49.0%	49.0%	196,000	196,000
Inca Concrete Masonry (Pty) Ltd	35.0%	35.0%	350	350
Lak Investment T/A Stone Age (Pty) Ltd	25.0%	25.0%	25	25
Lindiwe Wines (Pty) Ltd	-	49.0%	-	490
Notae Entertainment (Pty) Ltd	26.0%	26.0%	20	20
Nucleus Administrators (Pty) Ltd	-	49.0%	-	96
Safepak (Pty) Ltd	20.0%	20.0%	20	20
Stutt Brick Company (Pty) Ltd	45.0%	45.0%	45	45
Wiredloop (Pty) Ltd	25.0%	25.0%	33	33
Amajuba Berries (Pty) Ltd *	31.0%	31.0%	19,369,051	9,669,255
Izingwe Automotive (Pty) Ltd	20.0%	20.0%	20	20
Colliery Dust Control (Pty) Ltd	40.1%	-	401	-
False Bay Bricks (Pty) Ltd	30.0%	-	300	-
Trennplast (Pty) Ltd	26.5%	-	265	-
White Heat Trading 4 (Pty) Ltd	34.5%	-	300	-
Middelsdrift Dairy (Pty) Ltd	40.0%	-	40	-
			30,566,920	20,866,700

* Although the Trust owns 51% of the issued share capital of this community based company, 20% of the voting rights have been ceded back to the community and therefore the Trust controls only 31% of the investment, hence the classification as an associate.

	2009 R000's	2008 R000's
7 INVESTMENTS AVAILABLE-FOR-SALE		
Fair value balance at beginning of the year	**1,381,000**	2,303,924
Net fair value adjustments	**(200,838)**	(840,588)
MTN shares fair value adjustments	**(200,838)**	197,533
MTN shares de-recognised transferred to Statement of Financial Performance	**-**	(1,037,954)
Intaba Technologies (Pty)Ltd	**-**	(167)
Inkwali Fabrications (Pty)Ltd	**-**	-
Derecognition of MTN shares	**-**	(90,940)
Additions	**23,827**	8,604
Fair value balance at end of the year	**1,203,989**	1,381,000
Available-for-sale investments include:		
Listed securities:		
– Equity securities : RSA	**1,171,557**	1,372,398
Unlisted securities:		
Securities not traded on an active market	**32,432**	8,602
Intaba Technologies (Pty) Ltd	**-**	-
Inkwali Fabrication (Pty) Ltd	**-**	-
Fuel Logistics Group (Pty)Ltd	**24,111**	5,597
Thin Film (Pty) Ltd	**5,313**	-
Connex (Pty) Ltd	**3,008**	3,007
	1,203,989	1,381,000

"I have already been funded twice by this institution. The first experience took longer than the second since it was a new application. However, two weeks is all it took for the second funding to come through. I have referred a couple of business people to the NEF since I know that the NEF is true to its mandate of assisting emerging Black entrepreneurs."

Ms Granny Seape – Ahanang Hardware and Construction

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
For the year to 31 March 2009

	2009 R000's	2008 R000's
8 ORIGINATED LOANS AND PREFERENCE SHARES		
8.1 Originated Loans		
Opening balance	**549,034**	371,635
Net movement for the year	**195,727**	177,399
Loans disbursed	**245,923**	152,110
Interest capitalised	**96,342**	55,751
Loan repayments	**(70,928)**	(30,462)
Disposals/write-offs	**(71,820)**	-
Loans re-classified from/(to) other investment categories	**(3,790)**	-
Closing balance	**744,761**	**549,034**
Impairments	**(120,462)**	(106,156)
- Opening balance	**(106,156)**	(53,337)
- Impairment for the year	**(89,077)**	(52,819)
- Disposals/write-offs	**74,771**	-
Net originated loan balance	**624,299**	442,878
8.2 Preference shares	**64,287**	52,426
Opening balance	**52,426**	20,447
Additions	**11,750**	24,700
Loans re-classified from/(to) other investment categories	**3,790**	-
Interest capitalised	**6,673**	8,749
Disposals/write-offs	**(2,950)**	-
Repayments	**(7,402)**	(1,470)
Fair value	**688,586**	495,304

Some loans are secured by general notarial bonds over movable property, cession of receivables, cession of bank accounts, personal sureties, second mortgage bonds and insurance policies as disclosed in Note 2.1.

	2009 R000's	2008 R000's
9 INVESTMENTS HELD-TO-MATURITY		
Debentures at cost	**10,000**	10,000
Interest accrued	**6,090**	4,195
Prior year	**4,195**	1,555
Current year	**1,895**	2,640
	16,090	14,195
Impairment	**(16,090)**	(14,195)
– Opening balance	**(14,195)**	(11,555)
– Impairment for the year	**(1,895)**	(2,640)
– Investment written-off	**16,090**	-
	-	-

This investment was written off in the current financial year.

The held-to-maturity investment consists of 25 unsecured, convertible, redeemable debentures of R400,000 each purchased in 2006. In terms of the contract, interest is payable on the 3rd and 4th anniversary at a rate of 10% p.a and the debentures shall be redeemable or converted at the end of 48 months with a redemption premium of 30% of the issue value. Should the debentures be converted, each converted debenture share shall equate to 1% equity shareholding in the company.

10 INVESTMENTS HELD-FOR-TRADE		
Fair value balance at beginning of year	**59,799**	79,110
Disposals	**-**	(8,882)
	59,799	70,228
Fair value gains/(losses)	**387**	(10,429)
Fair value balance at end of year	**60,186**	59,799
Investments Held-for-Trade include:		
Listed Securities:		
Cipla/Enaleni	**2,631**	2,548
AH Vest/All Joy	**2,751**	2,751
Hospitality Fund A	**29,698**	31,792
Hospitality Fund B	**25,106**	22,708
	60,186	59,799

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
For the year to 31 March 2009

	2009 R 000's	2008 R 000's
11 TRADE AND OTHER RECEIVABLES		
Deposits	**1,025**	1,025
Dividend receivable	**22,737**	15,203
Other receivables	**222**	699
	23,984	16,927

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

12 CASH AND CASH EQUIVALENTS		
For the purposes of cash flow statements, the cash and cash equivalents comprise the following:		
Bank balances		
– Current accounts	**5,503**	660,029
– Short-term bank deposits	**2,598,678**	1,657,727
– Petty cash	**7**	1
Fair value	**2,604,188**	2,317,757

The effective interest rate on short term deposits was 11% (2008 – 10.5%).

The origination of cash balances is further analysed in the Report of the Trustees.

13 TRUST CAPITAL		
Investment in listed shares		
– At cost	**171,000**	171,000
Cash funds received from **the dti**:	**1,985,789**	1,672,857
– Opening Balance	**1,672,857**	1,062,903
– Funds received during the year	**312,932**	609,954
Closing balance	**2,156,789**	1,843,857

	2009 R000's	2008 R000's
14 FAIR VALUE RESERVES		
Balance at beginning of the year	**1,289,434**	2,129,909
Net increase/(decrease)	**(200,838)**	(840,475)
Revaluation of investments available for sale	**(200,838)**	197,479
Fair value derecognition on disposal of investment available for sale transferred to Statement of Financial Performance	**-**	(1,037,954)
Balance at end of the year	**1,088,596**	1,289,434

15 FINANCE LEASE LIABILITY		
Gross finance lease liabilty – minimum lease payments		
No later than 1 year	**170**	650
Later than 1 year and no later than 5 years	**-**	171
Later than 5 years	**-**	-
	170	821
Future finance charges	**-**	(52)
Present value of finance lease liabilities	**170**	769
No later than 1 year	**170**	599
Later than 1 year and no later than 5 years	-	170
Later than 5 years	-	-
	170	769

"NEF funding has assisted Dusty Moon, the BEE shareholder in SunSpace, to secure its position in the company and to encourage Black participation in high technology to encourage our youth in maths, science and engineering training. We want to expose South African youth to the possibilities of careers that may have been beyond their imagination up to this point and to make SunSpace a profitable enterprise."

Mr Themba Vilakazi – SunSpace

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
For the year to 31 March 2009

	2009 R000's	2008 R000's
16 TRADE AND OTHER PAYABLES		
Trade payables	**6,086**	5,166
Lease smoothing liability *	**935**	649
Unallocated receipts generated by Asonge *	**751**	1,929
Accruals	**21,688**	16,583
– Performance awards *	**14,078**	10,608
– Supplier accruals	**5,272**	4,143
– Leave pay *	**2,338**	1,832
	29,460	24,327
* Financial liabilities outside the scope of IFRS 7	18,102	15,018

17 PROVISIONS

Provision for Asonge Adminstrative Expenditure and Bonus Share Offer		
Opening balance	**4,776**	-
Charged to Statement of Financial Performance (Asonge admin expenses)	**509**	6,837
Charged to Statement of Financial Performance (Asonge bonus share provision)*	**120,909**	-
Amounts Utilised	**(4,200)**	(2,061)
Closing Balance	**121,994**	4,776

* This provision reflects the expected fair value charge to the income statement to be incurred in September 2009 at the time of the bonus share awards to Asonge Investors.

18 RELATED PARTY TRANSACTIONS

The National Empowerment Fund Trust is a public entity reporting to the Department of Trade and Industry (dti) from whom it receives operational Transfers and Investment Capital.

Transfers and Capital Received			
Department of Trade and Industry	Operational	**–**	100,000
	Capital	**312,932**	609,954
		312,932	709,954
Expenditure			
SA Post Office		-	8,078
Government Printing Works		-	8

Investments in associates	% Holding	Loans receivable 2009 R000's	Loans receivable 2008 R000's	Investment at cost 2009 R000's	Investment at cost 2008 R000's
Blink Media Holdings (Pty) Ltd	-	**–**	4,193,771	**–**	80
Blue Glamour (Pty) Ltd	32	**26,852,569**	21,426,164	**20**	20
Choice Technologies (Pty) Ltd	49	**27,233,806**	15,659,204	**10,000,000**	10,000,000
Clickrite (Pty) Ltd	-	**–**	4,949,561	**–**	120
Dezzo Timbers (Pty) Ltd	30	**11,574,435**	11,200,000	**30**	30
DMS Powders (Pty) Ltd	20	**20,887,416**	30,470,400	**1,000,000**	1,000,000
Emergia Solutions (Pty) Ltd	-	**–**	3,676,865	**–**	96
Exotic Bread (Pty) Ltd	49	**4,841,233**	4,235,107	**196,000**	196,000
Inca Concrete Masonry (Pty) Ltd	35	**28,553,595**	30,101,642	**350**	350
Lak Investment T/A Stone Age (Pty) Ltd	25	**32,923,449**	25,605,708	**25**	25
Lindiwe Wines (Pty) Ltd	-	**–**	4,319,082	**–**	490
Notae Entertainment (Pty) Ltd	26	**–**	1,250,973	**20**	20
Nucleus Administrators (Pty) Ltd	-	**–**	1,413,238	**–**	96
Safepak (Pty) Ltd	20	**35,552,354**	24,784,258	**20**	20
Stutt Brick Company (Pty) Ltd	45	**26,692,295**	29,056,262	**45**	45
Wiredloop (Pty) Ltd	25	**1,419,295**	1,691,721	**33**	33
Amajuba Berries (Pty) Ltd	51	**19,369,000**	9,669,255	**19,369,051**	9,669,255
Izingwe Automotive (Pty) Ltd	20	**6,154,036**	7,700,635	**20**	20
Colliery Dust Control (Pty) Ltd	40.1	**30,965,781**	-	**401**	-
False Bay Bricks (Pty) Ltd	30	**52,986,483**	-	**300**	-
Trennplast (Pty) Ltd	26.5	**60,523,904**	-	**265**	-
Whiteheat Trading 4 (Pty) Ltd	34.5	**50,215,616**	-	**300**	-
Middelsdrift Dairy (Pty) Ltd	40	**10,949,992**	-	**40**	-
		447,695,259	231,403,846	**30,566,920**	20,866,700

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
For the year to 31 March 2009

	Notes	2009 R000's	2008 R000's
19 (EXPENDITURE)/INCOME FROM RETAIL ACTIVITIES			
Reversal fair value		-	1,037,954
Discount at 20%		-	(225,779)
Retail offer costs and provisions	21.4	(129,575)	(49,706)
		(129,575)	762,469
Proceeds from retail offer		-	903,115
Cost of Shares sold		-	(90,940)
Retail offer costs and provisions		(129,575)	(49,706)
		(129,575)	**762,469**

Income from retail activities in the prior year comprises of the subscriptions received for the NEF Asonge Share Scheme, which offered 12 230 706 MTN shares to the public at a 20% discount to the market share price.

	Notes	2009 R000's	2008 R000's
20 EXPENSES BY NATURE			
Surplus from operations is arrived at after taking into account:			
Auditors' Remuneration		**1,880**	1,524
– External audit fees		**973**	1,040
– Internal audit		**907**	484
Consulting fees		**18,728**	15,063
– Human Resources		**-**	1,173
– Information technology		**1,755**	1,136
– Legal fees		**2,900**	813
– Administration		**-**	98
– Finance		**-**	102
– Risk management		**113**	103
– Marketing		**8,188**	5,287
– Public Relations		**1,947**	1,339
– Professional fees - Investments		**3,825**	5,012
Depreciation	**4**	**1,799**	2,159
– Motor vehicles		**111**	48
– Owned computer equipment		**511**	293
– Leased computer equipment		**544**	1,106
– Audiovisual equipment		**71**	41
– Office equipment		**(50)**	120
– Furniture and fittings		**521**	564
– Other assets		**(19)**	10
– Leasehold improvements		**108**	(23)
Trustees and senior management emoluments	**23**	**9,091**	9,163
Amortisation of intangible assets	**5**	**1,991**	161
Operating lease rentals		**5,285**	3,743
– Property rental		**5,151**	3,697
– Equipment rental		**134**	46
Total staff costs			
- Salaries and benefits		**60,609**	48,125
Number of employees at year end		**104**	85

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
For the year to 31 March 2009

	2009	2008
	R000's	R000's

21 COMMITMENTS

21.1 Operating lease commitments – property rentals

The future minimum lease payments on office premises rental under non-cancellable operating leases are as follows:

Not later than 1 year	**4,389**	3,668
Later than 1 year but not later than 5 years	**2,705**	6,108
	7,094	9,776

The property lease expires in October 2010.

21.2 Undrawn investments

Not later than 1 year	**203,233**	69,063

Payment will be met out of cash reserves.

21.3 Investments approved and committed but not contracted for.

Not later than 1 year	**146,350**	206,900

Payment will be met out of cash reserves.

21.4 MTN Bonus Shares

Within the provisions of the NEF Asonge Share Scheme, an award of 1 bonus share in MTN for every 10 MTN shares still held by the investors at 16 August 2009 will be made. Following 9 months of the monitoring of investor activity since the conclusion of the lock in period ending in 16 August 2008, and with a further 3 months to run to the bonus award date, the value of the bonus award can now be reasonably estimated, and hence has now been provided for. The maximum award to be made will not exceed 1 223 070 shares, currently provided at R 120 908 838. It is anticipated that this provision will be reversed in the following year when the bonus share transaction is recorded.

The above commitment will be met out of MTN shares on hand and charged to the statement of profit and loss at fair value .

22 MTN SHARE DISPUTE

On 24 August 1998, the Trust together with eight (8) other 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 have been disposed of. All but two of the BEE companies have settled with the Trust. With regards the remaining two BEE companies that have not settled, the Trust is unable to uphold these settlement agreements originally entered into since these have prescribed. The number of shares disputed is 44 320 for which settlement agreements to the value of R1 050 000 were sought at the time.

23 TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

	Basic	Bonuses and performance payments	Pension contributions	Other contributions	Fees to Non-Executive Trustees	Total
	R000's	R000's	R000's	R000's	R000's	R000's
Year ended 31 March 2009						
Executive trustee:						
Ms P Buthelezi (CEO)	1,894	1,404	242	47	-	3,587
	1,894	1,404	242	47	-	3,587
Senior management:						
Mr A Wright (CFO)	1,185	844	137	70	-	2,236
Mr F Gillion (CIO)	1,323	540	180	78	-	2,121
Mr C Clarke (COO) (Joined on the 1/3/2009)	93	192	12	2	-	299
	2,601	1,576	329	150	-	4,656
Non-executive trustees: (all appointed on 1/11/2005)						
Mr R Ntuli					181	181
Ms J Hoffmann (Term ended 2/12/2008)					76	76
Mr T Mhlambiso					188	188
Ms S Sebotsa (Term ended 2/12/2008)					67	67
Mr K Seitshiro					156	156
Ms P Radebe (Resigned 24/4/2008)					48	48
Mr J Theledi (Term ended 2/12/2008)					132	132
	-	-	-	-	848	848
TOTAL	4,495	2,980	571	197	848	9,091

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For the year to 31 March 2009

	Basic	Bonuses and performance payments	Pension contributions	Other contributions	Fees to Non-Executive Trustees	Total
	R000's	R000's	R000's	R000's	R000's	R000's
Year ended 31 March 2008						
Executive trustee:						
Ms P Buthelezi (CEO)	1,730	1,178	211	42	-	3,161
	1,730	1,178	211	42	-	3,161
Senior management:						
Mr A Wright (COO)	992	686	111	62	-	1,851
Mr F Gillion (CIO)	1,030	725	138	64	-	1,957
Ms M Luke (Corporate Services) (Resigned 31/3/2008)	515	-	72	41	-	628
Mr V Mabuza (Asset Management) (Resigned 31/8/2007)	368	-	42	14	-	424
	2,904	1,410	363	180	-	4,860
Non-executive trustees: (all appointed on 1/11/2005)						
Mr R Ntuli	-	-	-	-	158	158
Ms J Hoffmann	-	-	-	-	134	134
Mr T Mhlambiso	-	-	-	-	173	173
Ms S Sebotsa*	249	-	-	-	164	413
Mr K Seitshiro	-	-	-	-	90	90
Ms P Radebe	-	-	-	-	86	86
Mr J Theledi	-	-	-	-	88	88
	249	-	-	-	893	1,142
TOTAL	4,884	2,589	574	223	893	9,163

* Ms S Sebotsa was seconded to the NEF for a period of 4 months and received a basic consulting fee during this period over and above Non-Executive Fees.

	2009	2008
	R000's	R000's
24.1 Notes to the Cash Flow Statement		
Reconciliation of net surplus to cash utilised in operations:		
Surplus for the year	104,043	951,814
Adjustment for:	(338,104)	(974,992)
Depreciation and amortisation	3,790	2,159
Interest accrued on investment held-to-maturity	(1,895)	(17,581)
Interest on investments	(390,220)	(229,097)
Proceeds from retail offer	-	(783,740)
Dividends on investments	(26,058)	(24,840)
Impairment of investments	90,972	55,460
Fair value (gains)/losses	(14,693)	22,647
Operating surplus/(deficit) before working capital changes	(234,061)	(23,178)
Working capital changes	114,696	20,581
Increase in trade and other receivables	(7,056)	7,355
Increase/(decrease) in trade and other payables	121,752	13,226
Cash utilised in operations	(119,365)	(2,597)
24.2 Additional Investment in Core Activities		
Originated loans	245,923	152,110
Preference shares	11,750	24,700
Investments in Associates	9,700	9,669
Investments Available-for-sale	23,827	8,605
	291,200	195,084

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
For the year to 31 March 2009

25 Fruitless and Wasteful Expenditure

A sponsorship of R171 000 was paid to an event organisor for the Annual SMME Forum. The organisor absconded without hosting the event. A criminal case has been laid against the event organisor and attempts have been made to recover the money. Legal recourse in terms of the letter of support from the SMME Forum is also being considered.

26 Unauthorised, Irregular Expenditure

A post balance sheet event of loss of petty cash was reported totalling R5 000. The responsible employee was charged with gross negligence and theft in a disciplinary process and was found guilty of gross negligence and dismissed. Prior to their dismissal the employee replaced the petty cash out of their own means.

27 Income Tax Exemption

The trust is exempt from income tax in terms of Sections 10 (1)(cA).

28 National Empowerment Fund Corporation (Pty) Ltd

The Trust established the above entity, in which it has a 100% interest, in 2002, as provided for in the NEF Act. To date this company remains a dormant subsidiary with no trading having ever taken place. The Trust obtained permission during the year under review from the National Treasury under Section 51(1)(g) of the PFMA, and wish to utilise this entity in any of its future Asset Management retail activities.

GLOSSARY OF TERMS

NEF	National Empowerment Fund
AsgiSA	Accelerated and Shared Growth Initiative for South Africa
BB-BEE	Broad-Based Black Economic Empowerment
BIC	Board Investment Committee
DBSA	Development Bank of South Africa
DFI	Development Finance Institution
DPE	Department of Public Enterprises
ECIC	Export Credit Insurance Corporation
ERM	Enterprise-wide Risk Management
EXCO	Executive Committee
EXCO IC	EXCO Investment Committee
FRMC	Finance and Risk Management Committee
HCRC	Human Capital and Remuneration Committee
ICT	Information Communication Technology
IDC	Industrial Development Corporation of South Africa
IFRS	International Financial Reporting Standards
IRR	Internal Rate of Return
JSE	JSE Limited
Khula	Khula Enterprise Finance
MEC	Member of Executive Council
NEF Act	National Empowerment Fund Act No. 105 of 1988
PFMA	Public Finance Management Act No. 1 of 1999 (as amended by Act No. 29 of 1999)
SAI	State Allocated Investments
SEDA	Small Enterprise Development Agency
SME	Small and Medium Enterprises
The codes/The codes of Good Practice	Broad-Based Black Economic Empowerment Codes of Good Practice
the dti	Department of Trade and Industry