National Empowerment Fund

Growing Black Economic Participation

ANNUAL REPORT 2011

BUILDING THE DEVELOPMENTAL STATE


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CONTENTS

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PERFORMANCE HIGHLIGHTS 31 MARCH 2011

Funding Approvals	To date, approved 286 black-empowered businesses to the value of R2.5 billion. During the financial year, approved 62 deals worth R749.3 million (2010: 61 deals worth R749 million).
Creating Jobs	Since inception, the NEF has supported more than 25 500 jobs, which includes the creation of over 10 500 new jobs. The NEF has supported 5 904 jobs for the 2010/11 financial year, of which 3 982 are new jobs created.
Strategic Projects Fund	The NEF's Strategic Projects Fund, SPF, was established with a mandate to increase the participation of black people in early stage projects that are aligned to national Government policy targeted sectors. 14 projects were approved, and together these amount to a pipeline estimated in excess of R25 billion, with an employment-creation potential of between 150 000 to 200 000 brand new jobs over the next three to five years. SPF projects have the potential to attract meaningful foreign direct investment into South Africa.
Fund a woman, fund a nation	For the year under review, 47% of the NEF's funded portfolio comprises businesses that are owned and managed by black women.
National Footprint	Opened three regional offices in an effort to ensure a national footprint. These are in Eastern Cape, KZN and the Western Cape, with the Free State and other provinces soon to follow.
Investor Education/ NEF iMbizo	In order to create awareness of the NEF's products and services and to encourage and promote savings, investment and meaningful economic participation by black people and promote the universal understanding of equity ownership among black people, the NEF went to the Northern Cape, Eastern Cape, Free State, Limpopo and Western Cape, hosting eight seminars per province. A total of 9 938 people attended the various seminars, where they were educated on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets, among others. A booklet on the same, in all 11 official languages, was also distributed.
Enterprise Development Fund	Launched the NEF Enterprise Development Fund, which will enable measured entities, in terms of Code 600, to obtain the maximum of 15 points on ED by contributing 3% of Net Profit After Tax (NPAT). The NEF will then directly co-invest into enterprise development initiatives alongside the NEF ED Fund on a 60:40 ratio.
Mentorship	The mentorship programme has continued to encourage investee sustainability. During 2010/11, more than R4 million was spent on mentorship, coaching and technical support (2010: R4.1. million). This was supported by 326 site visits to investees by the NEF's Post Investment Unit (2010: 290 site visits).

PERFORMANCE HIGHLIGHTS 31 MARCH 2011

Junior Manager Development Programme	The NEF project-managed and provided additional financial support of the JIPSA/ AFD Junior Management Development Programme, which is an exchange programme for junior South African managers to gain valuable business school training and work experience in France. 34 junior managers participated in the first intake, and will be followed by 66 in the next financial year.
Thought-leadership	The NEF signed a Memorandum of Agreement (MOA) with the Gordon Institute of Business Science, approving endowment to the value of R1.2 million, which will facilitate the introduction of an academic module on Broad-Based Black Economic Empowerment (BB-BEE) into the MBA programme in order to lead and enhance thought leadership on black economic transformation in South Africa.
Business Planning	In response to the constraints facing some black entrepreneurs, such as the challenge in producing top-quality business plans and the lack of accurate and reliable financial information from applicants, the NEF launched a comprehensive online Business Plan tool in 2009, which is available for free to the public on the NEF's website. The tool is designed to assist applicants in initiating, improving and refining the quality of their business plans, including completion of financial projections through an interactive, step-by-step question-and-answer process. To date the business-plan toolkit has attracted over 10 390 registered users.
Financial Sustainability	In parallel with meeting the mandated performance targets above, the NEF has maintained financial discipline and prudence with a further unqualified audit opinion on its financial reporting for the year. The financial sustainability has also been upheld with the NEF being able to report an overall annual portfolio return of 5% after impairment provisioning and write-offs.
Stakeholder Relations	In pursuit of its commitment to transparency and accountability, the NEF has progressively increased its presence in national, regional and local business conferences, exhibitions and civil society initiatives, to bring home the message of a funder with a soul that is continuing to bridge the economic divide. Examples are presentations to the South African National Editors' Forum and NAFCOC conference, among many others. The NEF BB-BEE Vision 2020 seminar took place on the 24th of May 2010 in Johannesburg, where over 600 delegates came to reflect on the progress that had been made up to that point by BB-BEE in South Africa, and equally important, to define a vision for BB-BEE for 2020. The seminar participants engaged in detailed discussions on the performance of BB-BEE in eleven industry sectors.

STRATEGIC POSITIONING

Strategic Role and Positioning

The NEF's role is to support Broad-Based Black Economic Empowerment (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 Department of Trade and Industry's **(the dti's)** Industrial Policy Framework (IPF). The work of the NEF therefore straddles and complements other Development Finance Institutions (DFIs) by allowing the organisations to work in close collaboration in the promotion of BB-BEE. With them, the NEF can enhance other DFIs and their mandates by sharing its specialist sector expertise and knowledge of BB-BEE.

Mandate

Established by the National Empowerment Fund Act No 105 of 1998, the NEF is a driver and a thought-leader in promoting and facilitating black economic participation through the provision of financial and non-financial support to black empowered businesses, as well as by promoting a culture of savings and investment among black people.

Vision

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

Values

- 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

The NEF implements its mandate in three ways:

1. Asset 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. Fund Management

Fund 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 Fund

As a leader in venture capital finance which allows entrepreneurs to participate in projects that are at an early stage within sectors identified by the RSA government as key drivers to the economic growth of South Africa. The fund also provides project finance and private equity in these projects once they are regarded as bankable.

> **“Harmonising government procurement policies to ensure that they comply with the BB-BEE Act and the codes of good practice is a government priority.”**
>
> *- President Jacob Zuma (Confederation: Black Business Organisation) 11 March 2010*

> The NEF prides itself on having maintained the highest levels of best practice relating to corporate governance. In this regard, the NEF reviews its structure and practice against local and international best practice on an annual basis. We can now unequivocally declare that the NEF has reached full institutional and operational maturity. As a state-owned institution the NEF is subject to rigorous governance and regulatory provisions governing its accountability and reporting frameworks.

Mr Ronnie Ntuli (Chairman: Board of Trustees), National Empowerment Fund

REPORT OF THE CHAIRMAN OF THE BOARD OF TRUSTEES

Unlocking the industrial value chain

In the first quarter of 2011, South Africa's unemployment rate was reported at 25%, which marked a 1% increase in the number of citizens out of work, compared to the same period a year earlier. These numbers tell the tale of an economy that functions sub-optimally and unsustainably. For true people-centred economic growth to happen, the multitudes who are without employment have to be brought into the economy as producers and consumers of wealth. Simply put, new capacity has to be created to adequately and effectively accommodate the millions of new jobs that our society aspires to create. New enterprises must be established and therein lies the question: how do we achieve this?

Across virtually all spheres of human endeavor in South African society today, the demand for skills far exceeds supply. Over the past few years of service as Chairman of the Board of Trustees of the National Empowerment Fund (NEF), the central thesis of our tenure has been the advocacy that entrepreneurship is the crucible upon which economic growth must be anchored.

Earlier this year I had the humbling privilege to prepare a short treatise for the government of our country on how South Africa can unlock its job creation ambition, considering:

i. the current state of the economy;

ii. our socio-economic objectives; as well as

iii.the current suite of policies.

South Africa has the greatest opportunity to position itself for unprecedented growth through delivery in the real economy. The massive dual economic opportunity for South Africa is our nation's industrial backlog, and the undeveloped South African and African markets.

Contrary to popular perception, South Africa has some glaring gaps in the economic value chain and our country thus has the opportunity to generate operational and job-creating investment in certain specific sectors of the economy that do not depend on external markets, but serve to de-clog our own internal economy and create efficiencies for other follow-on enterprises. Under this category there are a number of sectors where licensing for new economic capacity and the introduction of competition and new job creating capacity will benefit our economy enormously.

Under the current environment of large unemployment, this challenge represents a unique opportunity to alleviate an industrial value chain challenge whilst attracting new investment in critical infrastructure and industries, and to create a large number of sustainable jobs, across multiple sectors. South Africa has a number of sectors that are currently faced with massive bottlenecks. The licensing or creation of specific new enterprises focused on de-clogging these bottlenecks is South Africa's employment creation and growth opportunity

This is part of the thinking that has informed our work at the NEF. In terms of its mandate, which is to grow black economic participation in South Africa, the NEF has approved in excess of R2.5 billion to fund black entrepreneurs across virtually all spheres and sectors of the economy. Since inception to date, over 24% of these business are owned and managed by black women entrepreneurs, which has almost doubled for the year under review to 47%.

As a direct consequence of this milestone, more than 25 000 jobs have been supported. The true test for entrepreneurial proficiency must be the ability to innovate, to conceptualise and create new enterprises that are commercially viable, and that contribute to the creation of new economic value for national development.

Beyond enhancing the existing suite of offerings, the NEF has discharged this imperative by introducing three key initiatives:

1. a division that supports rural and community development projects;
2. a division seeking competitive opportunity for the South African economy and the inclusion of black participation in strategic industrial projects at their outset, as opposed to later in the project life-cycle; and
3. by launching the Enterprise Development Fund.

Rural and Community Development Fund

The establishment of a fund dedicated to supporting rural and community development has seen the NEF intensify the financing and establishment of new and sustainable rural enterprises aimed at diversifying the rural economy via the involvement, mentorship and empowerment of rural and local communities. This has been accomplished through proactively identifying viable projects in partnership with communities, local government and the private sector, with particular focus on projects that have the potential to optimise the participation of community organisations, co-operatives, women, youth and people with disabilities. Of necessity, and in keeping with the mandate and ethos of the NEF, these are enterprises that are co-owned, managed and operated by black people.

This Annual Report 2011 is replete with examples of substantive investments in this critical sector of the economy.

Strategic Projects Fund

The Strategic Projects Fund, a unit of the NEF established with a mandate to increase the participation of black people in early-stage projects that are aligned to the policies of the Government, has a number of exciting investments that seek to create new industrial capacity with the participation and, unapologetically, preferably driven by black South Africans.

Examples of this work include:

- In mineral beneficiation, and together with other investors such as the IDC, an investment by a select group of venture capital investors collaborating in the building of the world's first integrated speciality metals beneficiation complex, that will produce high-value industrial metals, namely pure Titanium, Zirconium, Hafnium and Silicon.
- In Telecoms and Broadband, the deployment of fibre-optic infrastructure that is four times faster at less than half the cost of normal fibre.
- the commercialisation of four hospital licenses amounting to 500 hospital beds, spread over three provinces, namely the Free State, Gauteng and the Western Cape.

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Throughout this Annual Report 2011, we identify many more projects that have the potential or real developmental and strategic impact for our country and region. Together these amount to a pipeline estimated in excess of R25 billion, with an employment-creation potential of between 150 000 to 200 000 brand new jobs over the next three to five years.

Enterprise Development Fund

The recent launch of the NEF Enterprise Development Fund (NEF ED Fund) offers an opportunity to intensify the implementation of the Codes of Good Practice on Black Economic Empowerment, as provided for and defined in the Broad-Based Black Economic Empowerment Act of 2003, in the pursuit of economic development, growth, job creation and transformation. The judicious implementation of this historic initiative, in what can now be referred to as the NEF's tradition of excellence, will provide an effective solution to the private sector in delivering sustainable BB-BEE solutions to black enterprises at an accelerated pace.

For every transaction that qualifies for enterprise development (ED) funding, the NEF will co-invest on a 60:40 basis, with the ED fund carrying up to a maximum of 40% of the risk. Therefore, any success or failure of beneficiary entities will be reflected on the NEF ED Fund and the NEF, since the investment would have been made up of 60% NEF funds and 40% fund contribution from the measured entity. Buttressed by the successes to date of a strong and robust mentorship programme, together with a well-established track record of investing in transactions eligible for ED, the NEF is confident that this offering will become yet another milestone in the narrative of an organization that is poised to help build a developmental state. The NEF ED Fund is a partnership that will be managed by a worthy and dynamic organisation.

Corporate Governance

The NEF prides itself on having maintained the highest levels of best practice relating to corporate governance. In this regard, the NEF reviews its structure and practice against local and international best practice on an annual basis. We can now unequivocally declare that the NEF has reached full institutional and operational maturity. As a state-owned institution the NEF is subject to rigorous governance and regulatory provisions governing its accountability and reporting frameworks. Its successes are in no small measure as a direct result of a world-class Board of Trustees, which is characterised by diversity, professionalism, patriotic commitment and a depth of expertise among its members, mirrored in every regard by its various Board Committees and an outstanding Executive Team and staff. I continue to be honoured to be amongst these colleagues and wish to extend absolute gratitude to each and every individual involved with the NEF.

The august and onerous mandate of the NEF is indeed in capable hands. This change in destiny and marked improvement in the impact of the NEF is also directly attributable to the total confidence entrusted in us and the full support we continue to receive and appreciate from Minister Davies and the team at the Department of Trade and Industry, the National Treasury and a number of our other stakeholders in Government, Parliament, the private sector, our international partners and associates and, not least, the black entrepreneurs in pursuit of whose success we are privileged to serve.

Mr Ronnie Ntuli
Chairman: Board of Trustees

> **"Over the past few years of service as Chairman of the Board of Trustees of the National Empowerment Fund (NEF), the central thesis of our tenure has been the advocacy that entrepreneurship is the crucible upon which economic growth must be anchored."**
>
> *- Mr Ronnie Ntuli*
> *Chairman of the Board*
> *of Trustees (NEF)*

> The assertion that the National Empowerment Fund (NEF) is making a contribution towards building the developmental state, the strategic theme of the Financial Year under review, is borne out in the narrative that constitutes the content of this Annual Report 2011.

Ms Philisiwe Buthelezi (Chief Executive Officer), National Empowerment Fund

REPORT OF THE CHIEF EXECUTIVE OFFICER

Building the developmental state

The assertion that the National Empowerment Fund (NEF) is making a contribution towards building the developmental state, the strategic theme of the Financial Year under review, is borne out in the narrative that constitutes the content of this Annual Report 2011.

Chronicled herein is a comprehensive account of how the NEF has sought, in the foregoing year, to intensify the Empowerment Dividend, the performance framework according to which the NEF evaluates the impact of its work, and comprises the following seven criteria:

- **Broad Based Black Economic Empowerment** – The NEF measures whether the seven elements of the BB-BEE Codes of Good Practice are facilitated through its funding structures. 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;
- **Participation by Black Women** - the NEF emphasises the empowerment of women by placing 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;
- **Job Creation** - Contribution towards employment creation and the number of jobs created per Rand invested or jobs sustained through expansion type activities. Historically, 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. Targets have been set for future years;
- **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 New Growth Path (NGP) and the National Industrial Policy Framework (NIPF);
- **Geographic Spread** - Geographic spread of investments and contribution towards increased economic activity across all province's, particularly in areas of regional economic disadvantage. Targets in terms of geographic spread are set so as to attempt to match the respective disadvantaged province's relative contribution to national 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 Rural and Community Development Fund, at least an 18% IRR for uMnotho Fund and Strategic Projects Fund, and
- **Transactions Concluded** - The number of deals approved together with the capital invested in these deals. Targets in respect of the number and value of deals to be concluded are set each year in advance during the compilation of the organisation's business plan.

The actual results achieved against this framework are reported on in the trustees' report.

Driving thought-leadership – NEF BB-BEE Vision 2020 seminar

The NEF BB-BEE Vision 2020 seminar took place on the 24th of May 2010 in Johannesburg, where over 600 delegates came to reflect on the progress that had been made up to that point by BB-BEE in South Africa, and equally important, to define a vision for BB-BEE for 2020.

The seminar participants engaged in detailed discussions on the performance of BB-BEE in eleven industry sectors, guided by the following framework:

1. Current status of transformation within the key sectors of the South African economy;
2. Challenges in transforming these sectors;
3. Conclusions and recommendations that would fast-track BB-BEE implementation across the various sectors; and
4. The development of a Vision 2020 statement for each sector.

The delegates concluded that the success of BB-BEE to date had been quite modest, and consequently, the consensus amongst some of the delegates was that it might be feasible and more realistic instead to frame a vision for 2025 rather than 2020, given the slow progress of BEE at the time, and in order to align with government planning.

Key Challenges for BB-BEE

Some of the key challenges that continue to dampen the advancement of BB-BEE throughout all the sectors were identified as follows:

1. Fronting is still a major issue throughout all the primary sectors of the South African economy. It has become significantly more complex. Broad based schemes are being abused by companies through perpetual trusts that will not transfer any ownership but will entitle beneficiaries to dividends only after the loans are repaid;
2. The slow pace of transformation across the South African economic sectors can be attributed to many factors, with the most prominent one being the lack of alignment of the Sector Charters to the Codes of Good Practice (the Codes);
3. Access to appropriate funding schemes for new BEE entrants was identified as an impediment to the effective implementation of BB-BEE;
4. BB-BEE was seen principally as a standalone policy and most organisations simply comply with the minimum requirements, and do not adhere to the spirit of the objectives of BB-BEE;
5. There is a need to establish a well-resourced and funded BEE Commission along the lines of the Competition Commission that will monitor minimum vesting of shares in black hands;
6. Alignment of the Preferential Procurement Policy Framework Act (PPPFA) to the Codes was found to require urgent action which has subsequently been undertaken by National Treasury;

7. There is a need to create black-owned, managed and controlled entities through enterprise development and direct and indirect support from Government. This should be the next wave of BB-BEE as part of Vision 2020;
8. The re-balancing of the BB-BEE scorecard requires further research. Many of the participants agreed that there was still inordinate emphasis on ownership, however, ownership still lacks in terms of actual vesting of shares in black hands. It is for this reason that it was recommended that the Ownership element becomes a compulsory element for large corporations as well as Qualifying Small Enterprises (QSEs). Therefore, without a well-structured and implemented ownership transaction, a company could not score on any of the other elements of BB-BEE;
9. There is a culture of dependency that has characterised historical BB-BEE deals. We need to set objective measures which will result in a practical end to BB-BEE as a policy and regulatory framework;
10. The private sector's lack of participation in BB-BEE initiatives was highlighted as one of the causes for this slow pace of transformation;
11. The 'tick the boxes' mentality that many private sector companies have towards empowerment initiatives often derails the empowerment process and is in direct violation with the objectives that the BEE Act is attempting to achieve; and
12. The Skills Development element was found to be one of the worst performing elements in all sectors of the economy. Delegates called for a shift in focus of empowerment initiatives that are ownership-based to those that will result in a strong emphasis on skills development.

The seminar asserted that the role of the BB-BEE Advisory Council was crucial in providing leadership in order to accelerate BB-BEE so that all communities could enjoy economic prosperity and equality.

In addition to publishing a book on the outcomes of this historic seminar, the NEF will craft a programme of action to engender public discourse on the urgent need to propel meaningful progress in the quest for a growing, inclusive and employment-generating economy.

Macro-economic environment

While the economy has steadily continued to grow, this positivity has largely remained a mirage for the majority of black South Africans. During the period under review, the South African economy has shown a positive operational environment characterised by growing gross domestic product (GDP), which increased from an annual figure of 1.8% in 2009, to 2.8% in 2010, and leaping to 4.4% in the last quarter of 2010. Further to this, we experienced consistently low inflation, which was 3.2% in November 2010, and continues within the South African Reserve Bank's target of 3% to 6%.

Growth is set to rise above 3% in 2011, helped by low interest rates, easing debt levels, rising terms of trade and improved confidence. The cost of acquiring credit, therefore, is low. This macroeconomic scenario is not only favourable to the NEF in terms of providing loan capital to black entrepreneurs, but is also expected to have a positive impact on the businesses that are supported by the NEF.

Fund Management

It is in this context that through the Fund Management Division the NEF has reached yet another milestone from inception to date with the approval of more than R2.5 billion in funding for Black Economic Empowerment (BEE) transactions, and disbursement facilities of more than R2 billion to 257 black entrepreneurs to date, in fulfilling its continuing mandate by Government to champion economic transformation in South Africa. Especially pleasing this year is that 47% of funding has gone to business owned and managed by black women.

The Fund Management function continued to implement its multi-year strategy which is premised on positioning the NEF as a leading provider of financial and non-financial support to black businesses and BEE groups.

The **Pre-Investment Unit** continued to provide a dedicated and professional customer interface amidst challenges such as the poor quality of business plans received. The Unit has managed to effectively process 2 746 enquiries throughout the year, and to screen 1 017 applications received.

The NEF's Business Planner Tool, launched in 2009, has also continued to attract a growing volume of users. The Business Planner is a state-of-the-art tool that provides a step-by-step guide to aspiring entrepreneurs on how to complete a bankable business plan, complete with financial projections.

In relation to **iMbewu Fund**, which is responsible for start-ups and SME funding, the emphasis on reducing impairments meant that the department had to be more rigorous in assessing new deals. As a result, more energy was spent on addressing risk mitigants when concluding deals, and improving the quality of due diligence. iMbewu achieved a collection rate of 98% year to date, against a target of 65%. Other highlights include the approval of the SME Strategy by the Board of Trustees, as well as a positive return on investment of 9% before impairments.

The **Rural and Community Development Fund** has achieved the highest number of annual approvals and disbursement volumes, amounting to 8 and 6 transactions respectively. The Fund has conducted a total of 21 due diligence investigations worth over R365 million. The Fund has an active pipeline of 18 deals worth R446 million, with new investments having been made in the North West, Mpumalanga and the Western Cape provinces.

For the period under review, the **Umnotho Fund**, previously known as the Corporate Fund, and responsible for expansion, projects and acquisition funding, also conducted 21 due diligence investigations, and achieved the highest number of annual approvals and disbursement volumes in the history of the Fund, amounting to 17 and 13 transactions respectively. The 90% collection rate reported was also ahead of targets.

The **Strategic Projects Fund (SPF)** has continued to produce inspired work in pursuing its mandate of increasing the participation of black people in early stage projects that are aligned to national Government policy, specifically IPAP 2 and the New Growth Path.

The SPF uses a sector-targeted approach in developing its portfolio and these sectors include Tourism, Mining, Minerals Beneficiation, Agri-processing, Renewable Energy, Business Process Outsourcing and Infrastructural Projects.

The NEF has approved 14 SPF transactions for feasibility studies, with a further 5 projects in the pipeline. The NEF is in the process of exploring potential co-financing or syndication arrangements with international and local strategic equity partners, and this will include both international and local Development Finance Institutions. Should the NEF take up its rights to invest in these projects, the NEF investment required will be R2,3 billion. The time required until full closer of the projects is between three to five years, and will create between 150 000 to 200 000 new decent jobs. This is a clear demonstration of the NEF's commitment to Government's action plan around job creation.

Globally, 30% of start-ups fail in the first 2 years, while less than 50% survive beyond the first four years of inception.

Accordingly, the NEF has deployed mentors across the country to help businesses with expert advice on strategy and operations, in order to mitigate against the ever-present danger of business failure. The services are currently provided for free to NEF investees.

The **Post Investment Unit**, which is the custodian of monitoring and mentorship, concluded 326 site visits against a target of 200, and completed and tabled 185 reports against a target of 128. In an impressive upward trend, the Unit contributed to the collection of well over R131 million against a target of R70 million, which relates to a collection ratio of 92% against a target of 65%. Further, the team successfully assisted in maintaining the impairment ratio at 24.4% against a target of 24%.

The NEF has successfully exited from Time Mining, a R15 million investment, Enaleni Pharmaceuticals, a R5 million investment, and Mister Bread, previously a R22 million transaction. The Unit also successfully launched its own mentorship "swat" team, via a national publicity launch, and the mentors are providing valuable assistance to the NEF's clients, particularly in the area of technical assistance for the smaller deals, and/or interim management in the major restructures.

The Unit also worked closely with the NEF Legal and Finance department in the areas of litigation and workouts and credit control respectively, which resulted in successful recoveries of NEF capital.

Provincial Footprint

The NEF's commitment to broadening its regional footprint has gathered increased momentum, with 3 regional offices having been opened in the year in the Eastern Cape, Western Cape and in KwaZulu Natal. Free State will follow soon, and so too will the other provinces, in order to ensure that the NEF reaches all corners of the country, true to the national import and character of its mandate.

Asset Management

We are pleased to report that the NEF is vigorously continuing to fulfil the second leg of its mandate of promoting a culture of savings and investment amongst black people through the following activities:

- **Investor Education**

  Earlier in the year the division embarked on a nationwide campaign, the Investor Education initiative, which began in the Northern Cape, reached the Eastern Cape and Free State, and more recently went to Limpopo, the Western Cape and the North West.

  Next in the pipeline were KwaZulu Natal, Mpumalanga and Gauteng provinces which were embarked upon in the new financial year. This Investor Education campaign will reach 72 localities across the country, providing information necessary to make prudent investment decisions in the many opportunities which our national economy has to offer.

  To date, well over 11 000 potential black investors have participated in this programme.

- **Enterprise Development**

  The next major pursuit in the context of this mandate, and in keeping with the outcomes of the NEF BB-BEE Vision 2020 seminar, was the launch of the Enterprise Development Fund.

  The urgent quest for an inclusive, growing and employment-generating economy will require that Enterprise Development, a key element of the Codes of Good Practise that has arguably enjoyed the least priority to date, now receives focused and systematic attention.

  The NEF has the strategic and technical capacity, the skills and the means to provide a sustainable and meaningful solution to corporates which are committed to implementing the spirit and letter of the Enterprise Development code, in line with Government's strategy on transformation and national development. As an agency of **the dti** mandated to grow black economic participation, the NEF has the credibility and the track-record to play a leading role in the implementation of this important pillar of the Codes.

  In 2008, the NEF was awarded the BEE Facilitator status by **the dti** in terms of the provisions of Statement 100 of the Codes of Good Practice on BB-BEE. This Status means that the equity investments held by the NEF in any company are automatically regarded as 100% black owned, including 40% owned by women and 10% by black designated groups. The equity stakes would also be regarded as unencumbered, resulting in the company receiving a perfect ownership score in respect of the stakes owned by the NEF.

  The NEF has identified an opportunity to partner with and to provide a sustainable solution to the private sector, referred to in the Broad Based Black Economic Empowerment Act of 2003 as Measured Entities, in delivering sustainable BB-BEE solutions to black enterprises. The opportunity entails private sector enterprises making their enterprise development contributions to the NEF's Enterprise Development Fund (NEF ED Fund), and the NEF utilising these contributions to co-finance the NEF's investments in enterprise development beneficiaries with the objective of facilitating the development, sustainability and/or financial and operational independence of the beneficiaries.

  The NEF ED Fund will be under the administrative and management authority of the NEF, and will benefit from the NEF's institutional fund management infrastructure, support and investment expertise, which have yielded success for entrepreneurs over the past few years. The application of these expertise will ensure that investments are appropriately targeted, have a high chance of success and sustainability, and that the investments assist in the development and growth of sustainable small and medium enterprises that are black empowered. The NEF will leverage off its existing enterprise-development-qualifying product offering when making these investments alongside the NEF ED Fund.

  Through the NEF ED Fund the Measured Entities will receive enterprise development credits in compliance with Code 600 whilst still retaining focus on their core business, be able to develop sector value chains through ED, whilst the beneficiaries could tap into an additional source of funding and most importantly the NEF ED Fund would be able to make more investments designed to enable meaningful participation of black people in the country's economy, in partnership with the NEF.

- **New Investment Product**

  The NEF is currently conducting a feasibility study for implementing a new retail investment product which will be tailor-made for distribution to black people.

Financial Management Integrity

The NEF takes pride in the fact that its financial and treasury management systems are sound, characterised by an average 6,5% interest earned from banks by fixing cash balances. In terms of Portfolio Accounting, a total of 85 disbursement interventions, or an average of eight per month, were achieved. In keeping with tradition, we expected nothing short of an unqualified audit opinion again for the year ending March 2011, providing the assurance that the NEF has sound financial management integrity.

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Performance Auditing

Given the renewed focus on Performance Auditing by our stakeholders, the NEF has placed renewed focus on performance reporting and strategic planning, having devised concise formats of our performance reports which the organization submits to **the dti** on a quarterly basis following internal audit review. As part of this process the NEF developed and already implements the balanced scorecard tool.

Open Communication

In pursuit of its commitment to transparency and accountability, the NEF has progressively increased its presence in national, regional and local business conferences, exhibitions and civil society initiatives, to bring home the message of a funder with soul that is continuing to bridge the economic divide. A case in point was the presentation in February 2011 to the 3rd Council Meeting of the South African National Editors' Forum for 2010-2011, where the NEF interacted with scores of the country's editorial leaders. The spirited implementation of the Brand Communications Strategy, approved by the Board in the previous financial year, will see the NEF optimizing its visibility on key mass media platforms, in order to maximize the reach of its products and services to the organization's target market.

Risk Management, Internal Audit and Compliance

The risk management, internal audit and compliance functions are key in facilitating the management of risks at the NEF. Accordingly, the NEF is able to create a strong control environment, ensuring good corporate governance and providing assurance to the Board, Government and the wider public.

To date the NEF has undertaken a series of important interventions, some of which include:

- Implementation of an Enterprise-wide risk management process,
- Risk assessment process including tracking of actions,
- Risk reporting on critical exposures,
- Roll-out of credit risk assessment process,
- Finalising a compliance framework, and
- Fraud prevention.

Information Systems and Technology (IST)

This year has seen the achievement of a critical milestone with the completion of phase II of project Siyasebenza; the NEF's integrated Enterprise Resource Planning (ERP) system. We now look forward to the next step in the evolution of the NEF IT landscape, where business intelligence promises to deliver even more value to the organization. This output has also been instrumental in providing IST support to the NEF's new regional offices. Two disaster recovery rehearsals have been successfully conducted, and it is pleasing to report that the physical server platform continues to perform optimally.

Junior Manager Development Programme (JMDP)

The financial year also saw the successful implementation of the JIPSA JMDP program where 34 junior managers from five priority sectors were sent to France for six weeks. This program, sponsored by the NEF and the Agence Française de Développement (AFD), was designed to enhance leadership knowledge and skills where the junior managers spent two weeks at a business school and a further four weeks internship at a French organisation.

Appreciation

As an academy of excellence the NEF continues to attract some of the best talent our country has to offer. The NEF has been successful in appointing a total of 24 employees from 1 April 2010 and in facilitating 11 promotions and 3 transfers among a total staff compliment of 126 employees.

The area of training and development has been very successful as several employees have received study assistance and have successfully completed various qualifications ranging from degrees, certificates and diplomas. As a Top Performing Organisation, training is ongoing at the NEF, with short courses being run throughout the course of the year

Together with an Employee Wellness Program which is aimed at improving the overall health and wellbeing of employees, the year also saw the development and implementation of an induction and right-start program aimed at improving the NEF experience for new employees.

The NEF is an academy that nurtures and refines talent, where merit and distinction are founded on the crucible of patriotism, that recognition that we do what we do because our country needs skilled professionals who are honest, hard-working and willing to go the extra mile. The NEF is such a place. Our vocation, therefore, is to be of service to our country, and indeed to our continent. The highest qualification for being at the NEF, second only to one's professional distinction and performance, is indeed a patriotic commitment to our mandate. In this context, we are pleased to report that the overall enterprise performance score is 3.94 for the year on a scale of 1 to 5, which equates to an overall weighted score of 78,7% on the NEF balanced scorecard. I must thank each and every member of staff for having given of their time and talents in ensuring that the NEF continues to grow the empowerment dividend.

Considerable credit and gratitude also goes to the Board of Trustees, and the Executives of the NEF, who are my associates 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 believes in the vision of achieving an inclusive economy.

For its achievements, the NEF owes a debt of gratitude to the Presidency, the Ministers, Deputy Ministers, DGs and staff of **the dti** and National Treasury, the BB-BBE Advisory Council, and to the Parliament of South Africa.

Ms Philisiwe Buthelezi
Chief Executive Officer

REPORTS

TRUSTEES' REPORT ON PERFORMANCE INFORMATION FOR THE YEAR ENDING 31 MARCH 2011

CONTENTS

1. Overview of the Financial Year Under Review

The NEF has continued to place emphasis on sustainable investments, with an enhanced entrepreneurial assessment process. This approach is undertaken in order to support a sustainable investment funding model whilst still aiming to achieve the primary mandate of the NEF of providing financial and non-financial support to black empowered enterprise.

In delivering upon this mandate, the total number of deals approved by the NEF since inception is 286 deals worth R2.5 billion.

The total number of disbursement facilities since inception is 257 deals worth R2.08 billion. Actual draw-downs against disbursement facilities since inception amount to R1.656 billion.

The approval and subsequent launch of the NEF Enterprise Development Fund was a key milestone in the development of new initiatives during the year. The NEF ED Fund provides a mechanism where private sector companies are able to partner with the NEF in the funding of eligible black enterprises identified within Code 600 of the BB-BEE Codes of Good Practice whilst earning ED points on their BB-BEE score cards.

1.1. Performance Highlights

Achievements by the NEF for the financial year under review include:

- The approval of 62 deals worth R749.3 million (2010: 61 deals worth R749 million).
  - This includes the approval of 48 deals worth R632.1 million by the Fund Management Division (FMD) (2010: 54 deals worth R685 million). This was achieved against an annual target of 70 deals worth R600 million (2010: 77 deals worth R560 million).
  - It also includes the approval of 14 deals worth R117.2 million (2010: 7 deals worth R64.2 million) by the Strategic Projects Fund (SPF) against a set-aside budget of R235 million.
- The total disbursement facilities by the NEF of 49 facilities worth R552.1 million (2010: 48 facilities worth R549 million).
  - FMD has disbursed 41 facilities worth R494.9 million (2010: 44 facilities worth R502 million) against an annual target of 62 facilities worth R510 million (2010: 67 facilities worth R490 million). Please note that the FMD total includes eight transactions worth R133.7 million which are subject to Conditions Precedent outside of the NEF's control.
  - SPF has disbursed 8 facilities worth R57.2 million against a set-aside budget of R200 million.
- Draw downs against disbursement facilities for the year total R 291 million. Draw downs against prior year disbursement facilities amounted to R100.9 million. This brings total draw downs against facilities since inception to R1.656 billion.
- The Investor Education campaign was rolled out in the Eastern Cape, Northern Cape, Free State Province, Limpopo and Western Cape with 8 seminars per province. A total of 9 938 people attended the various seminars which were aimed at educating people on savings and investments as well as creating further awareness of the products and services of the NEF.
- The continuation of the mentorship programme, with the provision of more than R4 million in mentorship spend, coaching and technical support (2010: R4.1. million). This was supported by 326 site visits to investees by the NEF's Post Investment Unit (2010: 290 site visits).
- The NEF hosted the BB-BEE Vision 2020 Seminar held on 24 May 2010 at the Sandton Convention Centre. The seminar demonstrated a re-commitment to BB-BEE by the 600 plus individuals who attended the event, and highlighted the importance of the NEF's role in growing black economic participation.
- In further support of this mandate, the NEF has signed a Memorandum of Agreement (MOA) with the Gordon Institute of Business Science, which will introduce an academic module on Broad-Based Black Economic Empowerment (BB-BEE) into the current MBA programme in order to lead and enhance thought leadership on black economic transformation in South Africa.
- A highlight for the organisation was the participation by the NEF in the Presidential state visit to France during March 2011, which helped profile South Africa's efforts in supporting entrepreneurs, and assisted with government's efforts to attract foreign investment in South Africa.
- The NEF project-managed and provided additional financial support of the JIPSA/AFD Junior Management Development Programme in France, which is an exchange programme for junior South African managers to gain valuable business-school training and work experience in France.
- The establishment of 3 regional co-location offices. The Eastern Cape and KZN offices are fully operational whilst the Western Cape office is in the process of being set up. The Free State office has been established but requires the appointment of staff.
- In order to develop a level of funding specialisation and improve the efficiencies of processes within the NEF to ensure the effective implementation of the strategy going forward, the NEF has initiated a re-organisation of certain business units which became effective on 1 April 2011.

> **"We are reviewing the BB-BEE Act and Codes to, amongst other things, more effectively combat fronting, including complex fronting, and emphasising the use of BB-BEE to support productive activity, training and skills development."**
>
> *- The Hon. Minister,*
> *Dr. Rob Davies*
> *(NCOP Budget Vote - 22 June 2011)*

The re-organisation also addressed a number of challenges, including issues related to the size and efficiency of its core Fund Management Division, as well as to mirror best-practice governance structures. The revised organisational structure is now as depicted below:

Figure 1: NEF Organisational Structure

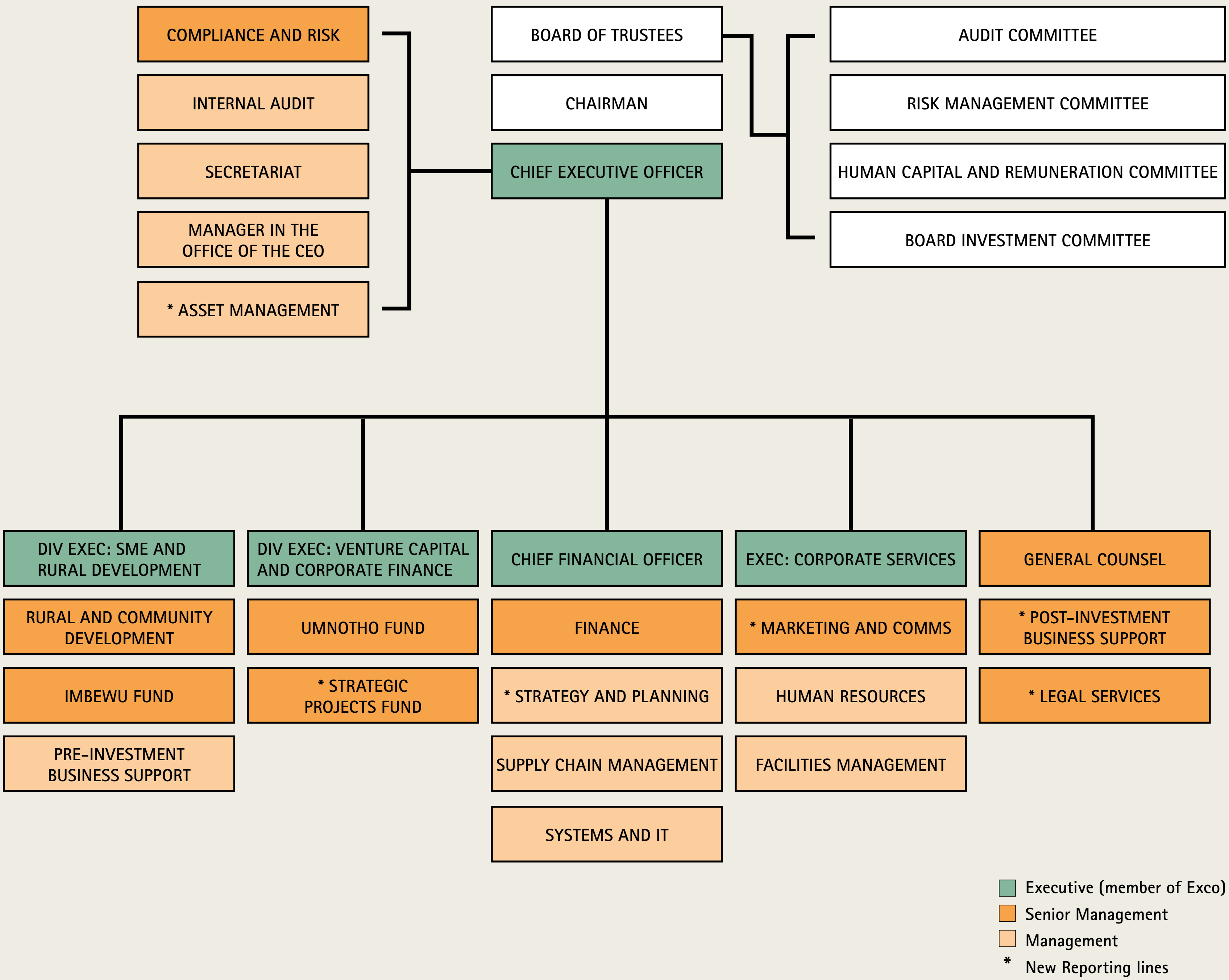


Table 1: NEF Investment Performance: Approved Deals

Year	NEF APPROVED DEALS					
	Value Approved in Period	Target Value of Approvals for Period	Cumulative Value Approved as at relevant date	Number Approved	Target number of Approvals for period	Cumulative Number Approved as at relevant date
April 03 - March 04	R 5 million	-	R 5 million	1	-	1
April 04 - March 05	R 30 million	-	R 35 million	16	-	17
April 05 - March 06	R 357 million	-	R 393 million	54	-	71
April 06 - March 07	R 205 million	-	R 598 million	23	-	94
April 07 - March 08	R 128 million	R 587 million	R 726 million	23	75	117
April 08 - March 09	R 329 million	R 687 million	R 1.055 billion	46	74	163
April 09 - March 10	R 749 million	R1,020 billion**	R 1.804 billion	61	77	224
April 10 – March 11	R749.3 million	R835 million**	R2.55 billion	62	70	286

** These values include both FMD and SPF. The total budget set aside for SPF transactions for 2010/11 financial year is R 235 million.

Table 2: NEF Investment Performance: Disbursement Facilities

Year	NEF DISBURSEMENT FACILITIES					
	Value Disbursed in Period	Target Value of Disbursed for Period	Cumulative Value Disbursed as at relevant date	Number Disbursed	Target number of Disbursed for period	Cumulative Number Disbursed as at relevant date
April 03 - March 04	R 5 million	-	R 5 million	1	-	1
April 04 - March 05	R 20 million	-	R 25 million	10	-	11
April 05 - March 06	R 251 million	-	R 276 million	52	-	63
April 06 - March 07	R 219 million	-	R 495 million	23	-	86
April 07 - March 08	R 203 million	R 450 million	R 698 million	31	60	117
April 08 -March 09:	R 279 million	R 525 million	R 977 million	43	69	160
April 09 - March 10:	R 549 million**	R 950 million**	R 1.53 billion	48	67	208
April 10 – March 11:	R552.1 million**	R 710 million**	R 2.08 billion	49	62	257

Please note:
(1) The disbursement values listed here are the disbursement facilities during each financial year. This will differ from the actual draw downs made against disbursement facilities.

Figure 2: NEF Approved and Disbursed deals by value since inception to 31 March 2011

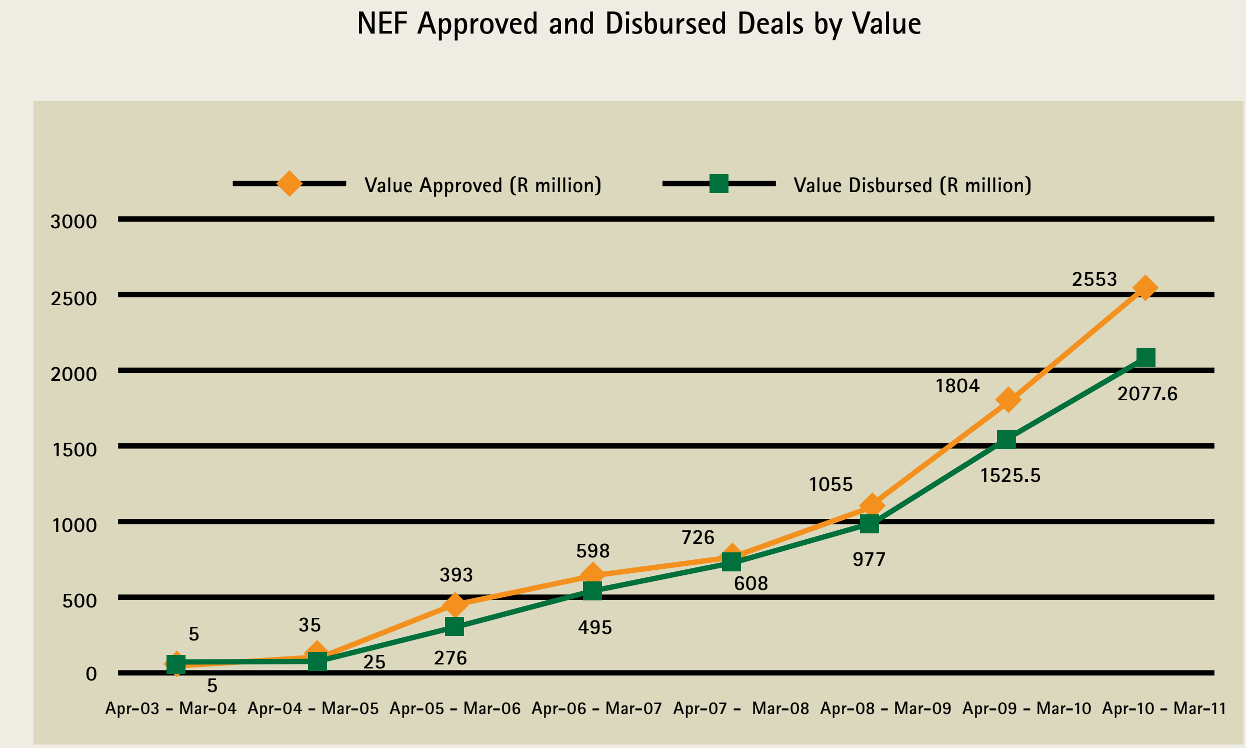


Figure 3: NEF Approved and Disbursed deals by number since inception to 31 March 2011

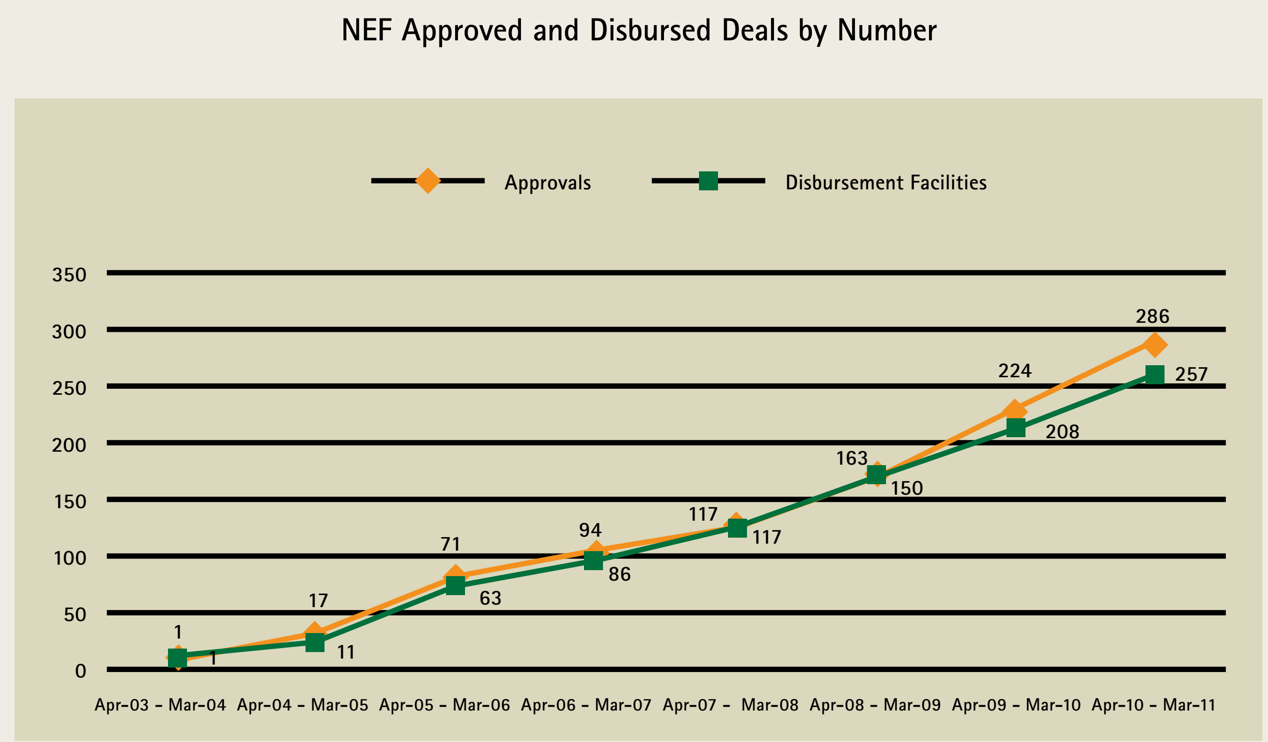
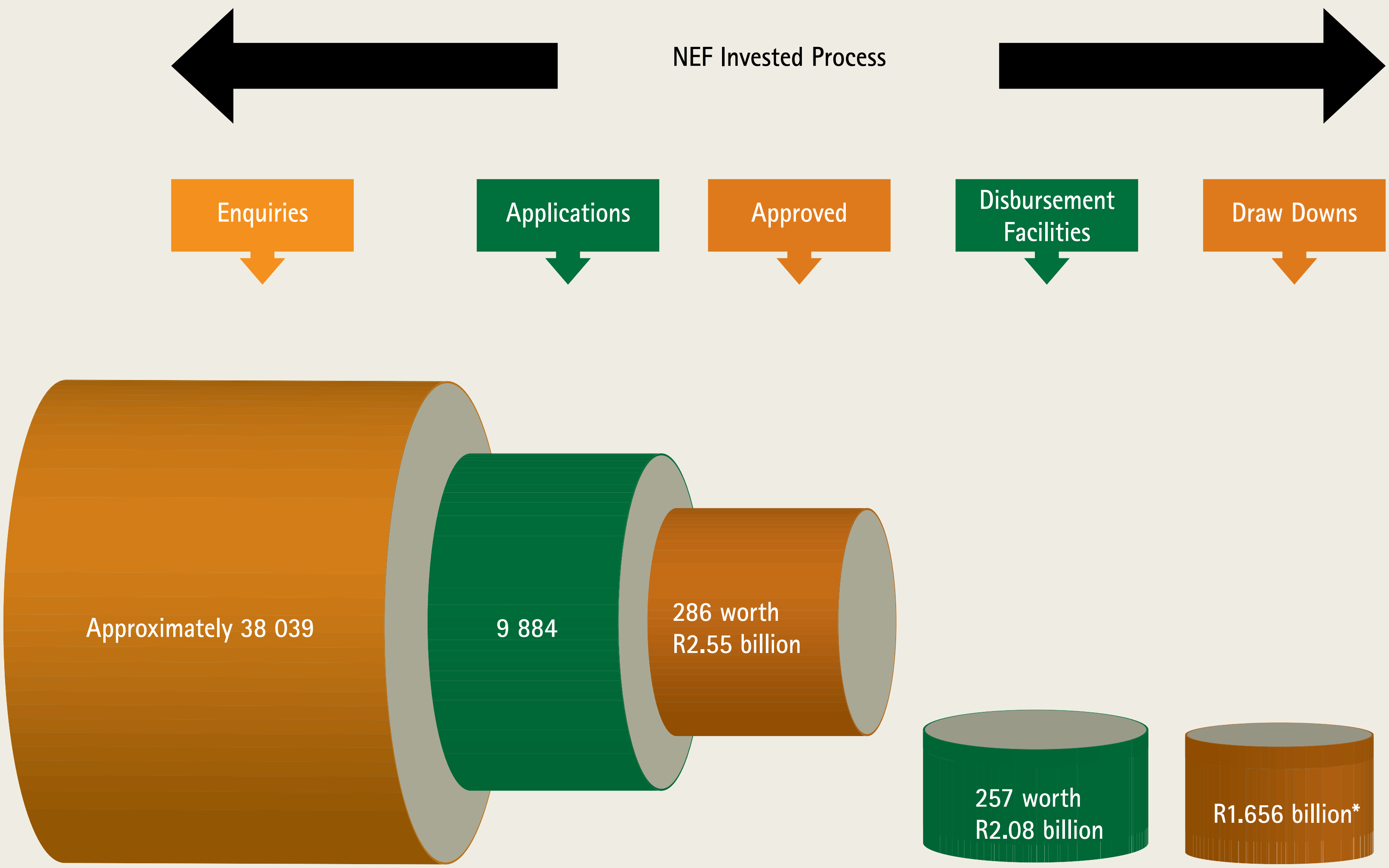


Figure 4: NEF Invested Process since inception to 31 March 2011



* Facility drawdowns excluding write-off since inception on 31 March 2011

The NEF's FMD has exceeded the approval targets by value but not by number. With regards to disbursement facilities, FMD has also fallen short by number of deals, while coming very close to meeting disbursement targets by value.

The key challenge for the division has been to attract a higher volume of sustainable deals and to turn them around more quickly.

The nature of the SPF lends it to be more dependent on sourcing good deals in the feasibility stages, while managing the NEF's exposure at financial closure. Although the division was unable to meet its set-aside budget for either approval or disbursement facilities, the division has managed to increase activity to 8 disbursement facilities worth R57.2 million in 2010/11, from the 4 disbursement facilities worth R46.5 million in 2009/10.

1.2. Key Operational Milestones

Key operational milestones and events for the NEF include:

- Processing 2,746 enquiries and screening 1,017 applications (2010: 3 206 enquiries and 939 applications).
- Achieved an Advertising Value Equivalent (AVE) of R8.8 million (against an annual target of R13 million - 2010: R11.1 million) but greater number and reach of media mentions.
- Completion of Phase 2 of the NEF Enterprise Resource Planning system (Project Siyasebenza)
- The NEF's Marketing and Communications department has managed a number of events throughout the year, including:
  - *Participating at the NAFCOC annual conference 2010*
  - *SEDA Provincial Entrepreneurs Day (Tshwane, Mpumalanga and North West)*
  - *Alexandra Business Community Outreach*
  - *ThokozaBizz Exhibition in Thokoza Baptiste Church*
  - *Parliamentary Committee Constituency Workshops (in Northern Cape, Eastern Cape and Gauteng)*
  - *Investor Education Roadshows.*
  - *9 Motlana Forums (internal event)*
- The NEF has made 24 appointments and received 14 resignations during 2010/11 resulting in a total staff complement of 125 (vs. a budget of 144 for the year).

Given that approximately half the positions that were vacant are in the FMD, it is expected that deal volumes and efficiencies with the funds could improve should these positions be filled.

2. The NEF's Approach to Performance Management

The NEF is mandated through the NEF Act to fulfil the following core objectives:

- Promote and support business ventures pioneered and run by black people.
- Promote the understanding of equity ownership among black people.
- Provide black people with direct and indirect opportunities to acquire equity interests in State Owned and private business enterprises.
- Encourage and promote investments, savings and meaningful economic participation among black people.

In order to achieve its mandate through the measurement of the successful implementation of these objectives, the NEF has identified a number of organisation-wide key performance areas which are linked to specific and measurable key performance indicators. These are allocated and measured against targets for each of the NEF's core business units.

The NEF measures and assesses its impact not only on the basis of financial return, but in accordance with what is referred to as the Empowerment Dividend which is the developmental impact of the NEF's investment activities that has to manifest itself in measurable results over and above only financial return.

The NEF's FMD and SPF, as core investment divisions are both drivers of the NEF's Empowerment Dividend. Since the NEF as an agency of **the dti** is tasked with the mandate for the successful implementation of BB-BEE, the overall BB-BEE score as calculated in terms of the BB-BEE Codes of Good Practice is thus used as a principal measure of the contribution that the black empowered business under consideration for funding is going to make to the furthering of BB-BEE. This score and subsequent progress in meeting BB-BEE targets in the transaction are evaluated at the date that funding is approved as well as subsequent to this through the post investment monitoring function of the NEF.

Overall targets in respect of BB-BEE are not specifically set for the year as this score is used in order for these transactions to qualify for the minimum eligibility criteria that are in place against each specific product offering detailed as follows:

iMbewu Fund

The Imbewu Entrepreneurship Finance provides risk capital to new businesses and to early stage businesses owned and managed by black people meeting the following criteria:

- BEE applicant should be actively involved in the business.
- Minimum black ownership of 50.1%.
- Industry experience in consortium i.e. from BEE party or non-BEE partners.
- Participation in the NEF mentorship programme is obligatory.
- Capital structure should be sustainable.
- Sustainable business model.
- Business should preferably employ minimum of 5 people.
- Maximum NEF funding of R5 million.
- The NEF investment horizon is 5 to 7 years.

Imbewu's Procurement Finance product is a debt product aimed at financing working capital requirements associated with procurement contracts. The product enables BEE groups to access preferential procurement opportunities whilst simultaneously providing mechanisms aimed at mitigating NEF investment risk.

The criteria of the Procurement Finance product would be as follows:

- Primarily short to medium term debt.
- Repayment terms matched to contract terms.
- NEF funding generally limited to R10 million.
- Active BEE management participation.
- Minimum black ownership of 50.1%.
- Industry knowledge resides within the borrower's management structure.
- NEF will seek to co-finance with commercial banks to mitigate risk.
- NEF reserves the right to oblige applicant to participate in the NEF mentorship programme.

The **Imbewu Franchise Finance** is geared towards enabling black people to leverage the infrastructure available within the franchise industry in order to gain access to economic opportunities whilst reducing investment risk.

The criteria of the product are:

- NEF has a preference to fund franchises with an established track record.
- Active management participation by BEE parties.
- Minimum BEE shareholding of 50.1%.
- Transactions will be structured with sustainable capital structure.
- BEE party to have pre-qualified with franchisor.
- NEF funding generally limited to R5 million.
- The NEF investment horizon is 5 to 7 years.

Rural and Community Development Fund

The **Rural and Community Development Fund** facilitates community involvement in projects by supporting the BB-BEE Act objectives of empowering local and rural communities. In accordance with the BB-BEE Act, it aims to increase the extent to which workers, cooperatives and other collective enterprises own and manage business enterprises.

Criteria for the Rural and Community Development Fund include:

- The project and financial structure should be commercially sustainable
- Minimum shareholding by the community shareholders of 25.1%
- Involvement of strategic or technical partner
- Skills transfer to community representatives enabling operational involvement by the community
- Location of the project in rural / underdeveloped areas of the country
- Job creation
- Women empowerment
- Active presence of black investors at board level
- NEF will invest using debt, equity and quasi-equity instruments
- NEF funding generally limited to R50 million
- The NEF investment horizon is 7 to 10 years

uMnotho Fund

Acquisition Finance

This product is for BEE applicants seeking to buy equity in existing businesses and provides funding from R2 million to R75 million.

Criteria for the product includes:

- Focus on medium to large companies
- Focus on partnerships with existing management teams and other equity investors
- Minimum BEE ownership of 25.1% post NEF investment
- Active BEE management and operational participation
- BEE financial contribution determined on case by case basis
- Investment instruments to include debt, equity and mezzanine finance
- NEF reserves the right to oblige applicant to participate in the NEF mentorship programme
- Typical investment horizon of 4 to 7 years
- Security to include personal suretyships

New Ventures Finance

This product provides capital of R5 million to R75 million per project for BEE seeking to participate in medium sized green-fields projects.

Criteria for this products includes:

- Minimum 25.1% BEE shareholding
- Investment instruments to include debt, equity and mezzanine finance in support of BEE
- BEE specific financial contribution assessed on a case by case basis
- NEF exposure to the project will generally not exceed 50% of total project costs
- Proven management experience within consortium
- Active BEE involvement in investee companies
- Debt funding raised from the market to match equity funding provided by NEF and other project sponsors
- NEF funding limited to R75 million
- NEF investment horizon is 5 to 10 years
- Security to include personal suretyships

Expansion Capital

NEF will provide funding of R5 million to R75 million to entities that are already black empowered, but seek expansion capital to grow the business.

Criteria for this product includes:

- Investment instruments to include debt, equity and mezzanine finance in support of BEE
- Existing BEE shareholding should be minimum of 50.1%
- Pricing based on instrument, risk matrix, security package etc.
- Typical investment horizon of 4 to 7 years
- Active BEE involvement in investee companies
- Security to include personal suretyship

Capital Markets

This product invests in BEE enterprises, particularly those owned by Black women, that seek to list on the JSE or its junior AltX market. The uMnotho Fund will also help listed BEE companies to raise additional capital for expansion.

All other key features are similar to those of the Acquisition Finance product

Liquidity and Warehousing

This product assists BEE shareholders who need to sell a portion or all of their shares (as minority stakes in unlisted firms are hard to sell). Also acquires and temporarily warehouses these shares before on-selling them to new BEE shareholders, and refinances BEE shareholdings where existing financing structures are costly and/or inefficient.

Criteria for this product includes:

- 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 underlying shares should be acceptable to NEF;

- New BEE groups to either be proposed by exiting BEE shareholders or selected in consultation with the NEF;
- New BEE groups should be acceptable to the target company shareholders;
- Active BEE involvement in investee company governance structures;
- In the case of refinancing, NEF will generally not be providing refinancing in respect of a BEE shareholding that is "out of the money"

All other key features are similar to the Acquisition finance product

Strategic Projects Fund

The Strategic Projects Fund will facilitate the acquisition of equity in large strategic projects where the NEF assumes the role of BEE partner.

The fund aims to play a central role in early stage projects by identifying, initiating, scoping and developing projects that are in sectors identified by government as the key drivers to South Africa's economic growth. These projects will be taken through 6-stages of the project development phases.

The phases being the following:

Scoping and Concept Study; Pre-Feasibility Study; Bankable Feasibility Study; Financial Closure; Construction Phase and; Technical Completion.

Through the Strategic Projects Fund, NEF will facilitate BB-BEE in the following ways:

- Warehouse equity for BB-BEE in early stage projects at valuations with little or no premium paid to access the projects. This enables NEF to distribute its warehoused equity to BB-BEE at lower valuations once the project is operational;
- Take early stage risk on behalf of black people as early stage projects have higher execution risks compared to operational companies. The NEF will assume most of the financing risk and devise instruments to carry or transfer equity to BB-BEE once project fatal flaws have been mitigated;
- Manage the project and venture capital finance structuring complexities as it is more complex and difficult to raise capital for new ventures as compared to Umnotho finance deals where valuations can be ascertained based on historical performance and risks are clearly understood; and
- Enable project promoters to focus on making projects bankable and operational by giving the BB-BEE status as NEF is the only DFI gazette as a BB-BEE facilitator.

Once the initial project risks have been reduced, the NEF will transfer its shareholding to selected BB-BEE groups through a transparent process.

The elements of the Empowerment Dividend are then further measured as follows:

- Participation by Black women – the NEF emphasises the empowerment of women by providing for an additional weighting for Black women participation. The target and KPI for women's participation is 40% of the BEE ownership level supported in each transaction.

47% of the value of transactions supported by the NEF for the year are owned by women.

- **Job Creation** – Contribution towards employment creation and the number of jobs created per rand invested or jobs sustained through investment in expansion type activities. Targets in terms of job creation and job spend are not specifically set for the year though the results are monitored by business stage and against industry sector reported job investment levels and costs and higher job yielding transactions are supported at the outset.

The NEF has supported 5 904 jobs for the 2010/11 financial year, of which 3 982 are new jobs created. Of these, 884 jobs are potential jobs that will be created by the Strategic Projects Fund upon the commencement operations funded by the various transactions. The average job investment ratio for the creation of new jobs for the year is R154 889.

Since inception, the NEF has supported more than 25 500 jobs, with over 10 500 new jobs created.

The NEF's average job creation ratio since inception has increased to approximately R80 000 in 2011 from R70 000 in 2010, which indicates that the NEF is trending to invest more per job. Given the importance of job creation, the NEF strives to maximise job creation, together with sustainable investment.

- **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 New Growth Path and the National Industrial Policy Framework (NIPF) and Industrial Policy Action Plan (IPAP).

The current invested portfolio as presented in Figure 5 below demonstrates the alignment to the above policy targeted sectors.

The NEF continues to spread its investment across a wide range of sectors, including the priority growth sectors. There have been very slight movements in investments across each sector. The NEF's largest investment is in the services sector (13%), followed by construction and materials (12%), transportation (10%) and manufacturing (8%). The investment in agro-processing is 5% of disbursed funds.

- **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 match the respective provinces relative contribution to national Gross Domestic Product (GDP) and surpass this in areas of regional economic disadvantage.

The current invested portfolio in figure 6 below demonstrates the provincial investment representation by value against the respective provincial contributions to GDP.

Gauteng still attracts the greatest portion of the NEF's funding by virtue of its location in Johannesburg. Given the opening of the NEF's co-location offices in KwaZulu-Natal, the Western Cape, Eastern Cape and the Free State, and the planned opening of more co-location offices across South Africa, it is expected that that this trend will change as the NEF establishes a presence across all provinces.

- **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 aimed to achieve a real return (net of impairments) of 7% for 2010/11. It was planned to contain the impairment ratio to 24% in 2010/11 for the loans portfolio life to date.

The annualised return for the quarter on loans portfolio currently stands at 9% before impairments and 1.2% after impairments. The impairment ratio for the year is 24.4% on the loans portfolio. Overall fund return was 5% after impairments.

Figure 5: NEF investment by sector since inception to 31 March 2011

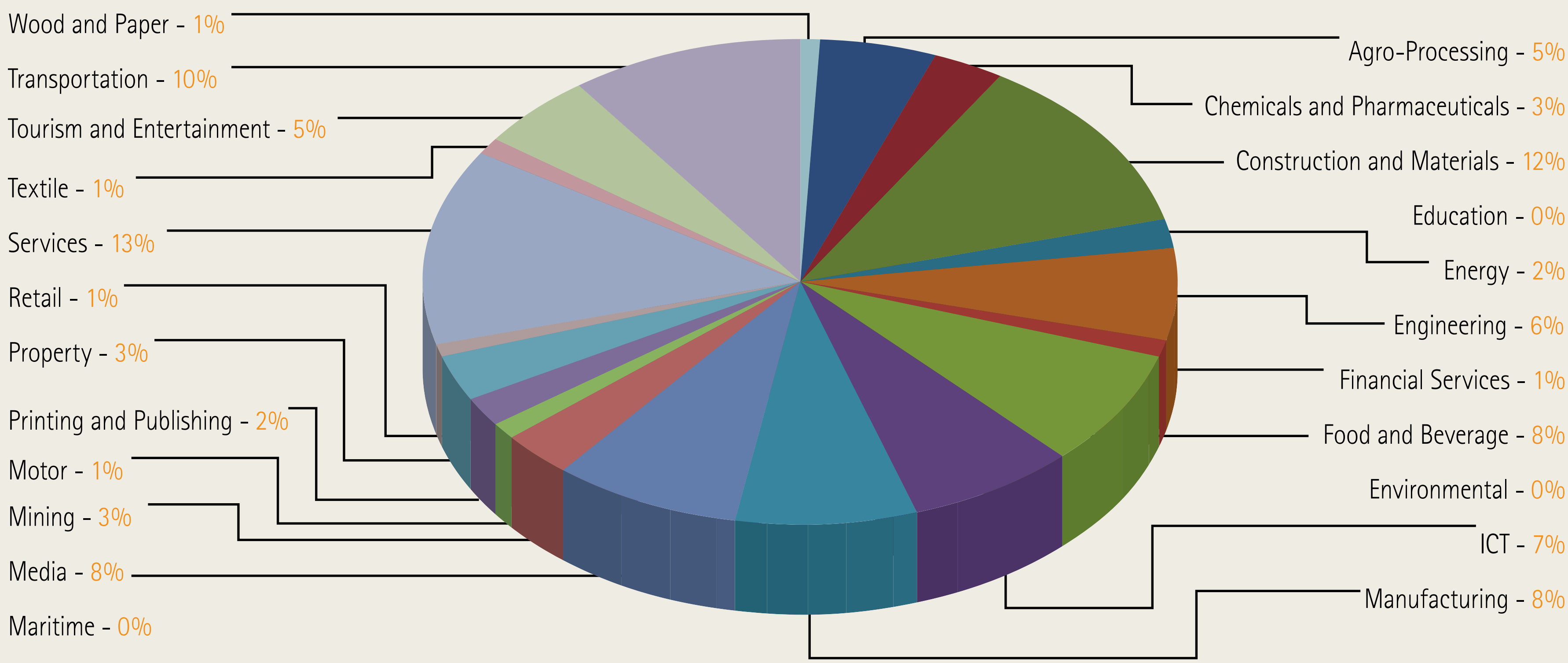


Figure 6: NEF investment by province since inception to 31 March 2011

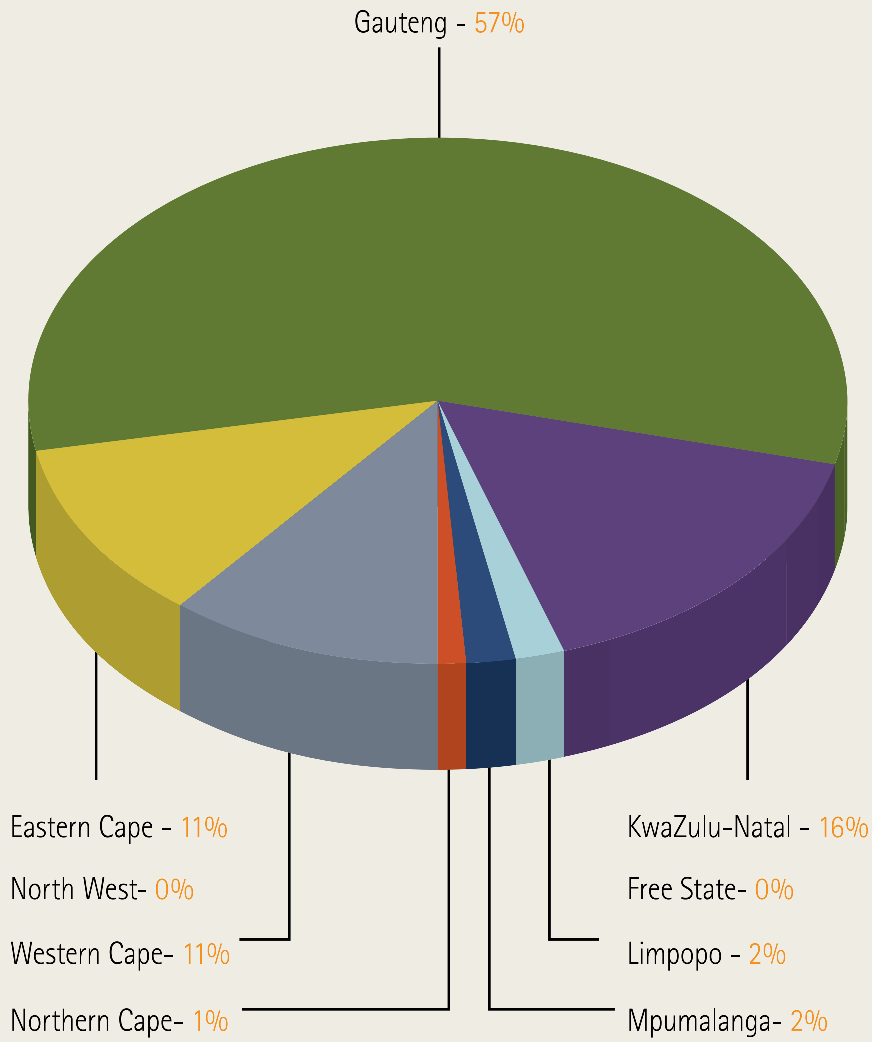
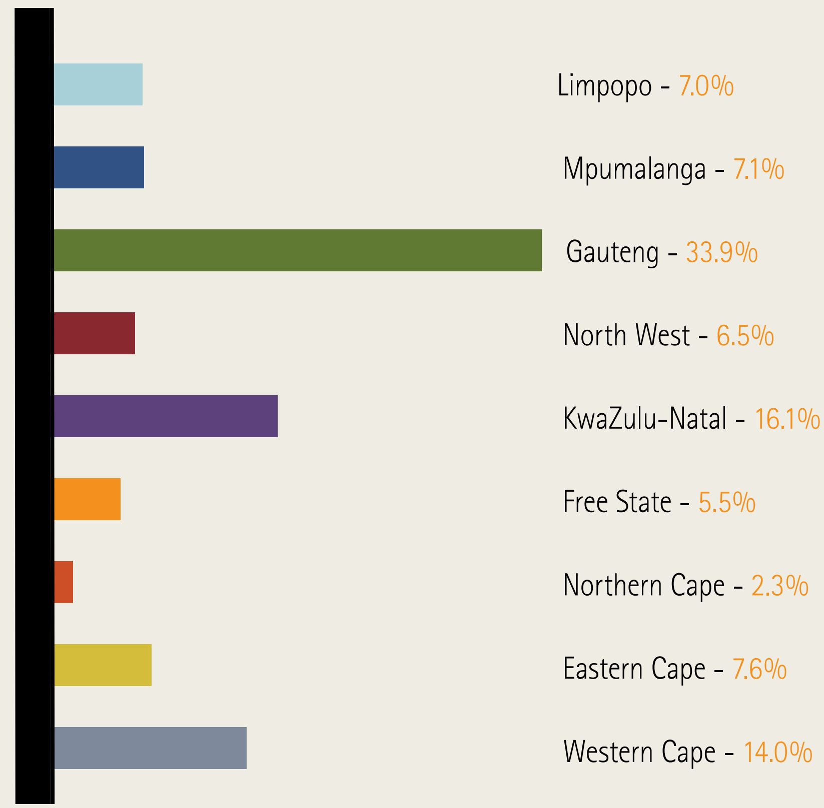


Figure 7: GDP contribution by province – 2009



Source; StatsSA (November 2010);
Gross Domestic Product, Third Quarter 2010

The measurement of the Empowerment Dividend has been enhanced through the Empowerment Dividend balanced scorecard which measures the NEF's performance against the key elements of the Empowerment Dividend for the 2010/11 year and comprehensive targets set against the elements thereof. The overall result for the year yielded a score of 3.94 on a scale of 1 to 5 and indicates a 78% achievement against targets. The results achieved against detailed core Key Performance Indicators (KPI's) within the Empowerment Dividend and operational KPI's are presented in the following section.

3. Performance results achieved against targets

3.1. Performance against target: Empowerment Dividend

Strategic Objective	Element of the Empowerment Dividend	Targets/Outputs to be delivered by 31 March 2011	Performance Indicators	Result achieved at Q4 (ending 31 March 2011)	Reason for variation
1. Promote and support business ventures pioneered and run by black people.	• BB BEE score • Women's participation • Job creation • SME development • Regional development • Sector spread.	FMD target: Approve 70 deals worth R600 million.	Number of deals approved. Value of deals approved.	FMD has approved 48 worth R632.1 million.	In view of the impairment levels, the funds were concerned with finding economically sound transactions, which slowed down the volumes of transactions.
		SPF: R235 million has been set aside for approvals for equity investments.	Number of deals approved. Value of deals approved.	Strategic Projects has approved 14 deals worth R117.2 million during 2010/11.	Please note that due to the nature of SPF transactions, a target has not been set, even though the set-aside value for disbursements is R200 million. SPF has increased capacity during 2010/11 by appointing two Investment Associates in order to improve deal flow. Performance has increased as a result, although the division was not able to meet the provisional target.
				In total, the NEF has approved 62 deals worth R749.3 million during 2010/11.	
		Fund Management Division (FMD) target: Disburse 62 deals worth R510 million.	Number of deals/ facilities for disbursement. Value of deals/ facilities for disbursement.	Total facilities for disbursement by FMD is 41 worth R494.9 million. (Please note that this includes eight transactions worth R133.7 million which are subject to Conditions Precedent outside of the NEF's control.)	Despite exceeding the targets on approvals, certain of the approved transactions could not be readied for disbursement due to legal negotiations being incomplete or final conditions precedent not yet being met. These transactions will be disbursed early in the new year.

REPORTS

3. Performance results achieved against targets

3.1. Performance against target: Empowerment Dividend – continued

Strategic Objective	Element of the Empowerment Dividend	Targets/Outputs to be delivered by 31 March 2011	Performance Indicators	Result achieved at Q4 (ending 31 March 2011)	Reason for variation
		Strategic Projects Fund (SPF) target: R200m estimated for disbursements.	Value of deals/ facilities for disbursement.	SPF has 8 transactions worth R57.2 million for disbursement during 2010/11.	Please note that the due to the nature of SPF transactions, a target has not been set, even though the set-aside value for disbursements is R200 million.
				The NEF has disbursed 49 deals worth R552.1 million during 2010/11.	
2. Contribute to the participation by black women in the economy.	Women's participation.	Maximise women's participation in transactions to at least 40%.	% of women shareholders in transactions supported.	47% of the value of transactions supported for 2010/11 are owned by women. 24% of the value of the NEF's transactions supported since inception is owned by women.	
3. Contribute to the creation of employment opportunities for black people.	Job creation.	3.1. Create employment opportunities through investment in black enterprises.	Number of jobs created and sustained.	The NEF has supported 5 904 jobs for the 2010/11 financial year, of which 3 982 are new jobs created (884 of these are potential jobs which are planned by SPF transactions). The average job investment ratio for the creation of new jobs for the year is R154 889.	The job creation target has not been specifically measurable in past years and is assessed against industry norms. In comparison to industry benchmarks this average is very low and thus NEF is performing effectively in the area of job creation.

3. Performance results achieved against targets

3.1. Performance against target: Empowerment Dividend – continued

Strategic Objective	Element of the Empowerment Dividend	Targets/Outputs to be delivered by 31 March 2011	Performance Indicators	Result achieved at Q4 (ending 31 March 2011)	Reason for variation
4. Entrench BEE rights in early stage projects by identifying, initiating, scoping and developing projects aligned to the ASGISA strategy and IPAP.	Investment in priority growth sectors/ Sector specific support.	4.1. Identify strategic projects in which the NEF can invest. (Identify at least 3 new projects at feasibility study stage each quarter).	Number of projects identified.	**New projects were identified:** • Premier Foods Boiler; • Hluhluwe Wind Farm; • LemonEx Citrus Project; • Geratech Zirconium Chemicals; • Papatso Hospitality Project; • Last mile Telcoms Project; • Heineken Malt Plant; • Integrated Fish Farm; • Flourospar HF Plant; • BECSA BHP Biliton; • Tzaneen Agriproject; • Chrome Washing Plant.	A healthy pipeline of feasibility studies has been developed in order to mitigate against projects which may prove to be unviable in the longer term.
5. Ensure geographic spread of investments across all provinces.	Geographic spread.	5.1. Maximise regional development as measured against regional contribution to GDP.	**Spread of investment by province:** Regional contribution to GDP (2009) by province: • Eastern Cape 7.6% • Free State 5.5% • Gauteng 33.9% • Kwa-Zulu Natal 16.1% • Limpopo 7.0% • Mpumalanga 7.1% • North West Province 6.5% • Northern Cape 2.2% • Western Cape 14.0%	• Eastern Cape: 11.3% • Free State: 0.2% • Gauteng: 57.1% • Kwazulu Natal: 15.5% • Limpopo: 2.2% • Mpumalanga: 2.4% • North West Province: 0.4% • Northern Cape: 0.5% • Western Cape: 10%	The spread of investment will never perfectly match GDP contribution per province. This will continue to be monitored and the NEF is addressing this through a combination of its marketing campaign, the set-up of regional offices and various business development activities. Targets for regional activity have also been assigned to investment staff.

3. Performance results achieved against targets

3.1. Performance against target: Empowerment Dividend – continued

Strategic Objective	Element of the Empowerment Dividend	Targets/Outputs to be delivered by 31 March 2011	Performance Indicators	Result achieved at Q4 (ending 31 March 2011)	Reason for variation
6. Investment return.	Portfolio return.	6.1. Target portfolio return on investment. 6.2. Contain impairment and write-off provisions to 24% of the loans portfolio for the year.	Target return on originated loans/prefs 9%. Target return on originated loans/prefs (net of impairments) 7%. Contain impairment ratio to 24% for the year.	The loans/ pref portfolio yielded an annualised return of 9% before impairments and 1.2% after impairments as at 31 March 2011. The impairment provision on the loans/pref portfo-lio is 24.4%.	The additional focus on more commercially viable transactions as well as on improving collections ratios to 82% of instalments raised will contribute to the improvement on the impairment ratio. The portfolio appears to be performing ahead of targeted expectations with additional returns on equity growths now being reported.

3.2. Performance against target: Core Operations

Performance against key targets for the organisation is set out below:

Strategic Objective	Targets/Outputs to be delivered by 31 March 2011	Performance Indicators	Result achieved at Q4 (ending 31 March 2011)	Reason for variation
FUND MANAGEMENT DIVISION				
Pre-Investment				
7. Drive Business Development in order to attract more commercially viable transactions.	7.1 Engagements with private sector players e.g. business brokers, big companies, etc.	• Number of training seminars and workshops conducted. • Number of meetings held with various stakeholders. • Number of successful deals that flow from the seminars and workshops.	Q1: 12 engagements Q2: 16 engagements Q3: 16 engagements undertaken during Q3 Q4: 5 stakeholder engagements during Q4	A healthy pipeline of feasibility studies has been developed in order to mitigate against projects which may prove to be unviable in the longer term.
8. Screening, Analysis and Review of applications received.	8.1. 12 Monthly reports to the CIO and 4 Quarterly Reports to the COO on number of applications screened and reviewed. 8.2. All applications should be screened and reviewed within 3 weeks from date of receipt and capture.	• Number of applications screened and reviewed. • Processing time. • Accuracy of process, incomplete applications are stopped at entry. • Number of applications per analyst.	All applications were screened within 3 weeks. A total of 1 017 applications were screened.	

3.2. Performance against target: Core Operations - continued

Strategic Objective	Targets/Outputs to be delivered by 31 March 2011	Performance Indicators	Result achieved at Q4 (ending 31 March 2011)	Reason for variation
FUND MANAGEMENT DIVISION				
Post-Investment				
9. Encourage investee sustainability in the Fund Management Portfolio by providing site visits, coaching and technical assistance	9.1. Complete 164 reports.	Number of site visits and reports	326 site visits for 2010/11 and 185 reports.	Post Investment has made every opportunity to engage with clients in order to monitor the client portfolio effectively.
10. Provide coaching, mentorship and technical support.	10.1. Provide coaching, mentorship and technical support to the value of R2 500 000.	Rand value of assignments/ support provided.	R4 033 424 worth of mentorship and technical support has been provided to NEF investees.	Additional mentorship investment was required in early stage investments as well as turnarounds on the existing portfolio.
11. Bad debt collection.	11.1. R1 800 000.	Value of bad debt collections	Total bad debts recovered for 2010/11 is R 511 419.	The NEF has attempted to recover as much as possible in the form of bad debts.
12. Monitor fair value.	12.1. Perform valuation exercise twice yearly	Valuation exercise completed.	The impairment provision exercise was completed in Q2 and at year end. The fair value of investments in the portfolio was completed at year end.	New processes are to be implemented in order to allow for the fair valued investment portfolio to be fair valued more regularly.

> **“With 90% of the population owning only 7% of the economy, transformation has become an urgent imperative.”**
>
> *- Beulah Chabedi, Human Resources Division*

3.2. Performance against target: Core Operations – continued

Strategic Objective	Targets/Outputs to be delivered by 31 March 2011	Performance Indicators	Result achieved at Q4 (ending 31 March 2011)	Reason for variation
ASSET MANAGEMENT DIVISION				
13. Promote the universal understanding of equity ownership among previously disadvantaged individuals. Liaise with and build relationships with organisations involved in education and community programmes.	13.1 Effective Implementation of an Investor education campaign linked to the broader NEF marketing strategy. 13.2. Develop a public education campaign in partnership with existing organizations that are involved in public investor education.	Number of Investor Education seminars conducted throughout the country: 72 over 2 years. Number of partnerships developed with other organisations:	Held 40 Investor Education seminars in Northern Cape, Eastern Cape, Free State, Limpopo and Western Cape. An MOU with a key player in the food and beverage sector is in the process of being completed.	The Investor Education programme was delayed due to the lengthened process of the appointment of the marketing/ mobilizing agents through a public tender process.
14. Retail Integration Programme. Create an innovative savings and investment scheme that will unlock ownership value in entities that are supported by customer and create a culture of saving by using equity as a saving instrument.	14.1. Embark on a feasibility study. 14.2. Market the concept to various retailers. 14.3. Consult/Design and execute a saving or investment product. 14.4. Establish an efficient distribution channel for the retail product. 14.5. Establish and implement a marketing strategy.	• Completion of feasibility study in Q1. • Make presentation to 5 retailers regarding the retail integration program in Q1. • 1 retail savings products in Q3. • Product distribution strategy in Q 4 • Product marketing strategy in Q4.	• n/a • n/a • n/a • n/a • n/a	• Feasibility problems were discovered with the product. Solutions are being investigated through **the dti**. • This project has been taken over by **the dti** and will revert back to the NEF once **the dti** has completed the agreed actions.
15. Securing of transfer of SOCE's.	15.1. Transfer of 5 SOCE equities to the NEF (SAFCOL, Telkom, Gidani, ACSA and Transwerk).	• Number of SOCE equities transferred to NEF • Signing of MOU with SAFCOL, Telkom, Gidani, Transwerk and share transfers.		No progress has been reported on this matter. The matter has been escalated and a final Ministerial decision is awaited.
16. Enterprise Development. Develop a fund which will be mutually beneficial to small enterprises and the contributing corporate (the measured entity) in line with NEF's objectives.	16.1. Conceptualise, design and model an ED strategy and business plan. 16.2. Design and execute ED model with the support of expert service providers and support providers. 16.3. Liaise with larger enterprises for their ED contributions into the Fund with a targeted support industry funding mandate.	• Approved Business plan by March 2011. • 2 Organisations who support initiative by Q 4.	Participation agreement and information memorandum approved by the Board subcommittee. The ED fund launch plan has been approved. Four corporates have been engaged.	

3.2. Performance against target: Core Operations - continued

Strategic Objective	Targets/Outputs to be delivered by 31 March 2011	Performance Indicators	Result achieved at Q4 (ending 31 March 2011)	Reason for variation
STRATEGIC/ADVOCACY				
17. Implement Enterprise Risk Management Framework at the NEF.	17.1. Risk Assessments 17.2. Risk Awareness sessions 17.3. Risk reporting 17.4. Risk Tolerance 17.5. RBC	• Risk registers • Risk awareness sessions • Risk reports • Tolerance reports • RBC limits established	Risk registers updated and status of actions updated. Risk assessment completed on SME strategy implementation plan. Registers submitted to audit committee. Combined Assurance framework submitted to Audit Committee. Compliance framework approved at the risk committee and currently being implemented. Compliance training will be rolled out during Q1 of 2011/12 KRI reports submitted for critical exposure areas. Fraud register updated with new matters. New matters under review. Fraud response plan drafted. A pilot fraud training and awareness session completed.	
18. Implementation of a Balanced Scorecard tool to measure organizational performance and translate strategy into action plans.	18.1. Balance scorecard approved and implemented.	Approval from Exco and Board.	Balanced Scorecards were implemented and reviewed during Q3 as part of the strategic planning process.	
19. Grow regional presence as part of a co-location strategy with other **dti** or provincial agencies.	19.1. Establish at least four co-location offices around the country.	Number of co-location offices.	Three co-location offices have been opened. Eastern Cape and KwaZulu-Natal offices are fully operational. The office in the Western Cape is in the process of being set up.	Various other partnerships are being investigated. The office in the Free State is ready for occupancy pending the appointment of a staff member.

3.2. Performance against target: Core Operations – continued

Strategic Objective	Targets/Outputs to be delivered by 31 March 2011	Performance Indicators	Result achieved at Q4 (ending 31 March 2011)	Reason for variation
STRATEGIC/ADVOCACY				
20. Encourage the demand for the NEF's products and services through Media Relations Corporate Communications.	20.1. Advertising Value Equivalent (AVE) of R13million.	Extent of Media Coverage.	Total AVE of R8.8 million achieved for the year.	The Media Relations during Q4 focused mainly on community media, i.e. Community Radio and Community Print publications. These are generally not tracked by media tracking agencies. The tracking of the AVE was further compromised by the liquidation of the tracking agency, therefore the AVE is not fully accounted for.
21. Identify and implement improved recruitment practices to enhance the attraction of high calibre and suitably qualified candidates.	21.1. Right-Start Programme Implemented 21.2. Values and culture programme implemented 21.3. e-recruitment	Implement enhanced induction in the form of the Right-Start Programme Implement Values and Culture Initiative Implementation of an e-recruitment process	The Right-Start Programme is fully implemented with all new recruits having attended the programme. Service provider has been appointed. Communication and project plans have been developed. Weekly project meetings being held. e-recruitment solution implemented with Working Earth and candidates being attracted via the e-recruitment solution.	
22. Retain employees by offering competitive and market-related packages with unique features within a flexible and rewarding career environment.	22.1. Appoint second rewards and benefits vendor. 22.2. Review rewards levels and provide feedback to Exco. 22.3. Reliable leave management. 22.4. Work life balance.	Appoint second rewards and benefits vendor. Review of rewards levels. Simple scalable processes (Project Siyasebenza).	Second rewards and benefits vendor has been appointed. Market data for rewards levels are reviewed on an ongoing basis and presented to Exco members for approval with each new appointment. A comprehensive exercise to review rewards levels was conducted at year end, with data being sourced from both rewards and benefits vendors. Employee Self Service (ESS) reviewed and re-launched internally to allow staff to apply for and manage their leave online.	

3.2. Performance against target: Core Operations – continued

Performance against key targets for the organisation is set out below:

Strategic Objective	Targets/Outputs to be delivered by 31 March 2011	Performance Indicators	Result achieved at Q4 (ending 31 March 2011)	Reason for variation
STRATEGIC/ADVOCACY				
23. To provide a healthy, safe and conducive environment for stakeholders.	23.1. Appoint Committee 23.2. Committee Training 23.3. Formulate and implement policy 23.4. Create awareness 23.5. Stakeholder accountability and responsibility for OHS 23.6. Comply with related legislation	• Appointment and functioning of committee • Number of inspections	• Appointment of OHS Representatives • Appointment of Evacuation Leaders • Appointment of First Aiders • Training OHS committee • Drafted OHS Policy • Communiqué to staff on OHS • Security tender process • 3 OHS inspections conducted	

> "The NEF has the strategic and technical capacity, the skills and the means to provide a sustainable and meaningful solution to corporates who are committed to implementing the spirit and letter of the Enterprise Development code, in line with Government's strategy on transformation and national development."
>
> *- Ms Philisiwe Buthelezi, CEO*

4. Financial results against budget

	Actuals	Budget
	YTD	YTD
Operations	R000s	R000s
Income – Operating/Investments	360 035	365 000
Operating Expenses	(141 827)	(168 506)
Investment Impairments	(102 659)	(89 000)
Asonge expenditure	(665)	(800)
Other projects	(11 397)	(33 950)
Loss on Disposal of Investments	(601)	-
Fair Value Adjustments	(28 059)	-
Net Surplus/deficit	74 827	72 744
Headcount – staff numbers	125	144
Facility Drawdown's	393 067	580 000

4.1. Income

Income for the year ended 31 March 2011 is marginally below budget. Income is made up of Interest on Cash and Cash Equivalents, Interest received on the Loans portfolio, and Dividends received. Overall interest received came in under budget, which is mainly due to the drop in the repo rate over the past year since most of the investments are linked to the prime lending rate. Budgets were based on a slightly higher rate. During the fourth quarter income was boosted by Dividends received on listed shares viz. MTN, which contributed in overall income coming in close to budget. Interest received on cash and cash equivalents averages 6.5% whilst interest received on loan instruments averages 10%. Although there is a notable increase in disbursements, this did not yet translate to an increase in interest received on loans, due to the decrease in the prime lending rate, against which most of the portfolio is linked. Furthermore, the increase in disbursements only materialised in the third and fourth quarters.

• Interest from banks

For the year ended March 2011 interest received is based on a bank balance of approximately R1.5 billion at an average interest rate of 6.5%. Interest recorded under asset management is on the ringfenced Asonge cash balance (R1.042 billion), also at an average rate of 6.5%.

• Interest from Loans and Investments

Actual interest earned at year ending 31 March 2011 is under budget due to the lower interest rates as well as a slightly lower disbursed loan book (the budget was based on a higher interest rate and on a higher, and an evenly spread disbursed loan book). This is however mitigated by the relatively higher interest earned on the bank balances.

	Actual	Budget	Variance
	YTD	YTD	YTD
	R000	R000	R000
Personnel Costs	85 028	98 355	13 327
Marketing	7 938	15 193	7 255
Professional fees	8 952	12 036	3 084
Building costs	8 063	8 409	349
Administration	31 846	34 512	2 666
Total	141 827	168 506	26 679

4.2. Operating Expenses

Overall operating expenses came in at a 15% savings against budget for the year ending 31 March 2011. Savings are noted in the Marketing and Communications department (as a result of the Strategy which was approved only in the second quarter), Personnel Costs (as a result of vacant/unfilled positions), Professional Fees and Travel.

Many of the vacant positions are at an advanced stage of finalisation.
Operating expenses comprise:

- **Personnel costs** – Savings is as a result of unfilled vacant positions at year end. There were a total of 19 vacant positions as at end of March, of which 7 have already been filled after year end, 1 offer is in the process of being finalized and 4 positions are in interview stage.
- **Professional fees** – Savings on Legal costs and on Specialist Consulting were reported.
- **Marketing** – The current year's Marketing and Communications Strategy was only approved in the 2nd quarter of the year and roll out commenced in the 3rd quarter. Expenditure is however expected to escalate in the new financial year.
- **Building costs** – expense within budget with slight savings on minor improvement as well as cleaning.
- **Administration** – is under budget for the year, which is as a result of savings, in amongst others, travel costs, entertainment and general office expenses.

4.3. Other Projects

Savings on other projects is as a result of the rollout of the investor education project. This was staggered throughout the year and will continue into the new financial year. The budget is accordingly also rolled over.

4.4. Commentary on the Portfolio

• Disbursements

The new disbursement facilities for the year totalled R552.1 million of which actual facility draw downs was R291 million. There is approximately R261 million in undrawn commitments, based on disbursement facilities for the current financial year. Facility draw downs against prior year disbursements totalled R101 million. There are also undrawn commitments from the prior year of +/- R6.2 million, which mostly relate to approved facilities from the previous financial period.

	Approved Transactions for the year Apr – Mar'11	Disbursement Facility YTD Mar '11	Draw-downs against Disbursement Facility YTD Mar '11	Total Draw-downs for financial year ending Mar '11
	R000s	R000s	R000s	
Strategic Projects	119 200	57 200	54 700	57 200
iMbewu Fund	99 075	109 622	66 703	78 925
Rural and Community Development Fund	149 181	79 891	2 723	7 068
uMnotho Fund	381 577	305 577	166 516	248 423
Total	749 033	552 290	290 642	391 616

• Approved facilities exclude transactions approved but withdrawn.

- **Strategic Projects Fund** – Actual disbursement facility for the year to date is R57.2 million against drawn-downs of R55 million.
- **iMbewu** – for the period to 31 March 2011, R67 million was drawn down against the disbursed facilities of R109 million.
- **Rural and Community Development** – There was one draw-down of R2,7 million against disbursement facility of R79.9 million as at 31 March 2011. There is however R146 million in undrawn and/or committed transactions deals that have been approved but awaiting the legal contracting process to be finalized before disbursement.
- **uMnotho Fund** – disbursement facility as at 31 March 2011 is currently at R305.6 million against draw-downs of R167 million.

• Collections

The actual collection rate for the year ending 31 March 2011 is 93% (including payments and settlements made over and above installments raised). The collection rate against installments raised is at 82%. Rural and Community Projects Fund reported a collection rate of 175% for the year which is as a result of a shareholders loan payment received from one of the Investments and, which also contributed towards the high total collection rate of 93%. This improved collection rate is mainly attributable to the implementation of the new Credit Control procedure which was implemented in the second quarter of the year. The effect of lower interest rates as well as the restructuring of some loans has also had a positive effect on repayments.

Total % Receipts to Total YTD Instalments Per Fund	YTD Instalment	YTD Receipt	YTD
	R000s	R000s	%
uMnotho Fund	91 423	82 054	90%
Imbewu Fund	33 749	33 190	98%
Rural and Community Development Fund	867	1 518	175%*
Strategic Projects Fund	-	-	0%
Total	126 041	116 763	93%

* Due to manual advances and catch-up repayments.

• Impairments

The overall impairment provision has marginally improved compared to the prior year as a result of the increased write-off for the year (which has the effect of reducing the provision for the year) but also as a result of improved credit control measures as well as an improved portfolio. This is demonstrated by the collection rate of 82% on the loans portfolio for the year. The impairment budget was set at R89 million based on prior year provisions and current targets and the increase in impairments for the year was R102.6 million.

Mr Ronnie Ntuli
Chairman: Board of Trustees

Ms Philisiwe Buthelezi
Chief Executive Officer

REPORT ON CORPORATE GOVERNANCE

Introduction

Corporate governance involves the establishment of structures and processes, with appropriate checks and balances, which enable Trustees to discharge their legal responsibilities and promote accountability, fairness and transparency. The NEF prides itself on its corporate governance structures which ensures that the organisation is managed in compliance with and within the tenets of best practice governance, as well as legislative and regulatory frameworks.

Legislative Framework and Corporate Governance

The NEF's legislative foundation is the National Empowerment Act No. 105 of 1998 ("the NEF Act") and the NEF further subscribes to a governance system which is guided by the Public Finance Management Act No. 1 of 1999 (PFMA) including the National Treasury Regulations, the King Reports on Corporate Governance, the Protocol on Corporate Governance in the Public Sector 2002. The NEF constantly reviews and enhances its structures and processes to ensure compliance to the governance protocols and codes it subscribes to and has taken steps to incorporate effective leadership, sustainability and corporate citizenship as well as international developments and best practices in its structures and processes.

The NEF assessed the compliance required by King III and identified provisions impacting on Board and Board Committees' appointment processes and compositions which are not governed by statute through the NEF Act and an area of risk management that is not governed by the PFMA or National Treasury Regulations.

The NEF has accordingly identified the need to strengthen compliance in the following areas and is developing implementation plans in this regard:

- Trustee development through continual professional development;
- Regular Board and Board Committee evaluation as well as performance assessments of the Chairman, Trustees and Board Committee members; and
- The governance of information technology.

Corporate Governance Structures

The NEF was established by the Government of the Republic of South Africa represented by the Minister of Trade and Industry who serves as its Executive Authority in terms of the PFMA. The President of the Republic of South Africa is entrusted with the responsibility in terms of the NEF Act to appoint a Board of Trustees and the Chairman. The Board of Trustees in turn are empowered to appoint the Chief Executive Officer, with the approval of the Minister of Trade and Industry.

The Executive Authority

A memorandum of agreement (MOA) was concluded between the Minister of Trade and Industry and the Chairman of the NEF on behalf of the Board for the year under review. The MOA provides the governance framework between the MTI as well as the Department of Trade and Industry (**the dti**) and the NEF and sets out the contracted key performance indicators and targets as well as the financial and performance reporting frameworks in line with the requirements of the PFMA and National Treasury Regulations.

The Board of Trustees

The Board of Trustees was appointed with effect from 16 December 2009. Two members of the previous Board, including the Chairman, were retained for the purpose of continuity and institutional memory. Two executives, namely the Chief Executive Officer and the Chief Financial Officer are appointed to the Board as Trustees. The Board comprises members with a diversity of experience ranging from legal, financial, public sector and business expertise to hands-on experience as entrepreneurs as well as promoting social development.

The collective experience of the Trustees will contribute to the NEF delivering against the organisation's mandate whilst maintaining the highest standard of corporate governance. The Board's term will expire in December 2012.

In addition to the provisions of the NEF Act, the duties, powers and authority of the Board of Trustees is encoded in a Charter that is approved by the Board and reviewed on an annual basis. The Board of Trustees are responsible for overseeing all aspects of the NEF's assets and administration of investment activities.

The Board is required to discharge its fiduciary duties in terms of trust law and the NEF Act. In addition to this, the Board and all staff at the NEF must conduct themselves in a manner as required by the NEF Ethics Policy. The NEF Ethics Policy specifically excludes funding to Trustees and their families. This provision has been resolutely upheld over the years, safeguarding against potential conflict of interests.

The Board of Trustees has established an effective compliance framework and process through the Risk Management portfolio under the direction of the Chief Risk Officer. This framework has identified and prioritised all current legislation with which the NEF has to comply. This framework is presented to the Executive Committee and Portfolio and Risk Management Committee on a bi-annual basis for monitoring and review.

Remuneration of the Board

The remuneration framework for non-executive Trustees and Board Committee members is based on the remuneration policies that the organisation has adopted and for which approval was received from **the dti**. Full disclosure of the emoluments of the Trustees is contained in the notes to the Annual Financial Statements.

Attendance of Board Members

During the period under review the Board convened seven Board meetings which included two special meetings convened to deal with urgent matters. The Trustees' attendance at those meetings is reflected below, which also includes information on the terms of the Trustees that have expired.

Member	30.04.10	29.07.10	30.07.10	07.10.10	26.11.10	28.01.11	29.01.11
Ronnie Ntuli (Chairman)	√	√	√	√	√	√	√
Philisiwe Buthelezi (CEO)	√	√	√	√	√	√	√
Nolitha Fakude	√	√	√	Apology	Apology	Apology	Apology
Rakesh Garach	√	√	√	Apology	√	√	√
Avril Halstead	√	√	√	√	√	√	√
Angie Makwetla	√	√	√	Apology	√	√	√
Lloyd McPatie •	√	-	-	-	-	-	-
Jacquiline Molisane	√	√	√	√	√	Apology	Apology
Nomalanga Mosala	√	√	√	√	√	√	√
Zukiswa Ntlangula	√	√	√	√	√	Apology	Apology
Allon Raiz	√	√	√	√	Apology	Apology	Apology
Kugan Thaver	√	√	√	√	Apology	√	√
Thabiso Tlelai	√	√	√	√	√	√	√
Andrew Wright (CFO)	√	√	√	√	√	√	Apology
• Resigned 03 May 2010							

Board Committees

Section 15(5)(a) of the NEF Act and section 56(1)(a) of the PFMA provides that the Board may delegate some of its responsibilities to Board Committees and the Chief Executive Officer. The Board therefore established four Committees namely the Audit Committee, Board Investment Committee, Human Capital and Remuneration Committee as well as the Portfolio and Risk Management Committee.

The members of the above-mentioned Committees are appointed by the Board and the Chairpersons of these Committees are members of the Board of Trustees.

Committee Charters recommended by the Committees and approved by the Board govern the activities of the Committees. Committee meetings are convened quarterly prior to Board meetings.

The Chairpersons of all the Board Committees have provided separate reports for each of the Committees in which Committee activities are highlighted.

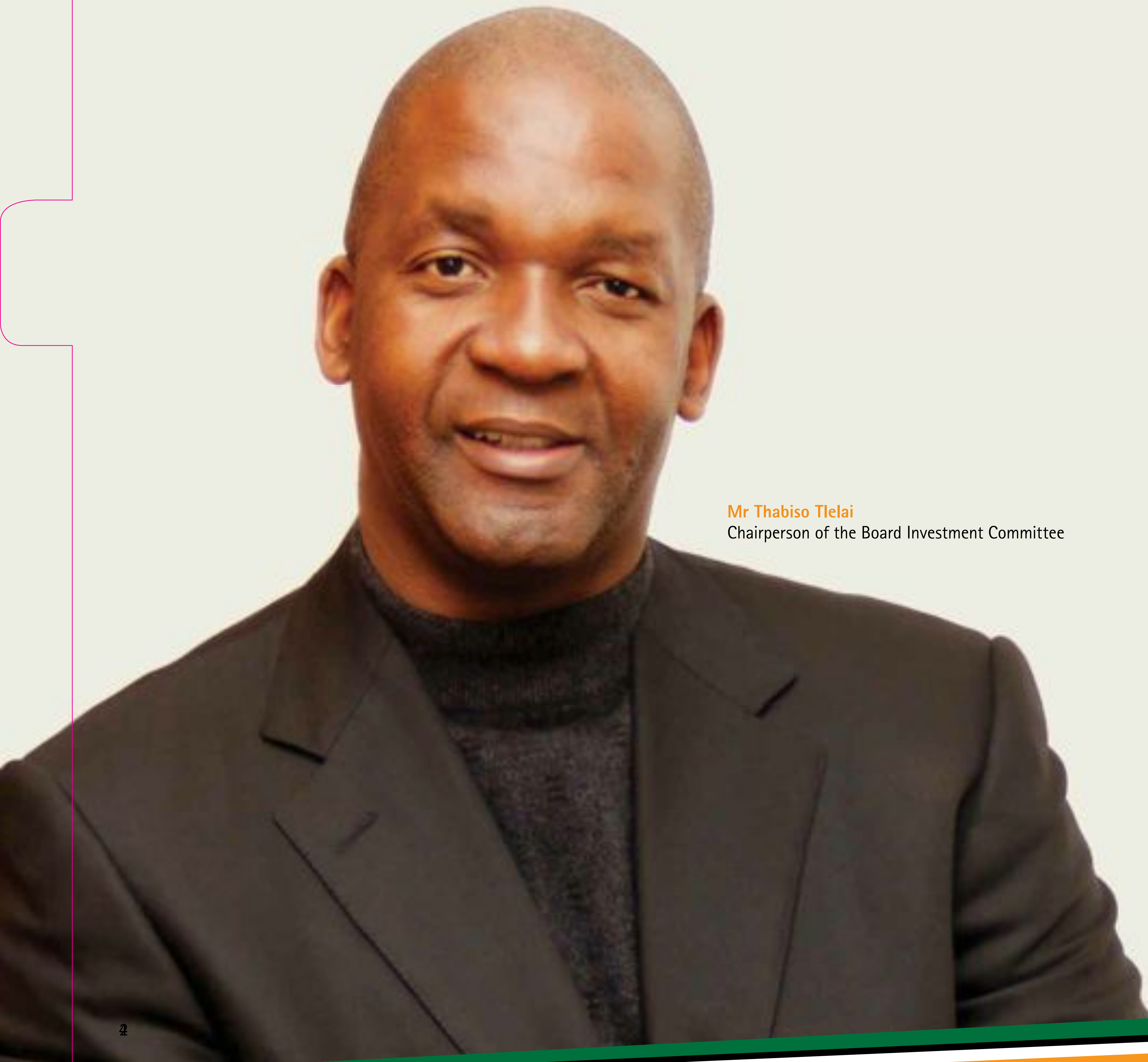
Executive Committee

The Executive Committee separates its business into Investments and Operations. The Executive Operations Committee meets every fortnight and manages the daily activities of the NEF. The Executive Investment Committee meets weekly to consider and approve transactions within its delegated authority.

Both Committees comprise of the Chief Executive Officer, the Chief Financial Officer, Divisional Executive SME and Rural Development, Divisional Executive Venture Capital and Corporate Finance and the Corporate Services Executive. The General Counsel and Chief Risk Officer are invited to attend these meetings.

Secretariat

The Board and Executives are provided with strategic and administrative support by the Secretariat which comprises a team of individuals who ensure that there is adherence to legal prescripts and corporate governance.



Mr Thabiso Tlelai
Chairperson of the Board Investment Committee

REPORT OF THE BOARD INVESTMENT COMMITTEE

The Board of Trustees of the National Empowerment Fund established the Board Investment Committee (the "BIC") in order to assist the Board to, amongst 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.

The beginning of the 2010/11 financial year has been an affirmation of the NEF's commitment to its mandate and mission, which is first to be the catalyst of the Broad-based Black Economic Empowerment (BB-BEE). The second saw the culmination of the new planning around two key areas, namely entrepreneur development and small business evaluation.

Albeit for leadership changes during the financial year in the Fund Management Division, overall the year ended on a positive note as performance met expected targets set and compared very well with previous years. Notwithstanding the above, the effects of the global credit crisis which were compounded by the hosting of the 2010 Soccer World Cup, for the first time not only for South Africa, but for the whole African continent, saw slow investment activities during the first quarters of the 2010/11 financial year.

There were stronger signs of global economic recovery as we came to the end of 2010 and entered 2011. The financial crisis and subsequent recession brought painful adjustments. The latest estimate released by the Statistician-General is that domestic economy grew by 2.8% in 2010. Some of the aforementioned conditions continued to affect a lot of NEF's investees on the one hand, and on the deal-flow experienced by the NEF on the other hand.

Whilst it continued to be more difficult to conclude acquisition finance transactions due to expectation gaps between buyers and sellers, NEF saw more opportunities to participate in "greenfields" projects and expansionary BEE transactions.

These complimented the targeted sectors of the Industrial Policy Action Plan 2 (IPAP2) launched by Minister of Trade and Industry earlier this year and the New Growth Path (NGP), which outlines the country's approach to accelerate growth and employment focusing on a number of drivers. With South Africa's invitation to join BRIC economies, launching of IPAP2 and NGP, much traction will be gained in ensuring that we create a job-absorbing economy.

Following the successful implementation of a debt-restructuring programme during the past year to assist NEF investees that were adversely impacted by the effects of the global credit crisis and continuous monitoring of the whole book, positive effects of this were seen in a generally well-performing portfolio. Overall impairments provision has remained relatively consistant with the prior year at 24.4% as a result of an improved 93% collection rate. We continued to provide free mentorship, coaching and technical support to the majority of investees for an amount of approximately R4.1 million.

During the period under review, the NEF Executive Committee tabled 11 transactions worth an aggregate of R385 million to the BIC for consideration and approval. The BIC approved all of the transactions. The improved success rate indicates that the organisation's risk management processes are deepening and that there is congruence between management and the BIC regarding the types of projects that would qualify for the NEF funding in line with the strategic objectives of the NEF.

The NEF Fund Management Division approved 48 deals worth R632 million which includes transactions approved at management level. Due to stretch targets set for the first time in 2010/11, the number and value approvals were 24% and 8% lower than the previous year respectively. Jobs that will be created through these approvals are 5 904.

The Fund Management Division managed to disburse approximately R495 million in 41 new investment projects. Albeit for fewer approvals than for the past year, by number, once more the NEF showed its commitment in supporting SMEs as approximately 33% of the investments were to projects equal or below R3 million. The industries supported by the NEF during the year under review are diverse, with the major sectors by value being materials and retail (9%); property (8%); media and transportation each (5%) and engineering, financial services, food and beverage, mining, arts and culture, printing services, manufacturing, chemicals and pharmaceuticals, and tourism and entertainment all between 4% and 1%.

Similar to 2009/10, the focus of the NEF during the year under review was once more on expansionary empowerment in order to ensure that the organisations supported create new capacity in the form of job creation and economic growth. The investment projects supported during the year are categorised into the following products by value: expansion capital (42%); acquisition finance (25%); entrepreneurship finance (6%); rural and community development projects; franchise finance and procurement all (5%) and new ventures (previously project finance) (3%). The NEF interventions during the year under review created or maintained 5 904 decent jobs. Approximately 3 982 of these were new jobs and average job investment ratio for the creation of new jobs for the year is R154 889.

The projects supported by the BIC included the following the:

The NEF made available in total R50million as shareholders' loans (R40million) and a redeemable preference shares of R10 million to Mgro for an acquisition of four farms that will cater for citrus products exclusively for the export market. The investment will create an opportunity for the Emgro Properties, a BB-BEE group, to own productive farms with established markets in place. BB-BEE groupings will in total own 80% with 15% warehoused by the NEF for the benefit of the local community. 40 jobs will be retained through the project and additional 110 new jobs will be created at the primary farming level and 540 seasonal jobs during harvesting.

The NEF supported an establishment of a regional Shopping Centre measuring 39 000m² in Orange Farm to be anchored by some of the major retailers. The NEF will provided R50 million in total in the form of equity and senior debt. Pre-investment shareholding was to benefit only two promoters equally (50% each), but through the NEF's involvement, the shareholding changed drastically. 19% each will be owned by a community trust and the NEF, with the balance left for the promoters. The project will create 750 permanent jobs and around 2000 during construction. The project will ensure that between 20 – 30% of project value is spent in Orange Farm, whilst retail store opportunities for informal traders and taxi owners will be provided in line with the social plan.

The NEF also provided R44 million into a greenfields project in the chicken broiler industry. Velevutha Agricultural Consultancy's (Velevutha) operations will be in contract growing for chicken processing facilities. It has secured a 10-year outgrower contract with Crown Chickens, a subsidiary of a JSE listed Sovereign Foods Limited to grow over 6.3 million chickens per annum. Velevutha represents a genuine broad-based BEE initiative including 33% women, 10% staff and 7.5% BB-BEE ownership as well as a creation of 12 new jobs and transformation of a white dominated, blue-chip industry.

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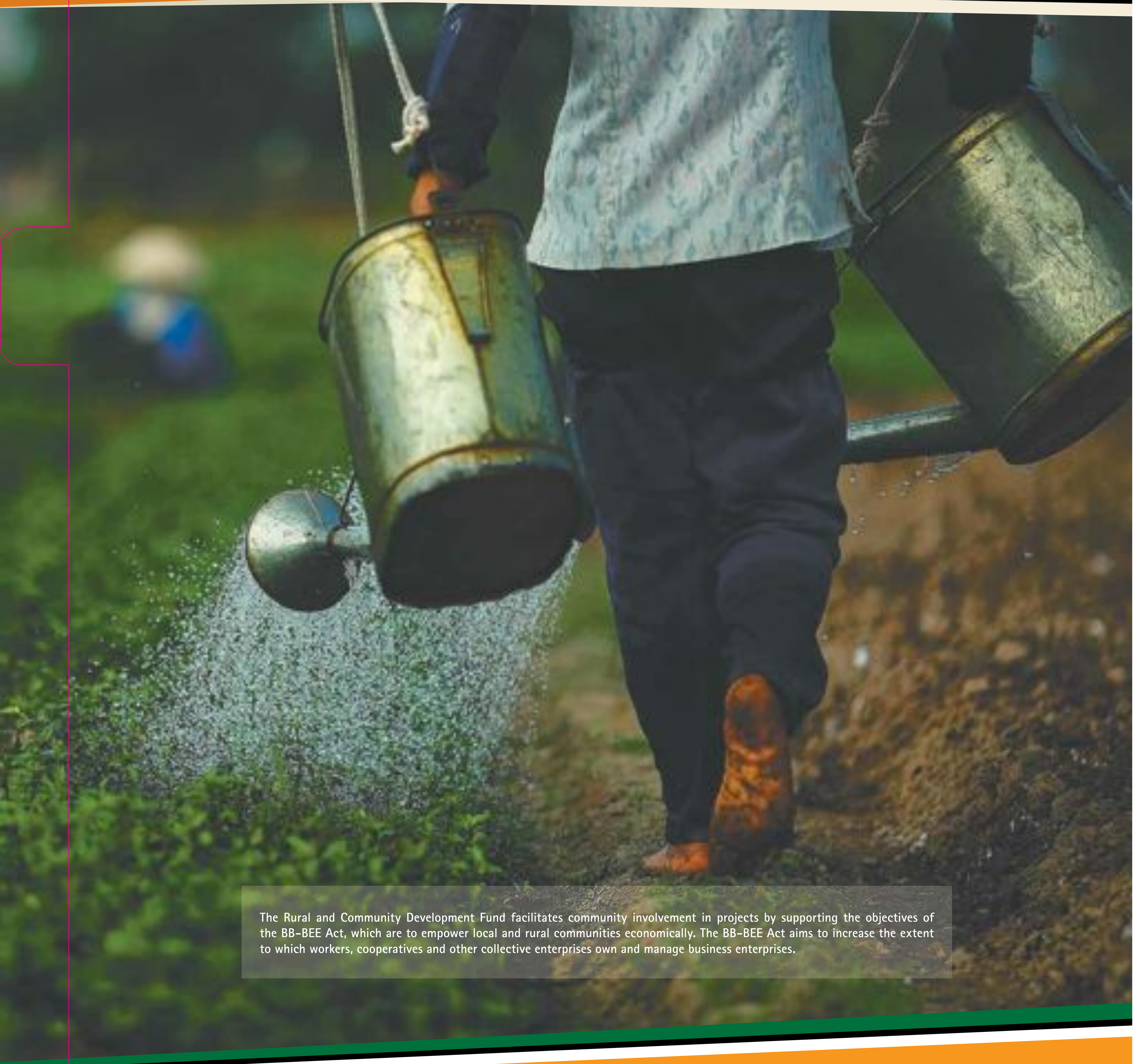

The Rural and Community Development Fund facilitates community involvement in projects by supporting the objectives of the BB-BEE Act, which are to empower local and rural communities economically. The BB-BEE Act aims to increase the extent to which workers, cooperatives and other collective enterprises own and manage business enterprises.

The NEF also provided R44 million into a greenfields project in the chicken broiler industry. Velevutha Agricultural Consultancy's (Velevutha) operations will be in contract growing for chicken processing facilities. It has secured a 10-year outgrower contract with Crown Chickens, a subsidiary of a JSE listed Sovereign Foods Limited to grow over 6.3 million chickens per annum. Velevutha represents a genuine broad-based BEE initiative including 33% women, 10% staff and 7.5% BB-BEE ownership as well as a creation of 12 new jobs and transformation of a white dominated, blue-chip industry.

The NEF approved R28.23 million for the development of a hotel in the Wesbrook area, in Kwazulu-Natal. Expected job creation include 45 permanent positions and in excess of 1000 positions during construction.

The NEF also approved R50 million to Just ON Cosmetics, a black-owned cosmetics retailer whose operations commenced in 1991. To date, the company boasts 38 outlets in the Eastern Cape, Kwazulu-Natal and the Free State, with 36 vehicles and over 600 employees. The funds committed by the NEF have a potential to create in excess of 200 jobs as additional outlets are rolled-out.

The NEF funded R45 million for acquisition of a 46% equity stake by BEE Consortium, including the surrounding communities as well as working capital requirements into LA Crushers. LA Crushers is a mining contracting company based in Phalaborwa, Limpopo, with operations in Limpopo and Mpumalanga. Having operated for more than 20 years their client base includes blue-chip companies like Phalaborwa Mining, BHP Billiton, Foskor and Exxaro. LA Crushers, currently employs around 500 people.

Lastly, the NEF supported the introduction of a consortium of black women and Nozala Trust as shareholders in the Ma-Africa business by investing R30 million. The NEF funded the production of two films, namely a Million Colours and Winnie. Through this investment, the NEF is supporting transformation in key industry and has assisted in the facilitation of more than 350 jobs for crew and cast positions.

Board Investment Committee Members:

The Membership Board Investment Committee was as follows:

- *T. Tlelai (Trustee and Chairperson)*
- *P. Buthelezi (CEO - ex officio)*
- *L. Bakoro (Member)*
- *C. Fernandez (Member) ### resigned on 17 June 2010*
- *K. Thaver (Trustee) #### term ended on 30 April 2010*
- *L. McPatie (Trustee) ## resigned on 03 May 2010*
- *N. Mosala (Trustee)*
- *A. Raiz (Trustee)*
- *J. Molisane (Trustee) # appointed 29 July 2010*

Member	22.04.10	27.05.10	09.09.10	28.10.10	02.12.10	23.02.11	23.03.11
Thabiso Tlelai	√	√	√	√	Apology	√	√
Philisiwe Buthelezi	√	Apology	Apology	√	√	√	√
Lindiwe Bakoro	√	Apology	√	√	√	√	√
Cora Fernandez ###	Apology	Apology	-	-	-	-	-
Kugan Thaver ####	√	-	-	-	-	-	-
Lloyd McPatie ##	Apology	-	-	-	-	-	-
Nomalanga Mosala	√	√	√	√	√	√	√
Allon Raiz	√	√	Apology	√	√	√	√
Jacqui Molisane #	-	-	√	√	Apology	√	√

Mr Thabiso Tlelai
Chairperson of the Board Investment Committee

REPORTS


Mr Rakesh Garach
Chairperson of the Audit Committee

REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2011

Audit Committee Members and Attendance

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

- *R. Garach (Trustee and Chairperson)*
- *Z. Ntlangula (Trustee)*
- *A. Coombe (Member)* ***
- *R. Nicholls (Member)* **
- *I. Pelo (Member)* *
- *P. Buthelezi (CEO - ex officio)*

The attendance of members at meetings for the period under review was as follows:

Member	Profession /Position	20.05.10	14.07.10	21.10.10	21.01.11
Rakesh Garach	CA (SA) (Chairman)	√	√	√	√
Zukiswa Ntlangula	Attorney	Apology	√	√	Apology
Anthony Coombe ***	CA (SA)	√	√	√	√
Nick Nicholls **	CA (SA)	√	√	-	-
Innocentia Pelo *	CA (SA)	-	-	√	√
Philisiwe Buthelezi	CEO	√	√	√	√

* Appointed 1 August 2010
** Term ended 31 July 2010
*** Re-appointed from 1 August 2010

The Chief Financial Officer (executive trustee), the Risk and Compliance Manager and the Internal Audit Manager, as well as the internal and external audit firms, are standing attendees at each meeting and the Audit Committee has direct access to these attendees in the fulfillment of the Audit Committee's respective 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), which include the following roles and responsibilities of the Audit Committee:

- Control and direct a system of internal audit and review the effectiveness and activities thereof including its annual work programme, coordination with the external auditors, the reporting on significant investigations and the responses of management to specific recommendations;
- Review the effectiveness of the internal control systems;
- Review the risk areas of the NEF's operations to be covered in the scope of the internal and external audits based on the regular conduct of a risk assessment and risk management strategy adopted by management and the Board of Trustees;
- Review the adequacy and reliability of the financial information provided by Management, to the Board of Trustees and other users thereof;
- Review any accounting and auditing concerns identified as a result of internal and external audits;
- Review the NEF's compliance with legal and regulatory provisions.

The Audit Committee 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 and has reported quarterly in this regard to the Board of Trustees.

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 coverage plan were properly managed and controlled. This finding provided assurance that the risk areas included in the internal audit plan were being managed and controlled through an adequate framework of internal control, which is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed, but also that improvements are needed in certain key control areas.

In our opinion, based on discussions with Management and the Internal and External Auditors, the audit findings reported in the current year are a fair representation of the internal control environment at the NEF and have been 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 tracking register.

A separate 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.

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Following the resignation of the Internal Audit Manager in October 2010, the Internal Audit Function was again fully outsourced to the internal audit firm for the remainder of the financial year from a co-sourced model under the direction of the Internal Audit Manager. We are satisfied that this process provided adequate coverage for the entire year in that the internal audit plan was still able to be adhered to. A new appointment to the role of Internal Audit Manager is to be effective from 18 July 2011 at which time the co-sourced model will be followed again but with a new internal audit firm following the conclusion of the term of the appointed internal audit firm and the conclusion of the tender process.

Management of the Financial Function

The financial function at the NEF is adequately staffed by suitably experienced and qualified personnel. Further, senior staff and management of the financial function under the executive management of the Chief Financial Officer (who is also an executive trustee), demonstrate ability to appropriately lead the finance portfolio. Following the recruitment of additional staff into the finance function, further depth into the senior staff and management levels in the department has been created. This will continue to be monitored by the Audit Committee.

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 extracted out of the organisations Enterprise Resource Planning system. The performance information is now subject to quarterly internal audit review. The Audit Committee is satisfied with the content and quality of quarterly management reports prepared and issued by Management and the Board of Trustees.

Evaluation of Annual Financial Statements

The Audit Committee has:

- Reviewed and discussed with the External Auditors and Management the audited annual financial statements 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;
- Reviewed significant adjustments resulting from the audit; and
- Reviewed and was satisfied with the independence of the external auditor.

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 Rakesh Garach
Chairperson of the Audit Committee

"The massive dual economic opportunity for South Africa is our nation's industrial backlog, and the undeveloped South African and African markets."

- Mr Ronnie Ntuli
Chairman of the Board
of Trustees (NEF)

Mr Kugan Thaver
Chairperson of the Portfolio
and Risk Management Committee

REPORT OF THE PORTFOLIO AND RISK MANAGEMENT COMMITTEE

Market Overview

The 2011 World Economic Forum Global Risk Survey identified economic disparity as one of the most important risks of the coming decade. The report identified wealth and conomic disparity both within countries and between countries could threaten social and political stability and threaten economic stability.

The South African Government, in response to these challenges, has put job creation, provision of education and health and infrastructure development highest in their agenda through its new growth path. The 2010/2011 financial year was a year of recovery for the South African economy which saw consumer spending, production and demand for credit improve following a series of interest rate adjustments by the South African Reserve Bank since 2008 and the easing global economic climates. Despite the positive growth, unemployment has remained the biggest challenge in South Africa in comparison with other emerging economies sitting at 25% following the huge job losses during the recessionary period.

The recent financial crisis and financial instability in the Eurozone countries has also led to Banks being cautious with their lending practices. The National Empowerment Fund (NEF) and other Development Finance Institutions (DFIs) have a great task and a responsibility to implement the government's strategies contained in the New Growth Path, in particular, job creation through provision of financial and non-financial support to Small and Medium Enterprises (SMEs).

Risk Management

As a Development Finance institution, the NEF's mandate requires it to operate in a much riskier segment of the market, it is critical that the NEF has a clear and focussed approach to Risk Management. The NEF has, as a result chosen to use an Enterprise-Wide Risk Management (ERM) approach vs. a silo approach to Risk Management. ERM 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 unit and the enterprise as a whole.

Board Portfolio and Risk Management Committee

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

The RMC oversees all credit, market, treasury and operational risk management activities, as well as co-ordinating corporate oversight units. The RMC is constituted by the Executive Management of the NEF to ensure that management takes ownership of the risks of the organisation. In addition the Board of Trustees is well represented by four non-executive trustees who were members for the year ending March 2011. The committee is chaired by a non-executive trustee and the Audit Committee is represented by it's chairperson and another member of the Audit Committee.

The committee focussed on the following areas during the period under review:

- Reviews procedures for identifying and managing risks
- Reviewed governance process within the organisation
- Implementation of a credit risk assessment process
- Review of the Treasury management process
- Dealing with compliance matters
- Review of Risk management committee charter
- Portfolio reporting
- Review of management reporting (only at April 2010 meeting, transferred to Audit Committee thereafter)
- Fraud matters (only at April 2010 meeting, transferred to Audit Committee thereafter)

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)
- Standards for risk management at the NEF.

Risk Management Awareness

Risk management awareness sessions are continuously held with management and staff to inculcate a risk management culture at the NEF via the divisional risk assessment workshops.

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. Fraud awareness sessions are also held with staff.

Disaster Recovery Plan

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

Delegation of Authority Framework

An approved Delegation of Authority framework is in place.

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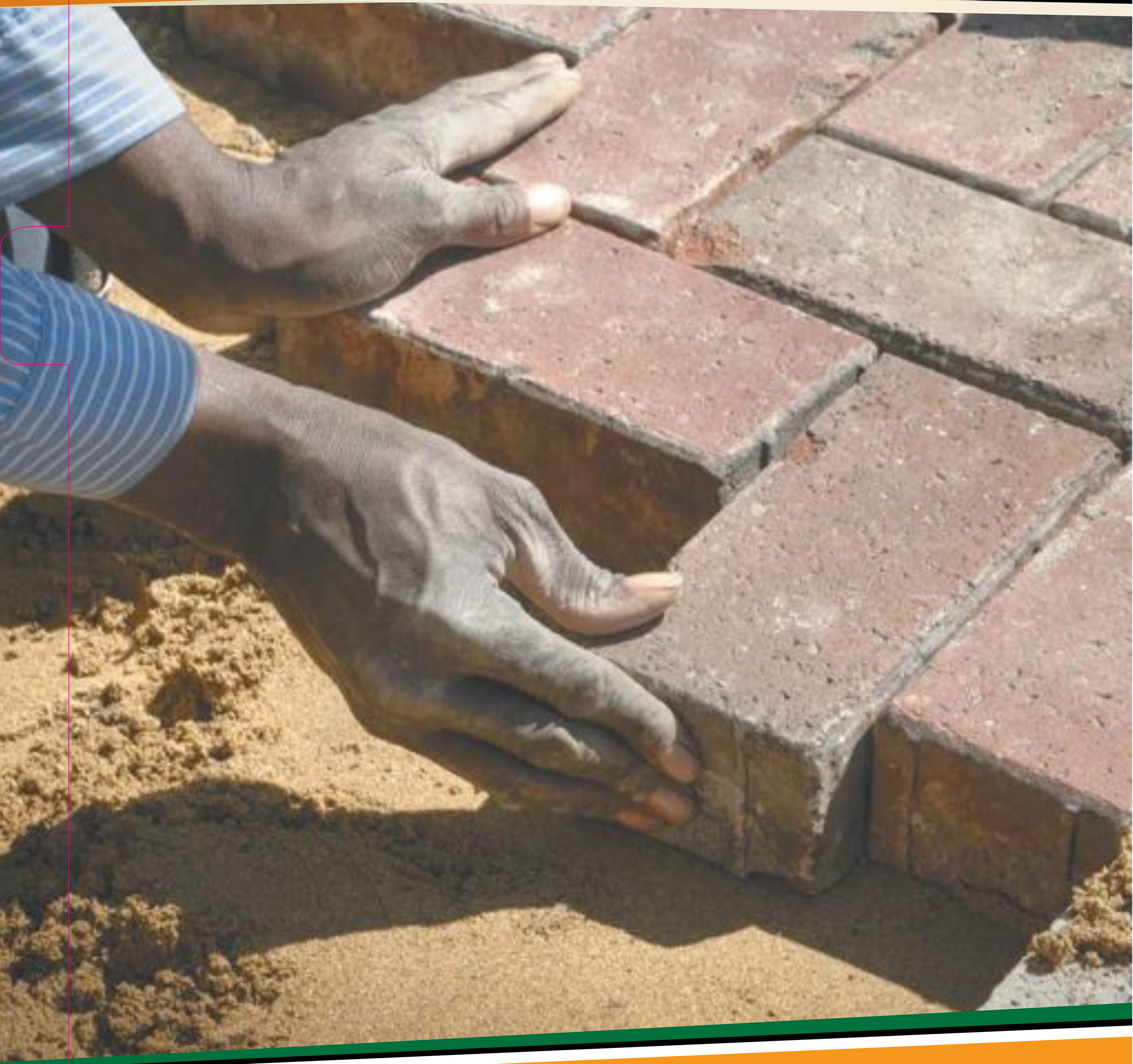

Risk Assessment

Risk assessments have been completed for all divisions within the NEF and key strategic risks have been identified. Risk registers are updated on a quarterly basis in terms of any changes and progress made on actions identified. Updated risk registers are submitted to the RMC on a quarterly basis and annually to the Board. The risk reporting process to the board is currently being re-examined. The committee also requested a review of risks within new areas/initiatives within the NEF i.e. Strategic Projects Fund and implementation of the SME strategy.

Risk Appetite

External specialists were previously engaged to assist with determining the Risk appetite of the NEF. The results of the Risk appetite exercise were used to calculate the Risk Bearing Capacity (RBC) of the NEF. The RBC was 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".

The RBC calculation was updated during the current year. The RBC helps determine the level of risk the NEF is willing to accept without impacting on the NEF's future sustainability. In addition various scenario planning stress testing have been done on the NEF Balance sheet.

Investment Portfolio

Risk management of the invested portfolio is a key focus of the RMC. To this extent it has closely considered the risk management initiatives put in place by management on the current investment portfolio. A post-investment unit is in place to closely monitor the portfolio. The post-investment division reports to the RMC on status of the portfolio, exposure per industry, risk rating per client and an update on the top 20 exposures and action taken by management to manage these exposures.

Credit Risk Assessment Process

The committee approved the appointment of a Credit Risk Manager and the implementation of a credit risk assessment process. The credit risk assessment process requires deals submitted for approval to be reviewed by the Credit Risk Manager and a brief report highlighting risks and mitigation measures, lessons learned etc. to be prepared by the Credit Risk Manager. In addition the background checking process is also done be the Credit Risk Manager, independent of the Fund Management Division.

Compliance with Laws and Regulation

A compliance framework has been approved and is in the process of being implemented. A compliance register has been prepared and is currently being monitored to ensure that all relevant legislation is adhered to.

Policies

The following policies/frameworks were approved by the RMC:

- Whistle blowing policy
- Anti-money laundering policy and Anti-money laundering rules
- Complaints procedure
- Funding of Politically Connected Persons
- Compliance framework
- Treasury management policy
- EFT policy
- PAIA (Promotion of access to information act)

The Committee was able to meet four times during the year under review.

The attendance of members at meetings for the period under review was as follows:

Member	21.04.10	26.07.10	04.11.10	16.03.11
Kugan Thaver	√	√	√	√
Philisiwe Buthelezi	√	√	√	√
Rakesh Garach	√	√	√	√
Avril Halstead	√	√	√	Apology
Zukiswa Ntlangula	√	√	√	√

Mr Kugan Thaver
Chairperson of the Finance and Risk Management Committee

Ms Avril Halstead
Chairperson of the Human Capital and Remuneration Committee

REPORT OF THE HUMAN CAPITAL AND REMUNERATION COMMITTEE

The Human Capital and Remuneration Committee ("HCRC") is a sub-committee of the Board of Trustees. The HCRC has responsibility for overseeing and monitoring 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. In addition, it is required to review and oversee compliance with the human capital policies, procedures and structures that regulate the relationship between the National Empowerment Fund (NEF) as the employer and its staff. These responsibilities are outlined in the committee's Charter as approved by the Board of Trustees and in accordance with the NEF's Delegation of Authority.

The members of the committee are appointed by the Board on recommendation by the Committee. During the course of the year, two new, external members were appointed to the committee. The external representatives bring a broad range of expertise and experience in human resources and other related fields, which assist the two Board members that sit on the HCRC to more effectively carry out their duties.

Successes and highlights

The NEF has sought to remunerate employees in line with market norms. Rewards are directly linked to performance and the achievement of stretch targets. Each year, the HCRC carefully reviews, for all members of the NEF staff, management's proposals in terms of salary adjustments and bonus allocations. An average increase of 11.9% and a total bonus pay out of 38% was recommended by the HCRC and approved by the Board. This was in recognition of the continued excellent work of the NEF staff in building the NEF into a well-respected public institution able to successfully deliver on its mandate of empowering black people in South Africa.

Over the last few years, the NEF has accelerated the approval and disbursement of deals which has required a corresponding increase in the staff complement. The committee oversaw the attraction and recruitment of new staff members. The NEF continues to be a leader in terms of the alignment of its staff composition to the country's demographics and, in fact, saw improvements in terms of both race and gender composition.

The Committee was also involved in the organisational restructuring required to accommodate the organisational growth, elimination of duplication of activities and enhancement of compliance and segregation of duties. It was particularly pleasing to see the new executive roles that were created through the organisational restructuring being filled from within the NEF, demonstrating the success of the NEF's commitment to growing and developing its high calibre staff. The NEF continued to build the core competencies and skills required to successfully fulfil its unique mandate through supporting employees to complete academic qualifications, as well as enhance their technical knowledge and strengthen their leadership capacity through attending a variety of training programmes.

The success of the retention strategies that had been put in place in previous years was evidenced in the low turnover of staff In addition to providing opportunities for growth and career development within the NEF, the Long Term Incentive Scheme that was introduced three years ago with the objective of retaining critical senior staff members has created the stability at the NEF that enabled its growth and successes. Long service awards, where employees who have served five years and more at the NEF were rewarded for their service were also introduced during 2010/11.

The NEF partners with KAELO as part of the Employees Assistance programme which provides support to employees and their immediate family members. Through KAELO, employees have access 24/7 to private and confidential support and counselling.

During the course of the year 14 policies were reviewed and approved. Furthermore, the HCRC oversaw the strengthening of the human resources management processes.

Membership and Attendance

The membership of the HCRC is as follows:

- *Ms Avril Halstead (Chairperson and Trustee)*
- *Adv Mike Marcus (Member)*
- *Ms Angie Makwetla (Trustee)*
- *Ms Busisiwe Dlamini (Member)*
- *Ms Sonja Stojanovic (Member)*

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

Member	19.04.10	20.07.10	16.09.10	17.11.10	19.01.11
Avril Halstead	√	√	√	√	√
Ms Angie Makwetla	√	√	√	√	√
Adv. Mike Marcus	√	√	√	√	√
Busisiwe Dlamini*	-	-	-	-	√
Sonja Stojanovic*	-	-	-	-	√

* appointed on 26 November 2010

AHalstead.

Ms Avril Halstead
Chairperson of the Human Capital and Remuneration Committee

REPORT OF THE PROCUREMENT COMMITTEE

The Procurement Committee (PC) is a sub-committee of the Executive Committee – Operations. The PC is established in terms of the NEF Supply Chain Management Policy to monitor and evaluate the NEF procurement activities and public tender processes so as to ensure that they comply with the NEF Supply Chain Management Policy and Supply Chain Management Regulations of the National Treasury.

The membership of the PC is made up of management representation as follows by appointment of the Chief Executive Officer:

Mr Andrew Wright	- Chairperson (CFO)
Ms Hlengiwe Makhathini	- Deputy Chairperson (Divisional Executive: Venture Capital and Corporate Finance)
Mr Nhlanhla Nyembe	- Member (iMbewu Fund Manager)
Mr Mziwabantu Dayimani	- Member (General Counsel)
Ms Fatima Ebrahim	- Member (Projects Manager)
Mr Selvan Naicker	- Member (Finance Manager)
Mr Moemise Motsepe	- Member (Marketing and Communications Manager)
Ms Prabashnee Pillay	- Member (Human Resources Manager)
Ms Kedibone Mboweni	- Secretary (Head of Supply Chain Management)

The committee met 10 times over the financial year to 31 March 2011.

Over and above procurement process compliance monitoring, the PC heard submissions for six public tenders (Request for Proposals - RFP), 12 requests for quotations (RFQ) and five procurement process submissions which it evaluated against the process set out in the NEF Supply Chain Management Policy, the National Treasury Supply Chain Management Regulations and Preferential Procurement Policy Framework Act and the relevant practice notes.

Table 1: Number of Public Tenders issued and considered

REQUEST FOR PROPOSAL (RFP)

Tender	Tender Number
1. Least Cost Routing	RFP NEF: 01/2010
2. Security Services	RFP NEF: 02/2010
3. Development Communications Specialist	RFP NEF: 03/2010
4. Virtual Office Space	RFP NEF: 04/2010
5. External Audit	RFP NEF: 05/2010
6. Financial Advisory Services	RFP NEF: 06/2010

REQUEST FOR INFORMATION (RFI)

Description	RFI No. Number
1. Catering Services	RFI 01/2010
2. Business Turnaround Team	RFI 02/2010

REQUEST FOR QUOTATION (RFQ)

Description	RFQ No. Number
1. Travel Management	RFQ 01/2010
2. Canteen Services	RFQ 02/2010
3. 2010 Annual Report	RFQ 03/2010

The NEF, by virtue of its mandate to support and promote enterprises owned and managed by black people, focuses its efforts to identify and procure from businesses that have high levels of black ownership and whose owners are operationally involved in the management of the businesses. Further, the emphasis on developing black owned emerging businesses in targeted sectors as part of the NEF Supply Chain Management Policy is underpinned by specific targets set in this regard in the annual business plan of the Supply Chain Management Department, under the direction of the Head of Supply Chain Management.

The Procurement Committee is tasked with monitoring progress against Broad Based Black Economic Empowerment procurement targets and is especially pleased to report on the excellent results achieved where targets have been surpassed. Notwithstanding these results, the NEF is placing even more emphasis on supporting emerging black empowered businesses to enter additional sectors that have been identified for the need for transformation.

Table 2: Broad Based Black Economic Empowerment Procurement Targets and Results

	Below Level 4 Contribution	Below Level 4 Contribution	Level 4 Contribution and above	Level 4 Contribution and above
Target	-	-	65%	-
Value	25%	R 17 371 737	75%	R 53 660 210
Number	32%	136	68%	284

Of the entities measured above, the following black ownership levels can be reported as having been supported through procurement activities at the NEF:

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Table 3: BEE Ownership levels reported

BEE Status – Ownership		Number of suppliers	Percentage by number	Percentage by value	Amount
1.	75.1% - 100%	119	28%	22%	R 15 906 768
2.	50.1 – 75%	29	7%	9%	R 6 121 552
3.	25.1 – 50%	80	19%	32%	R 22 840 453
4.	0%-25%	192	46%	37%	R 26 163 174

It is also important to note that as part of the NEF SME development programme within the Supply Chain Management Department, 68% of the above businesses are businesses that report turnovers less that R35 million per annum as reported below:

Table 4: Black owned suppliers by size

	EME (Less R5 Million)	QSE (>R5 Million <R35 Million)	Large (Above 35 Million)
Number of suppliers	152	133	135
Value	R 14 588 151	R 19 061 856	R 36 381 940
Percentage by value	21%	27%	52%
Percentage by number	36%	32%	32%

Supply Chain Management practice has been maintained at the highest levels of good governance and the Procurement Committee is able to report that no procurement irregularities were identified in the financial year ending 31 March 2011.

Mr. Andrew Wright - CFO
Chairperson of the Procurement Committee

> **"The true test for entrepreneurial proficiency must be the ability to innovate, to conceptualise and create new enterprises that are commercially viable, and that contribute to the creation of new economic value for national development."**
>
> *- Mr Ronnie Ntuli*
> *Chairman of the Board of Trustees (NEF)*

REPORTS


OPEN

PROFILES OF THE BOARD OF TRUSTEES

Mr Ronnie Ntuli – Chairman of the Board

Mr Ntuli holds an LLB from University of Edinburgh and he is one of South Africa's leading entrepreneurs and proponents of economic transformation. He is founder and Chairman of Thelo Group, an independent investment company with interests in the aviation, infrastructure and resources sectors. He is also former Chief Executive of Incwala Resources, a R13.5 billion resources investment company focusing primarily in the Platinum Group Metals (PGMs) sector, preceding his role at Thelo Group, in partnership with one of Africa's largest banking groups.

Mr Ntuli founded Andisa Capital, a diversified financial services group with interests in private equity, stock-broking, capital markets, corporate finance and treasury solutions, where he was Chief Executive.

Mr Ntuli 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.

Mr Ntuli is a member of the Honorary International Investor Council (HIIC) for the President of the Federal Republic of Nigeria. The HIIC is a small body of leading international business-persons that advises the President and members of the Federal Government on how Nigeria can encourage further investment in the country. Mr Ntuli is a member of the board of directors of the Cairo-headquartered Africa Export-Import Bank, an international multilateral institution owned by African governments and international organisations. He is a former President of the Chamber of Commerce and Industry.

Ms Philisiwe Buthelezi – CEO

Ms Buthelezi holds an MBA (Corporate Finance), MSc (Economics: thesis not defended), and 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 provides 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 Chairman of Group Five and also serves on the Boards of Mvelaphanda Resources Limited, SANLAM Limited and SANLAM Life Insurance Limited.

Mr Rakesh Garach

Mr Garach is a qualified Chartered Accountant. He has previously served as a Chief Operating Officer for Deutsche Bank in South Africa as part of the BEE transaction completed with Utajiri Investment.

Mr Garach is one of the founding shareholders of Utajiri Investment established to participate as an equity leader in the Black Economic initiatives in the Financial Services Industry. He served as a partner within Assurance Services at Ernst & Young (Johannesburg). He was previously appointed to the Board of Peu Investment Group and was a Vice-President at Citibank, N.A (South Africa) when their operations were established.

Mr Garach gained enormous international experience while at Ernst & Young having worked at their offices in London and Amsterdam. He serves as a Board member for HOSKEN Consolidated Investment Ltd, KZN Growth Fund Managers and he chairs the Audit Risk Committee of HCI. He further serves on the Audit Committee of the Financial Sector Charter Council.

Mr Garach chairs the Audit Committee of the NEF and is a member of the Portfolio and Risk Management Committee.

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Ms Avril Halstead

Ms Halstead holds an MBA, MA, B.Comm Honours and Social Sciences degrees. She is a Chief Director with the National Treasury. In this position she led the design and implementation of financial structures for recapitalising state owned enterprises. She has held strategic positions with the Nelson Mandela Foundation. Ms Halstead has also served as a consultant for McKinsey and Company and Kerzner International. At Old Mutual she was a Project Manager responsible for the BEE Investment Vehicle. She is also a Financial Risk Management Advisor at Wipcapital.

Ms Halstead is a member of the Portfolio and Risk Management Committee and Chairperson of the Human Capital and Remuneration Committee of the NEF.

Ms Nolitha Fakude

Ms Fakude holds a BA Honours (Psychology) and a Senior Executive Programme (SEP) from Harvard Business School. She is an executive director responsible for world wide Human Resources, Corporate Affairs and global Government Relations at Sasol Limited. Prior to joining Sasol, She was a Group Executive at Nedbank limited responsible for Corporate Affairs, Strategy and Transformation. She has served as a managing director of the Black Management Forum (BMF), as well as its national president.

Ms Fakude has extensive experience in retail, having held various positions, including that of Group Human Resources and Head Corporate Affairs at Woolworths. Ms Fakude has served on various boards, including Harmony Gold Mines, Woolworths Holdings and BMF Investment Company.

Ms Fakude is a patron for WHEAT (Women's Hope: Education and Education Trust). She currently serves on the Sasol Limited board, Sasol Mining, Sasol Synfuels, Sasol OIL as well as Sasol Solvents boards. Among some of her honorary accolades are the 2004 Most Influential Businesswomen by Financial Mail, Impala Platinum Young Entrepreneur Award, National Honour by the Golden Key Society and University of Johannesburg.

Ms Angelina Matlhodi Makwetla

Ms Makwetla holds a BA (Social Work) degree from the University of the North, a Management Certificate from Arthur D Little Management School in Cambridge, Massachusetts, and an SMME Management Certificate from Galilee College in Israel. She has extensive business experience by working for the Randfontein Town Council, Market Research Africa and IBM. Ms Makwetla then ventured into entrepreneurship at a computer training centre and at Makwetla and Associates, a company specialising in Public Relations, events management, community development, sponsorship procurement and disability equity management.

Ms Makwetla was recently appointed as chairperson of the National Arts Council by the Minister of Arts and Culture. She is currently a member of Thusanang Women's Club (Soweto). She has served on various boards which include Trans Caledon Tunnel Authority (TCTA) as a director and the Business Women's Association (BWA), former Trustee of the Market Theatre Foundation, founder and current president of the Concerned Professional Women's Forum (CPWF), past vice chairperson of the Human Rights Commission Trust, past court member for the Gauteng Consumer Affairs Court, a past board member for NAFHOLD, the investment arm of NAFCOC.

She has received various awards and recognition, including Shoprite/Checkers Woman of the Year Award (Media and Communications category), Visionary Leadership Award by the Soweto branch of the BWA, and Top emerging SMME Empowerment Company by Impumelelo Top Companies, a recognition endorsed by **the dti**.

Ms Makwetla is a member of the Human Capital and Remuneration Committee of the NEF.

Ms Jacquelilne Mabohlale Molisane

Ms Molisane holds a BA Honours in Economics and currently holds the position of Financial Analyst with the Department of Public Enterprises (DPE). She performs in-depth financial and commercial analysis on the State Owned Enterprises (SOE) such as Eskom, PBMR and Broadband Infraco.

As a Financial Analyst, Ms Molisane focuses providing strategic advice on SOE performance; assessing SOE transactions such as acquisitions, mergers and disposals and securing the necessary funds for the SOE. She formed an integral part of the team tasked with securing funding from the World Bank and the African Development Bank.

Ms Molisane has more than eight years of experience in the Financial Markets specialising in Equities.

As a qualified Equities Dealer, she traded across all sectors of the JSE (Johannesburg Stock Exchange) at local and international investment banks. She worked as a portfolio manager at Investec Securities private clients division where she managed investments of high networth individuals providing equity trading, non-discretionary investment advice, asset selection and allocation and portfolio modeling and management. She then moved on to HSBC Bank and assumed a role as an Institutional Equity Trader executing and managing equity orders for the biggest asset managers both locally and internationally.

In 2004 Ms Molisane moved to Deutsche Bank where she was a Senior Associate and worked with asset managers and hedge funds as an Equity Sales Trader. She has worked as an investment consultant at a Venture Capital Fund where she was responsible for deal structuring, negotiation and implementation.

Ms Molisane is a member of the Board Investment Committee of the NEF.

Ms Nomalanga Tsatsi Mosala

Ms Mosala is an accomplished business woman with strong economic development orientation. A human resources practitioner who has been an advisor in BEE transactions, development and policy reviews, including the BBBEE Forestry Charter development and privatisation of SiyaQhubeka (SQF), category A State forests. She was appointed trustee by IDC to manage an incubator fund that supported contractors in SQF. She was Deputy Chair: National Forestry Advisory Council (NFAC) 2006-2009 and she is currently Exco member of NFAC and Chairperson of Committee for Sustainable Forestry Management 2010-2013. She is founder and Chairperson of Nomalanga Estate a mixed farming operation. Ms Mosala has two awards conferred to her by Department of Agriculture and Environmental Affairs KZN in 2009 and 2010. Her passion for rural development and women empowerment is evident in her work.

Ms Mosala is a member of the Board Investment Committee of the NEF.

Mr Allon Raiz

Mr Raiz is the founder and CEO of Raizcorp, the only privately-held, unfunded, profitable business incubator on the African continent, supporting in excess of 200 businesses. Mr Raiz is the author of "Lose the Business Plan - What they don't teach you about being an entrepreneur.

He has also hosted a radio show and written and hosted a primetime reality TV show, both in the field of entrepreneurship. Mr Raiz is the co-founder of Entrepreneurs' Organisation South Africa and Rural Roots and sits on the advisory and judging boards of numerous local and international NGOs and Entrepreneurial Awards Mr Raiz's passion and focus on the development of entrepreneurs attracted the attention of the World Economic Forum which, on 11 March 2008, awarded Mr Raiz as a Young Global Leader. In addition to working towards a Doctorate in Entrepreneurial Studies and Innovation, Mr Raiz is an accomplished international speaker who, in 2011, was invited to speak at the World Economic Forum (WEF) Annual meeting, held in Davos, Switzerland.

In 2011, Mr Raiz was invited to become a member of the WEF's Global Agenda Council on Fostering Entrepreneurship, making him one of the 15 global experts in this field.

Mr Raiz is a member of the Board Investment Committee of the NEF.

Mr Thabiso Tlelai

Mr Tlelai's business experience spans over 20 years.

He has owned different types of businesses that include restaurants, cinemas, computer companies and hotels. He is CEO of The Don Group, a JSE listed hotel group and co-founded an investment group called Amabubesi Investments. Mr Tlelai has never been employed. In all his endeavours he has either started companies from scratch or bought controlling interest in already existing ones.

Without being exhaustive the following areas of business involvement summarises Mr Tlelai's profile:

History

- South African Tourism (SAT) – Board Member (from 2003 to 2006)
- South African Tourism – Chairman of the Audit and Risk Committee
- Tourism Business Council of South Africa – Chairman of the Board (from 2005 to 2009)
- South African Grading Council – Founding Member of the Council established by Act of Parliament
- Former member of MATCH Advisory Council (FIFA) – the Ministerial appointed Advisory Council to FIFA
- Free State Tourism – Founder Board Member
- Chairman of the Free State Premier Economic Council
- Lectured at the Richard Branson Institute of Entrepreneurs (2008)

Currently

- Director and founding member of Amabubesi Investments (Pty) Ltd, an Investment Banking Group

- Don Group – Chief Executive Officer and controlling shareholder of the JSE listed Hotel Group
- Basil Read Group – a Shareholder and Board Member of a SE listed Construction Company

Awards

- BBQ Award
- Financial Mail Empowerdex Award
- Bloemfonteiner of the Year Runner up (2002)
- Free State Businessman of the Year
- SATSA Award
- Premier Excellence Award (Free State Premier Excellence Award - 2008)

Mr Tlelai is Chairman of the Board Investment Committee of the NEF.

Mr Kugan H Thaver

Mr Thaver is a qualified Chartered Accountant, holds a Bachelor of Accounting Science Honours with CTA from the University of South Africa. He is currently employed by the Industrial Development Corporation (South Africa) as a Business Unit Head of Strategic High Impact Projects SBU.

He has previously served as Senior Account Manager Mining, Empowerment. Among the major empowerment transaction for which he was a leader is Incwala, Aquarius, Goldfields, Paragon, Don Group, ERPM. Other internal responsibilities that he is charged with at the IDC are, member of the Internal Systems and Procedures Committee and Director of Incwala Resources and Tinga Game Reserve.

Mr Thaver was a member of the Board Investment Committee and Chairman of the Portfolio and Risk Management Committee of the NEF for the year under review.

Mr Andrew Wright - CFO

Mr Wright holds a B.Compt (UNISA) and completed articles in auditing and accounting with BDO Spencer Steward in Parktown , Johannesburg in 1995. He is admitted as a fellow of the Association of Chartered Certified Accountants in the UK and the Institute of Chartered Secretaries Southern Africa and is also a member of the Texas Society of Certified Public Accountants in the United States.

His career experience includes investment banking, private equity and venture capital fund management as well as development finance in the public sector. He joined the National Empowerment Fund in 2004 and 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 organization. He returned to the portfolio of Chief Financial Officer in 2008 whilst retaining certain elements of the previous chief operating officer portfolio.

Ms Zukiswa Ntlangula

Ms Ntlangula holds a B.Juris, LLB, Masters Diploma in Human Resources and a Certificate in Project Management. She is the founder and Director of Ntlangula Inc, a property, commercial and corporate law firm based in Rivonia. She has been in practice as an attorney since 1995, offering legal advice to banks, development corporations and private business entities.

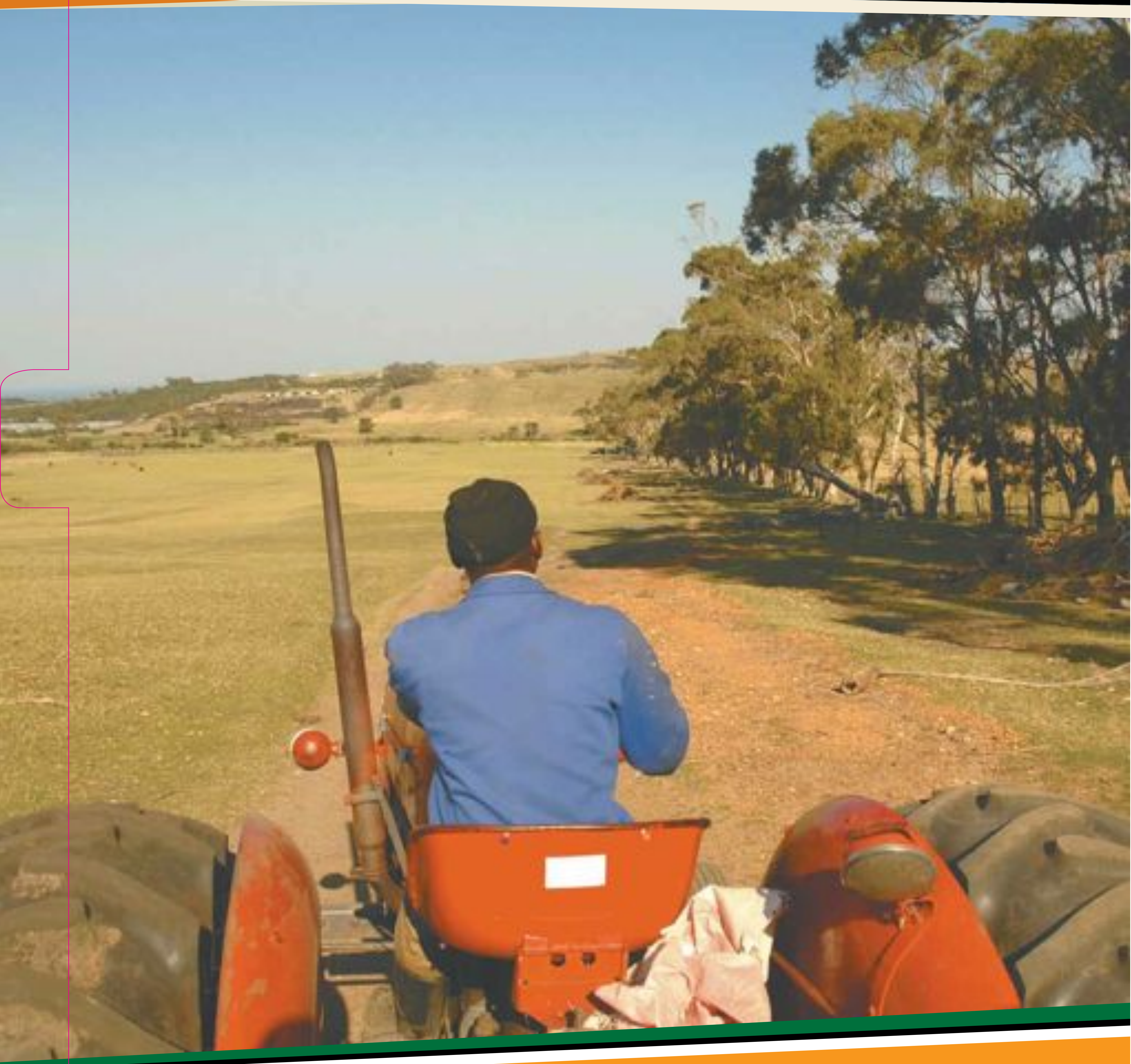
She has served in strategic positions at Bowman Gilfillan Inc, Delloitte Consulting SA as a Change Management Specialist, and Thebe Investment Corporation as Group Company Secretary, where she was instrumental in facilitating the implementation of some of the King II recommendations on corporate governance. She currently serves as a National Secretary and the Chairperson – Gauteng Region of the Black Conveyancers Association (BCA). She is a member of the Audit Committee and the Chairperson of the Portfolio and Risk Management Committee of the NEF.

Ms Ntlangula is a member of the Audit Committee and the Portfolio and Risk Management Committee of the NEF.

“Economic inequity will never result in a stable country. BB-BEE is a business imperative that will ensure that the country remains stable while growing.”

- Nomthandazo Maseko, Pre-Investment

PROFILES



PROFILES OF THE EXECUTIVE COMMITTEE

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 Chairman of Group Five and also serves on the Boards of Mvelaphanda Resources and Afripalm Resources.

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

Mr Wright's career experience includes investment banking, private equity and venture capital fund management as well as development finance in the public sector. He joined the National Empowerment Fund in 2004 to assist in the roll out 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 Wright was appointed to the Board of Trustees in December 2009.

Mr Setlakalane Alfred Molepo
Divisional Executive: SME and Rural Development
National Diploma in Civil Engineering, BSc Civil Engineering, Certificate in Financial Management, MBL

Mr Molepo graduated at the University of the Witwatersrand and served his articles of apprenticeship as a Civil Engineer with Lillicrap Crutchfield (Pty) Ltd, Ellmer Partnership (Pty) Ltd and BKS Inc, and acted as a Project Engineer and Design Engineer on commercial buildings, warehouses, bridges, etc in the structural engineering discipline. He later joined the Industrial Development Corporation as a Manager in their property investment department. In 2000 he got involved in the compilation of the procedures and internal control systems for the whole of the sectors division. He then joined the Metal Based Products and Entrepreneurial Mining and Jewellery Business Units as an Account Manager and Senior Account Manager respectively. In April 2005 Mr Molepo was promoted to Head of Risk Capital Facility Business Unit, which manages off-balance sheet funds on behalf of **the dti**. He then became head of the Metal, Transport and Machinery Products SBU, which manages on-balance sheet funds. At the culmination of his career, Setlakalane was appointed the Managing Director of Khula Enterprise Finance Ltd, a state-owned development finance institution (DFI) established in 1996 to facilitate access to finance for small and medium enterprises (SMEs).

Mr Molepo is currently the Divisional Executive of the SME and Rural Development Division at the National Empowerment Fund since November 2010. Before his appointment as the Divisional Executive, he performed the role of Chief Investment Office in an acting position for 5 months until the introduction of the new organisational structure, which was implemented in April 2011. Mr Molepo is a member of the South African Institution of Civil Engineering (SAICE), Engineering Council of South Africa (ECSA) and is a registered Professional Engineer with ECSA.

Ms Barbara Lebogang Lombard

Corporate Services Executive

Ms Lombard was born and brought up in Soweto-Johannesburg. Barbara started her career as a Nursing Sister and then proceeded to Study Industrial Relations-Wits Business School, Telecommunications Network Engineering- Matthew Bolton (UK) and Executive Development Programme –New York.

Ms Lombard has been an HR Practitioner for the last 20 years, having had the opportunity to work as an Industrial Relations Officer, Resourcing Specialist, HR Development Specialist, Talent Management and HR Generalist. In 2001 Ms Lombard moved out of HR, to manage a division of Technical/Engineering Specialists looking after some of the top 100 Companies Network Services.

Ms Lombard has had a good exposure working for global companies, within SA and outside of SA, including Alexander Forbes, JP Morgan, Telkom SA, British Telkom, De Beers Consolidated Mines, Barclays Bank and Standard Chartered Bank. She is also a Non-Executive director for the Johannesburg Theatre.

Ms Hlengiwe Makhathini

Divisional Executive: Venture Capital and Corporate Finance

B.Com (Hons) CA (SA)

Ms Makhathini holds a B Com Honours and B Com in Accounting (University of KwaZulu Natal, Howard College Campus) and is a qualified Chartered Accountant of South Africa (admitted in 2005) after passing both qualifying examinations on first attempt. Ms Makhathini did her articles through the TOPP programme of Investec Bank Limited after graduating.

Ms Makhathini worked in various division of the bank as part of her training but spent most time in Internal Audit, Finance and Treasury. After completing her articles Ms Makhathini joined Standard Bank Retail Division as a management accountant for the Business Operations Division. Ms Makhathini is currently a Divisional Executive: Venture Capital and Corporate Finance at the National Empowerment Fund, a position she was appointed to on 01 April 2011. Ms Makhathini joined the National Empowerment Fund in October 2005 to work as an Investment Associate where she was involved in funding various black businesses and entrepreneurs. In 2006 Ms Makhathini was appointed to head the Pre-Investment Department which was a new department. She ran this department successfully and in 2009 she was appointed to Head the Umnotho Fund which currently has a portfolio of over R1 billion. Ms Makhathini is a director of Air Traffic and Navigation Services – appointed by Cabinet in 2008 and also chairs the Audit and Risk Committee of the same company, and Ladvest Investments (Pty) Ltd – an investment company where she is a shareholder with a group of young professional women with vast experience from various sectors.

> **“Considerable credit and gratitude also goes to the Board of Trustees, and the Executives of the NEF, who are my associates in the implementation of the mandate to grow black participation in the economy.”**
>
> *- Ms Philisiwe Buthelezi*
> *Chief Executive Officer*

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ANNUAL FINANCIAL STATEMENTS

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"We need to identify where the current bottlenecks are in implementation, and implement BB-BEE in such a manner that it becomes genuinely broad-based and promotes the ownership and control of productive assets by black people, women and youth."

- President Jacob Zuma
(Confederation: Black Business Organisation)
11 March 2010

Trustees' Responsibility and Approval

The Trustees are responsible for the preparation, integrity and fair presentations of the report on performance information and the annual financial statements of the Trust.

The financial statements presented on page 74 to 106 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 going concern basis has been adopted in preparing the financial statements. 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 report on performance information and the annual financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Executive, Trustees and Committees of the Board. The Trustees believe that all representations made to the independent auditors are valid and appropriate.

The annual financial statements set out on pages 74 to 106, which have been prepared on the going concern basis, were approved by the Board of Trustees on 29 July 2011 and were signed on its behalf by:

Ms Philisiwe Buthelezi
Chief Executive Officer
Date: 29 July 2011

Mr Andrew Wright
Chief Financial Officer
Date: 29 July 2011

INDEPENDENT AUDIT REPORT TO THE TRUSTEES OF THE NATIONAL EMPOWERMENT FUND TRUST

Introduction

We have audited the accompanying financial statements of the National Empowerment Fund Trust which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 74 to 106, and the trustees' report as set out on pages 19 to 39.

Trustees' responsibility for the financial statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Recognised Accounting Practices and the requirements of the Public Finance Management Act of South Africa, and the National Empowerment Fund Act, No 105 of 1998 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 management, 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, the financial statements present fairly, in all material respects, the financial position of the National Empowerment Fund Trust as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with South African Generally Recognised Accounting Practices (GRAP) and the requirements of the Public Finance Management Act of South Africa, and by the National Empowerment Fund Act, No 105 of 1998.

Report on other Legal and Regulatory Requirements

In terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, we include below our findings on the annual performance report as set out on pages 19 to 39 and material non-compliance with laws and regulations applicable to the Trust.

Pre-determined Objectives

No significant matters were identified during the audit of the reported performance on pre-determined objectives.

Compliance with Laws and Regulations

No significant matters that constitute non-compliance with laws and regulations were identified during the audit.

Internal Control

In terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, we considered internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. No significant deficiencies relating to internal controls were identified during the course of the audit.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: R Dhanlall
Registered Auditor
Johannesburg
29 July 2011

FINANCIALS

Statement of Financial Position as at 31 March 2011

Figures in Rand	Notes	2011	2010
Assets			
Non Current Assets			
Property and equipment	6	7 976 813	8 004 581
Intangible assets	7	4 153 031	5 278 347
Investments in associates	8	102 951 249	56 004 233
Originated loans and preference shares	9	1 007 783 723	875 573 158
Available for sale, carried at fair value through profit and loss and held for trade investments	13	1 490 224 567	1 183 394 962
Finance lease receivables	11	31 889 180	22 730 661
		2 644 978 563	**2 150 985 942**
Current Assets			
Available for sale, carried at fair value through profit and loss and held for trade investments	13	46 091 412	50 182 068
Trade and other receivables	15	42 234 616	10 741 053
Cash and cash equivalents	16	2 582 555 047	2 788 342 590
		2 670 881 075	**2 849 265 711**
Total Assets		**5 315 859 638**	**5 000 251 653**
Equity and Liabilities			
Equity			
Trust capital	17	2 468 431 472	2 468 431 472
Fair value reserves	18	1 297 193 378	1 050 380 873
Accumulated surplus		1 514 951 796	1 440 123 714
		5 280 576 646	**4 958 936 059**
Liabilities			
Current Liabilities			
Trade and other payables	20	35 282 992	41 315 594
Total Equity and Liabilities		**5 315 859 638**	**5 000 251 653**

Statement of Financial Performance for the year ended 31 March 2011

Figures in Rand	Notes	2011	2010
Revenue	4	**359 524 113**	**434 935 612**
Other income		**511 419**	**123 268 476**
Transfers received from **the dti** to fund operations		-	116 000 000
Sundry income	5	511 419	7 268 476
Administration expenses	22	(153 888 722)	(142 957 257)
Net operating expenditure		**(153 377 303)**	**(19 688 781)**
Finance income		**107 103 785**	**63 214 112**
Interest received from originated loans, finance leases and preference shares		116 609 024	106 594 032
Impairment of originated loans, finance leases and preference shares	12	(102 658 547)	(171 269 401)
Net income/(loss) from originated loans, finance leases and preference shares		13 950 477	(64 675 369)
Interest received on cash & cash equivalents		93 153 308	127 889 481
Loss from investments		**(26 921 292)**	**(25 965 632)**
Dividends received		1 738 889	5 534 746
Loss on disposal of investments		(600 976)	(22 173)
Impairment-investments available for sale		-	(24 110 652)
Fair value gains/(losses)	21	(28 059 205)	(7 367 553)
Investment in associates	8 and 21	11 943 695	10 227 431
Investments at fair value through profit and loss	13 and 21	(37 193 000)	(10 497 000)
Investments held for trade	13 and 21	(2 809 900)	(7 097 984)
Income from asset management		**148 022 892**	**181 405 578**
Dividends from allocated investments		73 662 118	1 422 222
Interest received on cash proceeds of share offers		74 360 774	77 495 131
Income on share offers		-	102 488 225
Fair Value of investment disposals	13	-	130 224 042
Less retail offer costs		-	(27 735 817)
Surplus for the year		**74 828 082**	**198 965 277**

FINANCIALS

Statement of Changes in Net Assets for the year ended 31 March 2011

Figures in Rand	Trust capital	Fair value reserve	Accumulated Surplus	Total Equity
Balance at 01 April 2009	**2 156 789 472**	**1 088 595 659**	**1 241 158 437**	**4 486 543 568**
Surplus for the year	-	-	198 965 277	198 965 277
Trust capital introduced	311 642 000	-	-	311 642 000
Fair value gains -investments available for sale	-	92 009 255	-	92 009 255
Fair value derecognition on disposal of MTN shares transferred to Statement of Financial Performance	-	(130 224 041)	-	(130 224 041)
Total changes	**311 642 000**	**(38 214 786)**	**198 965 277**	**472 392 491**
Balance at 01 April 2010	**2 468 431 472**	**1 050 380 873**	**1 440 123 714**	**4 958 936 059**
Surplus for the year	-	-	74 828 082	74 828 082
Fair value gains - investments available for sale	-	246 812 505	-	246 812 505
Total changes	**-**	**246 812 505**	**74 828 082**	**321 640 587**
Balance at 31 March 2011	**2 468 431 472**	**1 297 193 378**	**1 514 951 796**	**5 280 576 646**
Notes	17	18	19	-

Statement of Cash Flows for the year ended 31 March 2011

Figures in Rand	Notes	2011	2010
Cash flows from operating activities			
Cash receipts from originated loans and preference shares		130 903,271	-
Cash receipts from transfers and revenue		-	123 243 063
Cash paid to suppliers and employees		(153 382 973)	(125 852 354)
Cash used in operations	24	(22 479 702)	(2 609 291)
Net cash flow from operating activities		**(22 479 702)**	**(2 609 291)**
Cash flows from investing activities			
Purchase of property and equipment	6	(3 215 861)	(5 870 981)
Purchase of other intangible assets	7	(2 917 198)	(1 370 405)
Interest receipts on cash and cash equivalents		172 615 341	200 151 017
Investment disbursements		(377 175 141)	(423 494 622)
Dividends received		42 577 239	25 458 595
Repayment of originated loans and preference shares		-	88 600 564
Share offer cash expense		-	(11 235 739)
Proceeds from disposal of investments	25	699 933	2 883 318
Finance lease disbursements		(15 892 154)	-
Net cash flow from investing activities		**(183 307 841)**	**(124 878 253)**
Cash flows from financing activities			
Increase in trust capital	17	-	311 642 000
Total cash movement for the year		**(205 787 543)**	**184 154 456**
Cash at the beginning of the year		2 788 342 590	2 604 188 134
Total cash at end of the year	16	**2 582 555 047**	**2 788 342 590**

FINANCIALS

Notes to the Annual Financial Statements

1. Accounting Policies

1.1. Main business and operations

The National Empowerment Fund Trust is a South African government entity under the direction of **the dti**.The Trust was established through the National Empowerment Fund Act (Act 105 of 1998), to provide access to funding for black entrepreneurs and black empowered businesses through the Fund Management Division. In addition,the promotion of investments and savings activities is undertaken by designing and offering retail investment products through the Asset Management Division which are offered for subscription by black investors. The NEF also has a Strategic Projects Fund which provides funding for venture capital activities in the Industrial Policy Action Plan sectors.

1.2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies are consistent with those of the previous year.

1.3. Basis of preparation

The financial statements have been prepared on the historical cost basis, apart from certain financial instruments that are carried at fair value, in accordance with Standards of Generally Recognised Accounting Practices (GRAP), directive 5 and Standards of Generally Accepted Accounting Practice (GAAP).

The equivalent SA GAAP Statements would be as follows:

Standard

GRAP 1:	Presentation of Financial Statements	IAS1 (AC 101):	Presentation of Financial Statements
GRAP 2:	Cash Flow Statements	IAS 7 (AC 118):	Statement of Cash Flows
GRAP 3:	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8 (AC 103):	Accounting Policies,Changes in Accounting Estimates and Errors
GRAP 4:	The Effects of Changes in Foreign Exchange Rates	IAS 21 (AC112):	The Effects of Changes in Foreign Exchange Rates
GRAP 5:	Borrowing Costs	IAS 23 (AC114):	Borrowing Costs
GRAP 6:	Consolidated and Separate Financial Statements	IAS 27 (AC 132):	Consolidated and Separate Financial Statements
GRAP 7:	Investments in Associates	IAS 28 (AC 110):	Investments in Associates
GRAP 8:	Investments in Joint Ventures	IAS 31 (AC 119):	Interests in Joint Ventures
GRAP 9:	Revenue from Exchange Transactions	IAS 18 (AC 111):	Revenue
GRAP 10:	Financial Reporting in Hyperinflationary Economies	IAS 29 (AC 124):	Financial Reporting in Hyperinflationary Economies
GRAP 11:	Construction Contracts	IAS 11 (AC 109):	Construction Contracts
GRAP 12:	Inventories	IAS 2 (AC 108):	Inventories
GRAP 13:	Leases	IAS 17 (AC 105):	Leases
GRAP 14:	Events After the Reporting Date	IAS 10 (AC 107):	Events after the Reporting Period
GRAP 16:	Investment Property	IAS 40 (AC 135):	Investment Property
GRAP 17:	Property, Plant and Equipment	IAS 16 (AC 123):	Property, Plant and Equipment
GRAP 19:	Provisions, Contingent Liabilities and Contingent Assets	IAS 37 (AC 130):	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100:	Non current Assets Held for Sale and Discontinued Operations	IFRS5 (AC 142):	Non current Assets Held for Sale and Discontinued Operations
GRAP 101:	Agriculture	IAS 41 (AC 137):	Agriculture
GRAP 102:	Intangible Assets	IAS 38 (AC 129):	Intangible Assets

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. Where a GRAP standard has not been released then the appropriate GAAP statement is applied. The application of GRAP versus GAAP is also considered in line with the current pending application to have the Trust re classified from a PFMA Schedule 3A entity in which case GRAP would no longer apply. The implementation of GRAP has resulted in the following significant changes in the presentation of the financial statements:

Accounting Policies

1. Terminology differences:

Standard of GRAP	Replaced Statement of GAAP
Statement of Financial Performance	Statement of Comprehensive Income
Cash Flow Statement	Statement of Cash Flows
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

2. The Cash Flow Statement is prepared in accordance with the direct method in terms of GRAP 2

1.4. Consolidation

Investments in associates

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

GRAP 7 exempts venture capital organisations from equity accounting investments in associates, if they upon initial recognition, decide to designate the investment at fair value through profit and loss. As a venture capital organisation, the Trust has elected to apply this exemption and accordingly all such investments are not equity accounted but designated as investments at fair value through profit and loss in terms of IAS39 (AC 133).

Interests in joint ventures

GRAP 8 exempts venture capital organisations from equity accounting investments in joint ventures, if they upon initial recognition, decide to designate the investment at fair value through profit and loss. As a venture capital organisation, the Trust has elected to apply this exemption and accordingly all such investments are not equity accounted but designated as investments at fair value through profit and loss in terms of IAS39 (AC 133).

1.5. Revenue recognition

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

Revenue is comprised of dividends received, interest received and Parliament voted transfers.

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

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

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

1.6. Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. 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 reduce the cost of assets to their residual values over their estimated useful lives as follows:

Item	Rate
Furniture and fittings	16.67%
Motor vehicles	25%
Office equipment	20% - 40%
Leasehold improvements	20%
Audio Visual equipment and IT equipment	33.33%
Paintings	2%

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

Assets under R2,000 are written off on purchase.

An asset's carrying amount is written down to its recoverable amount if the asset's 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 statement of financial performance, under the administrative expenses' line.

1.7. Intangible assets

Acquired computer software is capitalised on the basis of cost incurred to acquire and bring to use the specific software purchased in order to distinguish from any internally generated assets which are not capitalised and is amortised on a straight line basis over the expected useful lives of the assets, usually 3 to 5 years. Intangible assets with an indefinite useful life are not amortised. The useful lives 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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Item	Rate
Computer software	33.30%

1.8. Cash and cash equivalents

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

1.9. Financial assets

Recognition and derecognition

Regular way 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 including transaction costs, except financial assets at fair value through profit and loss that are initially recognised at fair value with transaction costs being expensed on date of recognition. 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.

Classification

The Trust classifies financial assets in the following categories: investments at fair value through profit and loss;originated loans and preference shares (IAS 39 category: loans and receivable); investments held to maturity ; and investments available for sale. Management determines the classification of investments at initial recognition.

Originated loans

Originated loans are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after 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 originated loan.

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.

Investments carried at fair value through profit or loss

This category has two subcategories: financial assets held for trading and those designated at fair value through profit and loss 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 through profit and loss which are classified as non current.

Financial assets are designated as fair value through profit and loss in instances where: (i) they meet the definition of held for trading in that they are principally held with the intention to earn a return or (ii) they represent assets that are managed with reference to performance assessed against the Strategic Projects Fund investment strategy, and the basis on which their performance is reported to key internal and external stakeholders is at fair value.

Notes to the Annual Financial Statements (Continued)

Available for sale investments

Available for sale investments are non derivative financial assets 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.

Dividend income is recognised when the rights to receive payment has been established and interest income is recognised on a time apportionment basis using the effective interest rate method. Dividend and interest income is recognised in profit and loss as part of other income.

Embedded derivative financial instruments

The Trust has invested in instruments which in some instances contain embedded derivatives. These derivatives are part of the equity exit and conversion mechanisms used by the NEF. In such instances where an embedded derivative is identified, these are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a stand alone derivative; and the combined contract is 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.

Trade and other receivables

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

Preference shares

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

Subsequent measurement

Available for sale financial assets and investments at fair value through profit and loss 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 values of listed investments in active markets are based on current prices.

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

Fair value estimation – day 1 profit

The Trust relies on enterprise value calculations when it evaluates associates fair valued through profit and loss as well as investments available for sale on behalf of funding applications. To some extent there is claimed discount on enterprise value built into valuation methodologies that the Trust accepts in these equity purchase transactions, however the Trust does not factor these into the fair value of equity investments in associates in the form of a Day 1 profit. These implied discounts would only relate to investments in associates which are classified as fair valued through profit and loss and would only relate to acquisitions in their first year whose fair values closely match costs of equity investment. Any implied First day profits would be immaterial since equity acquisitions are subscribed for at par value and at most would be 10% to 15% of the par value of such equity.

Impairment of financial assets

(a) Assets carried at amortised cost

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

(i) significant financial difficulty of the issuer or obligated party;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becomes probable that the borrower will encounter financial difficulties or become bankrupt;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults by borrowers.

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

If there is objective evidence that an impairment loss on loans and receivables or 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 of such assets and are 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 are recognised as bad debts recovered in the Statement of Financial Performance.

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) Available for sale investments

Available for sale investments are evaluated each year for impairment against any significant adverse changes that would have affected the investment in the market, legal, technological and economic environment. This evidence is captured through internal reporting generated by the Post Investment Department which is completed on a bi - annual basis for each investment. This reporting includes a financial evaluation of actual operating cash flows of the investment against budget and where these are seen to have permanently deteriorated, then the investment's recoverable amount is set to its fair value less cost to sell, based on the fair value methodologies disclosed in note 1.9. The difference between the carrying amount and the recoverable amount, being the impairment loss, is recognised immediately in profit and loss.

A significanty or prolonged decline in the fair value of the security below it's cost is also evidence that the assets are impaired. If any such evidence exists for availabe for sale financial asssets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less impairment loss on that financial asset previously recognised in profit or loss is removed form equity and recognised in the Statement of Financial Performance.

(c) Renegotiated originated loans

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

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available for sale.

Impairment of non-financial assets

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

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

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

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

Notes to the Annual Financial Statements (Continued)

1.10. Trade and other payables

Trade and other payables relate to goods and services for operating expenses incurred before year end but not settled as at reporting date.

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

1.11. 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 Statement of Financial Performance on the straight line basis over the period of the lease.

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

Finance charges earned are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. Initial direct costs and fees are capitalised to the value of the lease receivable and accounted for over the lease term as an adjustment to the effective rate of return.

1.12. Employee benefits

a) Pension obligations

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

(b) 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.

1.13. Provisions and contingencies

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and is measured at management's best estimate of the amount that would be required to settle or transfer the liability at balance sheet date. Long term provisions are discounted to net present value, with the relevant increase in the provision due to the passage of time being recognised as an interest expense.

1.14. Critical accounting estimate and judgement in applying accounting policies

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

(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 black empowerment investments most of which are start ups in the market.

As a result there is no financial performance history which guides the impairment process. The Trust's management has thus developed an impairment matrix and is continually refining it. The impairment matrix was benchmarked against those utilised by peers in the market. Amongst others, the impairment matrix encompasses the review of the following observable data:

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

Originated Loans are individually assessed and impaired utilising management's impairment matrix. For the carrying amount of these investments refer to note 9.

(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, for the the carrying amount of these investments refer to note 8.

(c) Fair value on unlisted securities

The Trust establishes fair value of unlisted securities by enterprise valuation techniques as outlined in note 1.9 financial assets: fair value. For the carrying amount of the investments refer to note 8, and 13.

2. New Standards and Interpretations

2.1. Standards and interpretations effective and adopted in the current year

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

IFRS 3 (AC 140) (Revised) Business Combinations

The revisions to IFRS 3 (AC 140) Business combinations require:

- Acquisition costs to be expensed.
- Non controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 01 July 2009.

The impact of the standard is not material.

IAS 27 (AC132) (Amended) Consolidated and Separate Financial Statements

The revisions require:

- Losses of the subsidiary to be allocated to non controlling interest, even if they result in the non controlling interest being a debit balance.
- Changes in level of control without loss of control to be accounted for as equity transactions, without any gain or loss being recognised or any remeasurement of goodwill.
- When there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The impact of the amendment does not apply since the Trust applies GRAP 6.

IAS 39 (AC 133) Financial Instruments: Recognition and Measurement Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IFRS 5 (AC 142) Non current Assets Held for Sale and Discontinued Operations

The amendment specifies that disclosures of other Standards do not apply to non current assets (or disposal groups) held for sale or discontinued operations, unless specifically required by other Standards or for measurement disclosures of assets and liabilities in a disposal group which are outside the measurement requirements of IFRS 5 (AC 142) Non current Assets Held for Sale and Discontinued Operations.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The impact of the amendment does not apply since the Trust applies GRAP 100.

2009 Annual Improvements Project: Amendments to IAS 1 (AC 101) Presentation of Financial Statements

The amendment clarifies that a liability which could, at the option of the counterparty, result in its settlement by the issue equity instruments, does not affect its classification as current or non-current. The effective date of the amendment is for years beginning on or after 01 January 2010.

The impact of the amendment does not apply since the Trust applies GRAP 1.

2009 Annual Improvements Project: Amendments to IAS 7 (AC 118) Statement of Cash Flows

The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The impact of the amendment does not apply since the Trust applies GRAP 2.

2009 Annual Improvements Project: Amendments to IAS 17 (AC 105) Leases

The amendment removes the guidance that leases of land, where title does not transfer, are operating leases. The amendment therefore requires that lease classification for land be assessed in the same manner as for all leases. The amendment is to be applied retrospectively, unless the information is not available. In these cases, existing leases shall be reconsidered based on facts and circumstances existing at the date of adoption of the amendment. The lease asset and lease liability shall, in these cases be recognised at their fair values on that date, with any difference in those fair values recognised in retained earnings.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The impact of the amendment is not material.

Notes to the Annual Financial Statements (Continued)

2009 Annual Improvements Project: Amendments to IAS 18 (AC 111) Revenue

The amendment provides additional guidance in the determination of whether an entity is acting as an agent or principal in a revenue transaction.

The effective date of the amendment is for years beginning on or after 01 June 2009.

The impact of the amendment does not apply since the Trust applies GRAP 9.

2009 Annual Improvements Project: Amendments to IAS 36 (AC 128) Impairment of Assets

The amendment now requires that, for the purpose of goodwill testing, each group of units to which goodwill is allocated shall not be larger than an operating segment as defined in paragraph 5 of IFRS 8 (AC 145) Operating Segments. Thus the determination is now required to be made before operating segments are aggregated.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IAS 38 (AC 129) Intangible Assets

The amendment provides guidance on the measurement of intangible assets acquired in a business combination.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The impact of the amendment does not apply as the Trust applies GRAP 102.

2009 Annual Improvements Project: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the Standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The impact of the amendment is not material.

2009 Annual Improvements Project: Amendments to IFRIC 9 (AC 442) Reassessment of Embedded Derivatives

The amendment excludes from the scope of the Interpretation all embedded derivatives acquired in a business combination, in the combination of entities under common control or the formation of joint ventures.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The impact of the amendment is not material.

2.2. Standards and interpretations not yet effective

The Trust has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Trust's accounting periods beginning on or after 01 April 2011 or later periods:

IFRS 9 Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. Phase one deals with the classification and measurement of financial assets. The following are changes from the classification and measurement rules of IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All available for sale,carried at fair value through profit and loss and held for trade investments are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated at fair value
- For hybrid contracts, where the host contract is within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost under any circumstances.

The effective date of the standard is for years beginning on or after 01 January 2013.

The Trust expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the Trust's annual financial statements.

IAS 24 (AC 126) Related Party Disclosures (Revised)

The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government related entities.

In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- The name of the government and nature of the relationship
- Information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The Trust expects to adopt the amendment for the first time in the 2012 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the Trust, but may result in more disclosure than is currently provided in the annual financial statements.

2010 Annual Improvements Project: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

Additional clarification is provided on the requirements for risk disclosures

The effective date of the amendment is for years beginning on or after 01 January 2011.

The Trust expects to adopt the amendment for the first time in the 2012 annual financial statements.

The impact of this amendment is currently being assessed.

2.3.Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Trust's accounting periods beginning on or after 01 April 2011 or later periods but are not relevant to its operations:

2010 Annual Improvements Project: Amendments to IAS 28 (AC 110) Investments in Associates

The amendment provides transitional provisions as a result of changes to IAS 27 (AC 132) Consolidated and Separate Financial Statements.

The effective date of the amendment is for years beginning on or after 01 July 2010.

The Trust will adopt the amendment for the first time in the 2012 annual financial statements since the Trust has adopted GRAP 7.

2010 Annual Improvements Project: Amendments to IAS 31 (AC 119) Interests in Joint Ventures

The amendment provides transitional provisions as a result of changes to IAS 27 (AC 132) Consolidated and Separate Financial Statements.

The effective date of the amendment is for years beginning on or after 01 July 2010.

It is unlikely that the amendment will have a material impact on the Trust's annual financial statements as the Trust applies GRAP 6.

2010 Annual Improvements Project: Amendments to IAS 34 (AC 127) Interim Financial Reporting

The amendment provides additional examples of events and transactions which would be considered significant and therefore required to be disclosed in the interim financial report. In addition, the amendment removes references to only reporting certain items when they are material. Therefore, the list of items to be presented in addition to significant transactions and events are required irrespective of whether they are material.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The Trust expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the Trust's annual financial statements.

3. Risk Management

Credit risk

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

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

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

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

Bank	Credit Ratings	Closing Balances 2011	Closing Balances 2010
Standard Bank	A1	915 210 112	780 188 334
First National Bank	A-2	516 820 827	741 915 103
South Africa Reserve Bank	BAA	909 789 386	856 643 045
Rand Merchant Bank	A-2	235 069 930	409 594 107
Investec Bank	A1+	5 662 790	-
Total		**2 582 553 045**	**2 788 340 589**

Notes to the Annual Financial Statements (Continued)

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 utilized 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 instalments in the future will be missed by the borrowers. This risk of default is further managed with ongoing feedback on repayment activity to the Post Investment Department of the Trust.

None of the financial assets that are performing have been renegotiated in the last year. Originated Loans, Finance Leases and Preference Shares are individually impaired. After impairments the originated loans, finance leases and preference shares (Note 9 and 11) may be analysed as follows:

	2011	2010
Originated Loans		
Normal monitoring and performing loans	561 609 968	544 383 271
Close monitoring	177 022 386	103 056 740
Partly/fully impaired	250 428 986	292 009 756
Re-negotiated loans	47 689 663	24 139 903
Total	**1 036 751 003**	**963 589 670**

	2011	2010
Finance leases		
Normal monitoring and performing leases	20 985 916	-
Close monitoring	-	4 742 185
Partly/fully impaired leases	22 492 416	23 438 334
Total	**43 478 332**	**28 180 519**

	2011	2010
Preference shares		
Normal monitoring and performing preference shares	165 637 846	128 437 239
Partly/fully impaired leases	39 814 986	13 836 740
Total	**205 452 832**	**142 273 979**

The average loan approved is R12 085 000 (2010: 5 700 000), with the minimum being R250 000 (2010: 200 000) and the maximum being R50 000 000 (2010: 51 800 000).

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 a commitment from the borrower rather than commercially collectable collateral on which a funding decision is based. The Trust hence does not place much reliance on collateral obtained on originated loans but has undertaken a fair value assessment of collateral on impaired loans. To the extent that a loan is impaired, then the Trust considers the values of any nominal collateral available against such impairment.

Collateral available is fair valued by nature of underlying asset as follows:

Collateral held in favour of loans	Land and buildings	Plant and equipment	Furniture, other equipment and office equipment	Motor vehicles	Total
Book value	38 725 312	162 094 087	55 544 708	43 272 126	299 636 233
Fair value	22 907 719	54 025 959	16 699 349	14 422 600	108 055 627

Collateral available against current impaired loans includes the following forms:

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

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

Market risk

Market 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.

Interest rate risk

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

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

A significant part (2011 - 70%: 2010 – 82%) 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 department of the Trust and is assessed on a risk rating scale as follows: performing (low risk deals), impairments (medium risk deals) and workouts (high risk deals). As at 31 March 2011, the portfolio was assessed from this risk rating approach as follows:

Category	% by number	% by value
Performing	22%	34%
Impairments	26%	32%
Workouts	52%	34%

The impact of this risk assessment has been catered for 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 the originated loans portfolio, the Trust approved an originated loans restructuring programme for potentially 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 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 end of the portfolio and would only be applied in isolated and deserving cases. This programme is however to be closely monitored as well as any potential effects on interest rate risks.

As at the reporting date, 17 loans (2010:27) had undergone 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 environment around originated loans and cash and cash equivalents was considered as follows:

Financial instrument	Carrying amount	Interest earned current year	Effect of 1% increase in prime on P/L	Effect of 1% decrease in prime on P/L
Originated loans	837 020 877	94 913 128	8 370 208	(8 370 208)
Cash and cash equivalents	2 582 555 047	171 089 744	25 825 550	(25 825 550)
Total	3 419 575 924	266 002 872	34 195 758	(34 195 758)

Foreign exchange risk

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

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

Price risk

The Trust is exposed to listed equity market price risk due to its portfolio of equities classified as either held for trading, at fair value through profit and loss or available for sale. These investments are as a result of the state allocated investment in MTN 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 fair value reserve. This fair value is applied in the development of appropriate retail products in terms of the mandate of the Trust and part of this fair value has been transferred to the Trust's beneficiaries in the form of discounts on subscription values. The Trust manages other price risk in terms of its listed investment portfolio by means of structured exits as well as minimum return fair values being catered for in the investment funding agreements. In this way the Trust's maximum exposure to other price risk is limited with the bulk of the risk being associated with underlying business and credit risk.

Notes to the Annual Financial Statements (Continued)

Figures in Rand

Listed investments	Number of shares at year end	Share price at year end	10% increase in share price	10% decrease in share price
AH Vest Ltd	7 860 473	0.15	117 907	(117 907)
Hospitality Property Fund A	2 523 165	13.60	3 431 504	(3 431 504)
Hospitality Property Fund B	1 261 583	8.40	1 059 729	(1 059 729)
MTN Ltd	10 045 279	136.57	137 188 375	(137 188 375)
Total			**141 797 515**	**(141 797 515)**

Liquidity Risk

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

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

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

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

Capital Risk Management

Trust Capital primarily comprises funds transferred from **the dti** 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 R2 297 431 472 (2010: R2 297 431 472 - note 17). Funding for operations was advanced by **the dti** in the previous year 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 is applied only against budgeted and actual investment disbursements in terms of the fund management products and mandate of the Trust. Operational capital is strictly applied against operational expenditure only, in terms of PFMA requirements.

Proceeds raised on asset management retail product subscriptions are transferred to capital through profit and loss 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, and until 2010 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 demonstrating 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 generating sufficient revenues to sustain operations.

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

Figures in Rand	2011	2010
4. Revenue		
Interest received	284 123 106	311 978 644
Dividends received	75 401 007	6 956 968
Transfers received from **the dti** to fund operations	-	116 000 000
Total	**359 524 113**	**434 935 612**

The amount included in revenue arising from interest income and dividends are as follows:

Grants received	-	116 000 000
Interest received - cash and cash equivalents	93 153 308	127 889 480
Interest received - originated loans	94 913 128	106 594 033
Interest received - cash and cash equivalents (Asonge proceeds)	74 360 774	77 495 131
Dividends received	75 401 007	6 956 968
Interest received - other investments	1 657 621	-
Interest received - preference shares	20 038 275	-
Total	**359 524 113**	**434 935 612**

Figures in Rand	2011	2010

5. Sundry income

Sector wide enterprise, employment and equity programme (SWEEEP funding)	-	5 650 000
Advisory income	-	961 087
Recoveries	511 419	657 389
Total	**511 419**	**7 268 476**

6. Property and Equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leasehold property	6 908 209	(3 824 692)	3 083 517	5 662 769	(3 023 350)	2 639 419
Furniture and fixtures	4 329 548	(2 958 347)	1 371 201	4 047 732	(2 409 216)	1 638 516
Motor vehicles	907 003	(392 941)	514 062	408 103	(260 252)	147 851
Office equipment	2 655 640	(1 444 439)	1 211 201	2 442 360	(729 167)	1 713 193
IT equipment	4 748 927	(3 226 508)	1 522 419	3 796 443	(2 203 539)	1 592 904
Audio Visual equipment	706 796	(672 002)	34 794	682 854	(655 947)	26 907
Paintings	286 304	(46 685)	239 619	286 304	(40 513)	245 791
Total	**20 542 427**	**(12 565 614)**	**7 976 813**	**17 326 565**	**(9 321 984)**	**8 004 581**

Notes to the Annual Financial Statements (Continued)

Figures in Rand

Reconciliation of Property and Equipment 2011

	Opening carrying value	Additions	Depreciation	Closing carrying value
Leasehold property	2 639 419	1 245 440	(801 342)	3 083 517
Furniture and fixtures	1 638 516	281 816	(549 131)	1 371 201
Motor vehicles	147 851	498 900	(132 689)	514 062
Office equipment	1 713 193	213 280	(715 272)	1 211 201
IT equipment	1 592 904	952 483	(1 022 968)	1 522 419
Audio Visual Equipment	26 907	23 942	(16 055)	34 794
Paintings	245 791	-	(6 172)	239619
Total	**8 004 581**	**3 215 861**	**(3 243 629)**	**7 976 813**

Reconciliation of Property and Equipment 2010

	Opening carrying value	Additions	Depreciation	Closing carrying value
Leasehold property	934 598	2 083 403	(378 582)	2 639 419
Furniture and fixtures	1 515 388	603 232	(480 104)	1 638 516
Motor vehicles	249 807	-	(101 956)	147 851
Office equipment	104 753	1 968 712	(360 272)	1 713 193
IT equipment	1 296 782	1 194 743	(898 621)	1 592 904
Audio Visual Equipment	25 180	15 575	(13 848)	26 907
Paintings	246 465	5 316	(5 990)	245 791
Total	**4 372 973**	**5 870 981**	**(2 239 373)**	**8 004 581**

Figures in Rand

7. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Purchased computer software	13 746 904	(9 593 873)	4 153 031	10 829 705	(5 551 358)	5 278 347

Reconciliation of intangible assets – 2011

	Opening balance	Additions	Amortisation	Carrying value
Purchased computer software	5 278 347	2 917 198	(4 042 514)	4 153 031

Reconciliation of intangible assets – 2010

	Opening balance	Additions	Amortisation	Carrying value
Purchased computer software	7 087 799	1 370 405	(3 179 857)	5 278 347

8. Investments in associates

	2011	2010
Investments at Cost	55 374 579	30 567 328
- Opening balance	30 567 328	30 566 620
- Additions	35 003 321	708
- Disposals	(10 196 070)	-
Fair value	47 576 670	25 436 905
- Balance brought forward from prior year	25 436 905	15 209 474
Gains during the year	22 139 765	10 227 431
- Fair value gain	11 943 695	20 423 501
- Impairments	-	(10 196 070)
- Impairment written off against cost	10 196 070	-
Net investment in associates	**102 951 249**	**56 004 233**

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Figures in Rand

8. Investments in associates – Continued

Name of company	% holding 2011	% holding 2010	Cost 2011	Cost 2010	Fair value 2011	Fair value 2010
Blue Glamour (Pty) Ltd	32.00%	32.00%	20	20	12 796 172	7 888 861
Dezzo Timbers (Pty) Ltd	-	30.00%	-	30	-	-
DMS Powders (Pty) Ltd	20.00%	20.00%	1 000 000	1 000 000	25 986 673	27 284 904
Inca Concrete Masonry (Pty) Ltd	35.00%	35.00%	350	350	350	350
Lak Investments t/a Stone Age (Pty) Ltd	25.00%	25.00%	25	25	25	25
Notae Entertainment (Pty) Ltd	-	26.00%	-	20	-	20
Nungu Trading t/a Safepak (Pty) Ltd	20.00%	20.00%	34	34	34	34
Stutt Brick Company (Pty) Ltd	45.00%	45.00%	45	45	45	45
Wiredloop (Pty) Ltd	25.00%	25.00%	33	33	33	33
Western Brezee (Pty) Ltd t/a Amajuba Berries*	51.00%	51.00%	19 369 051	19 369 051	19 369 051	19 369 051
Colliery Dust Control (Pty) Ltd	40.10%	40.10%	401	401	9 794 532	401
False Bay Bricks (Pty) Ltd	30.00%	30.00%	300	300	300	300
Trennplast (Pty) Ltd	26.50%	26.50%	265	265	265	265
Middelsdrift Dairy (Pty) Ltd	40.00%	40.00%	40	40	40	40
White Heat Trading 4 t/a Hollywood Displays (Pty) Ltd	34.50%	34.50%	300	300	300	1 459 516
Ntsinde Royal Jozini Holdings (Pty) Ltd **	33.40%	33.40%	334	334	334	334
Renu Energy (Pty) Ltd	26.00%	26.00%	36	36	36	36
Buffalo Bull (Pty) Ltd	30.00%	30.00%	38	38	38	38
Busa Holdings (Pty) Ltd	49.00%	-	10 000 000	-	10 000 000	-
Africa Rising (Pty) Ltd	25.10%	-	2 510	-	2 510	-
Crowie Holding (Pty) Ltd	25.10%	-	25 000 000	-	25 000 000	-
Choice Technologies (Pty) Ltd	-	49.00%	-	10 000 000	-	-
Exotic Bread (Pty) Ltd	-	49.00%	-	196 000	-	-
Izingwe Automotive (Pty) Ltd	-	20.00%	-	20	-	-
Boipelo Piggery (Pty) Ltd	20.00%	-	200	-	200	-
Inala Shipping(Pty) Ltd	30.00%	-	30	-	30	-
Pretamix (Pty) Ltd	49.00%	-	240	-	240	-
Sizovuna Investments Holding (Pty) Ltd	49.00%	-	49	-	49	-
Basfour (Pty) Ltd	49.00%	-	146	-	146	-
IM Capital (Pty) Ltd	49.00%	-	146	-	146	-
Fair value adjustments on associates			47 576 670	25 436 905	-	-
Total fair value			**102 951 249**	**56 004 233**	**102 951 249**	**56 004 233**

The Trust holds convertible preference shares in SunSpace and Information Systems (Pty) Ltd on behalf of **the dti**. These preference shares are convertible into 30% of the ordinary equity in SunSpace after conversion. The Trust will convert upon conclusion of the governments' evaluation of the acquisition of a strategic equity stake in SunSpace in order to further the space policy for the country.

* 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.

** Warehoused shares of Mayborn (Royal Jozini) is 16.7% held in favour of the community trust

Figures in Rand	2011	2010

9. Originated loans and preference shares

Originated loans	1 036 751 003	963 589 634
Preference shares	205 452 832	142 273 919
	1 242 203 835	1 105 863 553
Impairments on originated loans and preference shares	(234 420 112)	(230 290 395)
Total net originated loans and preference share balance	**1 007 783 723**	**875 573 158**

Some loans are secured by general notarial bonds over movable property, cession of receivables, cession of bank accounts, personal securities, second mortgage bonds and insurance policies.

Originated Loans past due but not impaired		
Originated loans that would have been past due and impaired had terms not been renegotiated.	47 689 663	24 139 903
Two months past due: Close monitoring loans	111 412 359	103 056 740

Reconciliation of provision for impairment of originated loans and preference shares		
Opening balance	(230 290 395)	(120 463 296)
Impairments for the year	(96 519 253)	(165 819 543)
- Originated loans	(75 909 102)	(153 189 707)
- Impairment reversal on originated loans	1 450 000	-
- Preference shares	(22 060 151)	(12 629 836)
Write offs	92 389 536	55 992 444
Total Provision	**(234 420 112)**	**(230 290 395)**

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of loan mentioned above.
The Trust does hold collateral as security as detailed in note 3 (Risk management).

10.1 Originated loans reconciliation

Opening balance	963 589 670	744 761 970
Net movement for the year	73 161 333	218 827 700
- Loans disbursed	210 478 011	295 408 913
- Interest capitalised	94 913 128	88 107 554
- Loan repayments	(116 762 487)	(80 515 804)
- Disposals/ write offs	(93 858 705)	(55 992 444)
- Loans reclassfied to other financial instruments at amortised cost	(21 608 614)	(28 180 519)
Closing balance	1 036 751 003	963 589 670
Impairments	(199 730 126)	(217 660 560)
- Opening balance	(217 660 560)	(120 463 297)
- Impairments for the year	(75 909 102)	(153 189 707)
- Disposals/ Write offs	92 389 536	55 992 444
- Impairment reversal	1 450 000	-
Net Originated Loan balance	**837 020 877**	**745 929 110**

Reclassification of originated loans to finance leases:

The Trust has reclassified finance leases that were included in the originated loan contracts in the previous financial years, these instruments are separable in terms of IAS39 and SIC 27 and have been accounted for in terms of IAS 17.

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10.2 Preference shares reconciliation

Figures in Rand	2011	2010
Opening balance	142 273 923	64 287 203
Net movement for the year	63 178 909	77 986 720
- Additions	50 375 866	67 585 001
- Interest capitalised	20 038 273	18 486 479
- Repayments	(13 629 365)	(8 084 760)
- Reclassified from originated loans	6 394 135	-
Closing balance	205 452 832	142 273 923
Impairments	(34 689 987)	(12 629 836)
- Opening balance	(12 629 836)	-
- Impairments for the year	(22 060 151)	(12 629 836)
Net preference share balance	**170 762 845**	**129 644 087**

11. Finance lease receivables

Gross investment in the leases due		
- within one year	16 239 419	9 736 061
- in second to fifth year inclusive	34 111 846	23 505 746
	50 351 265	33 241 807
Less: Unearned finance income	(6 872 933)	(5 061 288)
Present value of minimum lease payments receivable	43 478 332	28 180 519
Less: allowance for uncollectable minimum lease payments	(11 589 152)	(5 449 858)
Present value	**31 889 180**	**22 730 661**
Present value of minimum lease payments due		
- within one year	13 269 551	7 384 061
- in second to fifth year inclusive	30 208 781	20 796 458
	43 478 332	28 180 519
Less: allowance for uncollectable minimum lease payments	(11 589 152)	(5 449 858)
Carrying amount of minimum lease payments	**31 889 180**	**22 730 661**
The average lease terms are 5 years (2010: 5 years) and the average effective lending rate was 6.5% in 2011 (2010: 7.5%)		

- Credit risk exposure
- The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.
- The Trust does hold collateral over the financed assets as security over finance lease receivables.
- Collateral held by the Trust in favour of the finance lease receivables are suspensive sale agreements over plant and moveable assets.

Figures in Rand	2011	2010

12. Impairments for the year

Originated loans	74 459 102	153 189 707
Preference shares	22 060 151	12 629 836
Finance leases	6 139 294	5 449 858
Total Impairments	**102 658 547**	**171 269 401**

13. Available for sale, carried at fair value through profit and loss and held for trade investments

13.1 Investments available for sale

Fair value at the beginning of the year	1 183 391 962	1 203 988 653
Additions	60 010 100	50 000 000
Derecognition of MTN shares at cost	-	(8 271 252)
Net fair value adjustments	246 812 505	(62 325 439)
- MTN shares	246 812 505	92 009 255
- MTN shares de recognised transferred to statement of financial performance	-	(130 224 042)
- Fuel Logistics Group (Pty) Ltd impairment loss	-	(24 110 652)
Fair value of investments available for sale	**1 490 214 567**	**1 183 391 962**
Available for sale investments		
Listed securities:		
MTN Shares	1 371 883 753	1 125 071 248
Unlisted securities:		
Gidani (Pty) Ltd	100	-
SA Metals Equipment (Pty) Ltd	10 000 000	-
On Digital Media (Pty) Ltd	100 010 000	50 000 000
Thin Film (Pty) Ltd	5 313 211	5 313 211
Connex (Pty) Ltd	3 007 500	3 007 500
Intaba Technologies (Pty) Ltd	1	1
Inkwali Fabrication (Pty) Ltd	1	1
Fuel Logistics Group (Pty) Ltd	1	1
Fair value of investments available for sale	**1 490 214 567**	**1 183 391 962**

13.2 Investments carried at fair value through profit and loss

Opening Balance	10 500 000	-
Additions	37 200 000	10 500 000
Fair value adjustments	(47 690 000)	(10 497 000)
- Balance brought forward from prior year	(10 497 000)	-
- Fair Value losses	(37 193 000)	(10 497 000)
Net Investment carried at fair value through profit and loss	**10 000**	**3 000**

Notes to the Annual Financial Statements (Continued)

Figures in Rand	2011	2010

Investments carried at fair value through profit and loss

Investments in unincorporated joint ventures (JV)	10 000	3 000

The Trust funds the scoping, pre feasibility and bankable feasibility stages of transactions it participates in within the Strategic Projects Fund through un incorporated joint venture contracts with the respective project promoters. These un incorporated joint venture contracts are designated as Fair Value Through Profit and Loss financial assets and represent the respective rights to subscribe for equity in the project companies upon incorporation at a future date and upon completion of commercially viable feasibility studies. Project funding is advanced by the Trust into a project joint venture bank account and the project is managed through the direction of a project Joint Steering Committee (JSC) which also comprise representatives of the Trust. The funding is utilised for the purpose of the costs associated with the completion of the respective stage studies and reports. The current fair value of each of the un incorporated joint ventures is disclosed below:

Project	NEF Investment at cost 2011	NEF Investment at cost 2010	Fair value	Interest in JV%	Effective voting on JSC%
Tourvest - Sky Tower (PFS)	2 000 000	2 000 000	1 000	25%	50%
Inkomazi Chemicals (BFS)	1 000 000	1 000 000	1 000	50%	50%
Rare Metals Industries (BFS)	10 000 000	7 500 000	1 000	30%	20%
Manhize - Coking Coal (PFS)	3 000 000	-	1 000	75%	67%
African Silica Investments (PFS)	7 000 000	-	1 000	50%	67%
Organic Coconut Bottling Co.(Scoping)	5 000 000	-	1 000	49%	50%
Premier Food Boiler (BFS)	2 500 000	-	1 000	N/A	N/A
Kimocode - Hluhluwe Wind Farm (BFS)	2 200 000	-	1 000	40%	67%
i3 Africa (BFS)	7 000 000	-	1 000	23%	50%
Comprecom - Waste Tyre Energy (BFS)	8 000 000	-	1 000	47%	50%

Scoping: means the idea generation stage conducted by the project funders / promoters, which included the primary fact finding and scoping of the potential project.

Pre feasibility study(PFS): means the study of the project which shall primarily focus on but not be limited to the high end of the study and which study shall become the basis of the Bankable Feasibility Study.

Bankable Feasibility Study(BFS): means the detailed study covering areas of marketing, technical, environmental, economic, legal and enegineering, related to the project, which study will be conducted in accordance with the instructions of the Steering Committee and shall commence after successful completion of the Pre feasibility study.

Non current assets as at 31 March 2011

Investments carried at fair value through profit and loss	10 000	3 000
Available for sale investments	1 490 214 567	1 183 391 962
Total non-current fair value	**1 490 224 567**	**1 183 394 962**

Figures in Rand	2011	2010

13.3 Investments held for trade

Fair value balance at beginning of year	50 182 068	60 185 538
Disposals	(106 812)	(518 579)
Closing balance	50 075 256	59 666 959
Fair value(losses)/gains	(2 809 900)	(7 097 984)
Reversal fair value gains on disposal	(1 173 944)	(2 386 907)
Net investments held for trade	**46 091 412**	**50 182 068**

Investments held for trade consists of:

Cipla/Enaleni	-	762 009
AH Vest/ All Joy	1 179 071	786 047
Hospitality Fund A	34 315 044	32 170 354
Hospitality Fund B	10 597 297	16 463 658
Net investments held for trade	**46 091 412**	**50 182 068**

Current assets

Total current fair value	46 091 412	50 182 068
Total fair value	**1 536 315 979**	**1 233 577 030**

Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1		
Investments held for trade	46 091 412	50 182 068
Level 3		
Investments in associates	102 951 249	56 004 233
Investments carried at fair value through profit and loss	10 000	3 000
	102 961 249	56 007 233
Total fair value	**149 052 661**	**106 189 301**

Fair value hierarchy of available for sale investments

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1: Listed securities		
Equity securities: RSA (MTN Shares)	1 371 883 753	1 125 071 248
Level 3: Unlisted securities		
Unlisted securities	118 330 814	58 320 714
Total fair value	**1 490 214 567**	**1 183 391 962**

Notes to the Annual Financial Statements (Continued)

Reconciliation of provision for impairment of available for sale investments

Opening balance	(24 110 652)	-
Provision for impairment	-	(24 110 652)
Total	**(24 110 652)**	**(24 110 652)**

Reconciliation of financial assets at fair value through profit or loss measured at level 3 - 2011

	Opening balance	Additions	Gains or losses in profit and loss	Total
Investments in associates	56 004 233	35 003 321	11 943 695	102 951 249
Investments carried at fair value through profit and loss	3 000	37 200 000	(37 193 000)	10 000
Total	**56 007 233**	**72 203 321**	**(25 249 305)**	**102 961 249**

Reconciliation of financial assets at fair value through profit or loss measured at level 3 2010

	Opening balance	Additions	Gains or losses in profit and loss	Total
Investments in associates	45 776 094	708	10 227 431	56 004 233
Investments carried at fair value through profit and loss	-	10 500 000	(10 497 000)	3 000
Total	**45 776 094**	**10 500 708**	**(269 569)**	**56 007 233**

Reconciliation of available for sale investments measured at level 3 - 2011

	Opening balance	Additions	Total
Unlisted equities	58 320 713	60 010 100	118 330 813

Reconciliation of available for sale investments measured at level 3 - 2010

	Opening balance	Additions	Impairment of available for sale investments recognised	Total
Unlisted equities	32 431 365	50 000 000	(24 110 652)	58 320 713

The Trust has not reclassified any financial assets from cost or amortised cost to fair value or from fair value to cost or amortised cost during the current or prior year.

Impact of changes in assumptions level 3

Associates	Fair value of associates	10% increase in discount factor	10% decrease in discount factor
Blue Glamour t/a O'Gradys Paint Group (Pty)Ltd	12 795 903	4 680 246	(4 680 246)
Colliery Dust Control (Pty) Ltd	9 794 532	4 972 407	(4 972 407)
Dense Media Seperation (Pty) Ltd	25 986 673	4 270 396	(4 270 396)
Total	**48 577 108**	**13 923 049**	**(13 923 049)**

Figures in Rand

14. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Originated loans and preference shares	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Finance leases	Available for sale	Total
Originated loans	837 020 877	-	-	-	-	837 020 877
Investments carried at fair value through profit and loss	-	-	10 000	-	-	10 000
Investments held for trade	-	46 091 412	-	-	-	46 091 412
Available for sale investments	-	-	-	-	1 490 214 567	1 490 214 567
Preference shares	170 762 845	-	-	-	-	170 762 845
Finance leases receivables	-	-	-	31 889 180	-	31 889 180
Total	**1 007 783 722**	**46 091 412**	**10 000**	**31 889 180**	**1 490 214 567**	**2 575 988 881**

2010

	Originated loans and preference shares	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Finance leases	Available for sale	Total
Originated loans	745 929 110	-	-	-	-	745 929 110
Investments carried at fair value through profit and loss	-	-	3 000	-	-	3 000
Investments held for trade	-	50 182 068	-	-	-	50 182 068
Available for sale investments	-	-	-	-	1 183 391 962	1 183 391 962
Preference shares	129 644 087	-	-	-	-	129 644 087
Finance leases receivables	-	-	-	22 730 660	-	22 730 660
Total	**875 573 197**	**50 182 068**	**3 000**	**22 730 660**	**1 183 391 962**	**2 131 880 887**

15. Trade and other receivables

	2011	2010
Interest receivable-cash and cash equivalents	48 700	5 233 594
Other receivables	4 387 197	246 973
Deposits	739 321	1 024 856
Dividends receivable	37 059 398	4 235 630
Total	**42 234 616**	**10 741 053**

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Notes to the Annual Financial Statements (Continued)

Figures in Rand

16. Cash and cash equivalents

	2011	2010
Cash and cash equivalents consist of:		
Petty cash	2 000	2 000
Current accounts	55 330 563	949 912
Short term bank deposits	2 527 222 484	2 787 390 678
Total	**2 582 555 047**	**2 788 342 590**

17. Trust capital

Investments in listed entities at cost	171 000 000	171 000 000
Cash tranfers received from **the dti**	2 297 431 472	2 297 431 472
Total	**2 468 431 472**	**2 468 431 472**

18. Fair value reserves

The fair value reserve is a non distributable reserve comprising the fair value adjustment on available for sale investments in terms of IAS 39 (AC 133).		
Opening balance	1 050 380 873	1 088 595 659
Revaluation of investments available for sale	246 812 505	92 009 256
Fair value derecognition on disposal of MTN shares transferred to Statement of Financial Performance	-	(130 224 042)
Total	**1 297 193 378**	**1 050 380 873**

19. Surplus for the year ending

The retention of the surplus reported for the years ending 31 March 2008, 31 March 2009 and 31 March 2010 has been approved by National Treasury in terms of an application made by the Trust in terms of S 53(3) of the PFMA. The total of the application was made up as stated below:	
31 March 2008	951 814 834
31 March 2009	104 042 905
31 March 2010	198 965 277
	1 254 823 016
Current application for retention of the surplus for the year ending 31 March 2011 has been made by the Trust as follows:	
31 March 2011	**74 828 082**

20. Trade and other payables

Trade payables	4 302 526	5 911 684
Lease smoothing liability	502 506	448 122
Accrued leave pay	3 749 430	3 382 468
Performance awards	21 617 918	21 777 967
Supplier accruals and unallocated receipts generated by Asonge	5 110 612	9 795 353
Total	**35 282 992**	**41 315 594**

21. Fair value adjustments

Investments in associates	11 943 695	10 227 431
Investments carried at fair value through profit and loss	(37 193 000)	(10 497 000)
Investments held for trade	(2 809 900)	(7 097 984)
Total	**(28 059 205)**	**(7 367 553)**

Figures in Rand	2011	2010

22. Administration expenditure by nature

Fees to service providers		
- Information Technology	2 308 148	2 231 309
- Legal fees	4 044 488	2 386 935
- Risk management	93 923	(12 031)
- Marketing	4 306 307	9 005 015
- Public Relations	1 418 924	3 167 163
- Professional fees - Investments	3 741 076	4 179 455
Total	**15 912 866**	**20 957 846**
Depreciation and Amortisation		
- Motor vehicles	132 689	101 955
- Owned computer equipment	1 022 968	739 322
- Leased computer equipment	-	159 298
- Audiovisual equipment	16 055	13 848
- Office equipment	715 272	360 272
- Furniture and fittings	549 131	480 104
- Other assets	6 172	5 989
- Leasehold improvements	801 342	378 583
Operating lease rentals		
- Property rental	6 281 878	5 158 199
- Equipment rental	640 706	860 396
Total	**10 166 213**	**8 257 966**
Total staff costs		
- Salaries and other benefits	78 445 818	72 643 878
- Provident fund contributions	6 582 797	5 405 869
Total	**85 028 615**	**78 049 747**
Number of employees at year end	125	117

23. Auditors' remuneration

Fees for external audit	1 064 228	991 431
Fees for internal audit	1 178 660	716 231
Total	**2 242 888**	**1 707 662**

Figures in Rand	2011	2010

24. Cash used in operations

Surplus for the year	74 828 082	198 965 277
Adjustments for:		
Depreciation and amortisation	7 286 144	5 419 230
Loss on disposal of investments and impairments on available for sale investments	600 976	24 132 825
Loans Working Capital adjustment	119 548 272	171 269 401
Fair value adjustments	28 059 205	7 367 553
Dividends received	(75 401 007)	(6 956 969)
Loss on retail activities	-	(102 488 225)
Interest received cash and cash equivalents	(167 514 082)	(311 978 641)
Changes in working capital:		
Trade and other receivables	(3 852 646)	(25 412)
Trade and other payables	(6 034 646)	11 685 670
Total Cash Utilised in Operations	**(22 479 702)**	**(2 609 291)**

25. Proceeds from disposal of investments

Proceeds from disposal of Held for trade investments	699 933	2 883 318

26. Reconciliation of budget surplus/ deficit with surplus/ deficit in the Statement of Financial Performance

Net surplus/ deficit per statement of financial performance	74 828 082	198 965 277
Fair value adjustments	28 059 205	7 367 553
Fair value on investment disposals	-	(130 224 042)
Impairments recognised	16 217 547	195 380 053
Share offer expenditure	-	(16 500 078)
(Over)/underspending against budget	2 694 166	(1 588 763)
Net Surplus against approved budget	**121 799 000**	**253 400 000**

27. Commitments

27.1 Undrawn commitments

- Not later than 1 year	277 450 410	149 882 298
Investments approved and committed but not contracted for		
- Not later than 1 year	339 950 410	237 500 601

27.2 Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	6 353 333	3 150 000
- in second to fifth year inclusive	27 743 668	-
Total	**34 097 001**	**3 150 000**

Operating lease payments represent rentals payable by the Trust for certain office properties. Leases are negotiated for an average term of five years.

28. Contingent Liability

As reflected in note 19, application has been made to National Treasury under S 53(3) of the PFMA to retain surpluses reported and applied for over the current financial year ending 31 March 2011 totalling R74 828 082. Should permission to retain this surplus not be granted then the Trust may be required to declare a distribution to National Treasury through its Executive Authority, **the dti**. The effect of such a distribution would not be significant to the cash balances of the Trust, and its ability to meet the Trust's financial forecasts for the next three years.

29. Related parties

Executive Authority	Department of Trade and Industry
Other related parties	Board of Trustees

Figures in Rand	2011	2010
Related party balances		
Loan accounts - Associates		
Blue Glamour (Pty) Ltd	18 515 888	23 317 539
Choice Technology (Pty) Ltd	-	31 448 659
Dezzo Timbers (Pty) Ltd	5 361 445	8 125 093
DMS Powders (Pty) Ltd	9 125 237	20 044 961
Inca Concrete Masonry (Pty) Ltd	24 263 537	25 972 747
Lak Investment t/a Stone Age (Pty) Ltd	39 011 879	36 235 197
Safepak (Pty) Ltd	34 769 149	35 370 959
Stutt Brick Company (Pty) Ltd	25 978 844	24 466 342
Wiredloop (Pty) Ltd	905 902	1 235 334
Amajuba Berries (Pty) Ltd	25 479 356	24 870 658
Izingwe Automotive (Pty) Ltd	-	5 020 724
Colliery Dust Control (Pty) Ltd	24 481 878	30 678 725
False Bay Bricks (Pty) Ltd	65 807 082	59 077 088
Trennplast (Pty) Ltd	63 003 969	61 816 051
Middelsdrift Dairy (Pty) Ltd	11 990 900	11 724 367
White Heat Trading 4 (Pty) Ltd t/a Hollywood Displays	54 052 661	52 996 011
Renu Energy (Pty) Ltd	42 428 475	37 444 949
Ntside Royal Jozini Holdings (Pty) Ltd	31 495 104	29 546 698
Buffalo Bull (Pty) Ltd	10 727 177	5 801 850
African Privity (Pty) Ltd	69 444 712	-
Boipelo Piggery (Pty) Ltd	3 441 959	-
Inala Shipping (Pty) Ltd	247 623	-
Related party transactions		
Transfers and capital received		
Department of Trade & Industry-Income	-	116 000 000
Department of Trade & Industry-Capital	-	311 642 000

30. Income tax exemption

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

31. Fruitless and wasteful expenditure

No incidents ocurred during the current financial year.

32. National Empowerment Fund Corporation (Pty) Ltd

The Trust established the 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 previously obtained permission from the National Treasury under Section 54 of the PFMA that the Trust may utilise this entity in any of its future Asset Management retail activities.

33. Correction of prior period errors

In the prior periods, contracts that had elements of originated loans and finance leases were incorrectly accounted for and disclosed as originated loans. In the current year the Trust has seperated these financial instruments in accordance with the requirements of IAS 39 and SIC 27, where the finance leases have now been accounted for in terms of IAS 17(Finance leases). The change in disclosure affects the originated loans and the impairments balances in the 2010 financial year.

The correction of the errors in disclosure results in adjustments as follows:

Statement of Financial Position

Figures in Rand	2011	2010
Decrease in Originated loans	(27 586 178)	(28 180 519)
Decrease in accumulated impairments on originated loans	11 589 152	5 449 858
Increase in finance lease receivables	27 586 178	28 180 519
Increase in allowance for uncollectable minimum lease payments	(11 589 152)	(5 449 858)

Trustees and Senior Management Emoluments

Year ended 31 March 2011	Basic	LTIS	Bonus payments	Pension contributions	Other contributions	Total
Executive trustees						
P Buthelezi (CEO)	2 318 645	1 079 925	1 502 715	383 415	68 058	5 352 758
A Wright (CFO)	1 598 518	675 000	939 262	182 431	124 616	3 519 827
Total Emoluments	**3 917 163**	**1 754 925**	**2 441 977**	**565 846**	**192 674**	**8 872 585**
Senior management						
F Gillion(CIO) (Resigned 31 October 2010)	890 326	1 750 000	-	124 799	5 093	2 770 218
C Clarke (COO) (Resigned 31 May 2010)	631 004	-	-	-	-	631 004
B Lombard (Corporate Services Executive)	1 111 185	-	661 250	152 302	98 521	2 023 258
S Molepo (Acting CIO) (Appointed 11 November 2010)	574 139	-	340 000	-	8 268	922 407
Total Emoluments	**3 206 654**	**1 750 000**	**1 001 250**	**277 101**	**111 882**	**6 346 887**

Non executive trustees						Fees to Non executive trustees
R Ntuli						165 531
N Mosala						209 334
A Makwetla						157 050
Z Ntlangula						174 868
A Raiz						109 113
R Garach						240 977
N Fakude (Resigned 31 May 2011)						43 974
T Tlelai						177 463
Total Emoluments						**1 278 310**
Total Emoluments	**7 123 817**	**3 504 925**	**3 443 227**	**842 947**	**1 619 269**	**16 497 782**

The Trust is undertaking legal action against a former employee with respect to a breach of contract regarding the Long Term Incentive Scheme (LTIS) due to the employee's early resignation. The intention is to claim full repayment of the LTIS award paid by the Trust to the employee plus associated legal costs.

Trustees and Senior Management Emoluments

Year ended 31 March 2010	Basic	LTIS	Bonus payments	Pension contributions	Other contributions	Total
Executive trustees						
P Buthelezi (CEO)	2 073 397	539 962	1 069 127	274 859	51 767	4 009 112
A Wright (CFO)	1 267 656	337 500	742 500	154 149	76 760	2 578 565
Total Emoluments	**3 341 053**	**877 462**	**1 811 627**	**429 008**	**128 527**	**6 587 677**
Senior management						
F Gillion (CIO)	1 325 191	500 000	628 866	183 779	79 368	2 717 204
C Clarke (COO)	1 121 292	-	-	142 994	28 297	1 292 583
B Lombard (Corporate Services) (Joined 19 October 2009)	437 900	-	208 150	56 395	32 599	735 044
Total Emoluments	**2 884 383**	**500 000**	**837 016**	**383 168**	**140 264**	**4 744 831**

Non executive trustees						Fees to Non executive trustees
R Nutli						226 527
T Mhlambiso (Term ended 15 December 2009)						154 987
K Seitshiro (Term ended 15 December 2009)						112 637
N Mosala (Appointed 16 December 2009)						60 852
A Makwetla (Appointed 16 December 2009)						57 732
Z Ntlangula (Appointed 16 December 2009)						57 732
A Raiz (Appointed 16 December 2009)						57 732
R Garach (Appointed 16 December 2009)						59 689
N Fakude (Appointed 16 December2009)						20 549
T Tlelai (Appointed 16 December 2009)						63 603
Total Emoluments						**872 040**
Total Emoluments	**6 225 436**	**1 377 462**	**2 648 643**	**812 176**	**1 140 831**	**12 204 548**

FUNDING PRODUCTS AND SERVICES

NEF funding is currently obtainable from four funds, which are discussed in detail below. These are:

1. iMbewu Fund
2. Umnotho Fund
3. Rural and Community Development Fund
4. Strategic Projects Fund

NEF Fund Management Division

The NEF was established by the National Empowerment Fund Act No. 105 of 1998 ("NEF Act") to promote and facilitate transformation and economic equality. Its mandate and mission is to be the catalyst of Broad-based Black Economic Empowerment (BB-BEE).

Initial Assessment Criteria

The NEF provides funds to black entrepreneurs and groups with the aim of facilitating access to finance in support of Broad-Based BEE in terms of government legislation. The investment activities of the NEF are guided by an investment policy that seeks to ensure that investments create real economic empowerment for black people without deviating from sound economic principles.

Each application for funding is assessed in terms of the following criteria:

- Commercial viability of the business case being presented
- The business must comply with all relevant laws and regulations
- There must be operational involvement at the managerial and board levels by black people
- Minimum percentage of black ownership or interest of 50.1% is a requirement
- The business must be able to repay NEF funding
- The business must create a reasonable number of jobs
- Geographic location of the business is also important with the focus on rural or economically depressed areas encouraged
- Meaningful black women participation is viewed more favourably
- Rural and Community Development Projects must have meaningful participation by communities
- Possibility of co-funding with private or public sector institutions is encouraged in larger projects.

Once your application has been received and found to meet the above conditions, it will then go through different stages for a detailed commercial assessment.

How to apply for Funding

Completing the application form

Having read and understood how the NEF is structured to assist black entrepreneurs and businesses, the next logical step is to do a self-needs analysis to see how the NEF is able to assist you and your business needs. To engage them is as simple as taking the first step of filling in an application form that will present your business case for assessment based on the criteria described above.

Your proposal needs to contain comprehensive information to support the commercial viability and the financial position of your business. A business plan guideline has been provided on the application form, to highlight the various topics you need to cover when making your submission.

Non-financial business support

a. Pre-Investment Business Support Unit (PIU)

Applicants for funding may be excellent entrepreneurs, but often struggle to navigate the necessary application procedures and to manage their businesses. The NEF therefore a ssists with funding advice, business planning and general assistance to help ensure that applications are of sufficient quality to complete all steps in the application process.

The first point of contact for many potential clients, the PIU's primary functions are to:

- Provide information on NEF products and procedures
- Control and assist in drawing up funding applications
- Identify applications that will qualify for funding
- Keep clients informed on the progress of their applications
- Advise applicants and assist with drawing up business plans

b. Post-Investment Business Support Unit (POIU)

Black businesses need to be robust and self-sustaining for BB-BEE to succeed. Recognising this fact, the NEF established structures to monitor its clients for risk and provide advice when needed. Although start-ups are inherently higher risk, the rewards for success are jobs and increased capital for further start-ups.

The unit is responsible for:

- Regular portfolio monotoring
- Regular collections management and credit control
- Mini restructure of distressed investments
- Turnaround and rescue of highly distressed investments
- Legal and workouts
- Active board seats on larger investments
- Mentorship and technical assistance
- Valuations of investee companies
- Impairments of investments; bad debt write off
- Legal Compliance
- Portfolio Management
- Portfolio Risk Management
- Additional funding on existing investments
- Exits on matured investments
- Knowledge Management
- IT system development
- To provide a superior customer relationship management channel for all NEF's Investees

iMBEWU FUND

iMbewu Fund product information

This Fund is designed to support black entrepreneurs wishing to start new businesses as well support existing black-owned enterprises with expansion capital. The Fund supports these entities by offering debt, quasi-equity and equity finance products with the funding threshold ranging from a minimum of R250 000 to a maximum of R10 million.

Funding is delivered through the following products:

1. Entrepreneurship Finance
2. Procurement Finance
3. Franchise Finance

1. Entrepreneurship Finance

The Entrepreneurship Finance product is aimed at providing startup and expansion capital to new and early-stage businesses that are owned and managed by black people.

The key criteria of this product are:

- BEE applicants should be actively involved in the day-to-day management of the business
- Minimum black ownership of 50.1% is a requirement
- Business and/or industry experience by black entrepreneurs is also considered
- The NEF reserves the right to oblige applicants to participate in the NEF mentorship programme where there is lack of business and/or Industry experience
- The business should be able to repay NEF's investment
- Business must have a clear value-add with a sustainable business case
- Business should preferably employ minimum of 5 people
- Maximum NEF funding is R5 million
- The NEF will exit from the investment in 5 to 7 years

2. Procurement Finance

The Procurement Finance product is aimed at assisting black-owned SMEs that have been awarded tenders or contracts by public and private sector entities. The product's main objective is to ensure that qualifying SMEs have the capacity to carry out the contracts.

The key criteria of this product are:

- Repayment terms must match the contract term
- NEF funding is generally limited to R10 million
- There must be active participation by black individuals in the operations of the business
- Minimum black ownership of 50.1% is required
- Industry knowledge by management or there must be clear transfer of skills through relevant partnerships
- The NEF will seek to co-finance with commercial banks to share risk where possible
- The NEF reserves the right to oblige applicant to participate in the NEF mentorship programme

3. Franchise Finance

The Franchise Finance product is aimed at assisting black entrepreneurs who wish to acquire a franchise license. The product is aimed at entrepreneurs who wish to start their own businesses by buying a franchise linked to a particular brand to reduce risks associated with start-up businesses lacking a track record.

The key criteria of this product are:

- The NEF prefers to fund recognised franchise concepts
- Active management involvement by BEE parties is required
- Minimum BEE shareholding of 50.1% is a requirement
- Transactions will be structured with sustainable capital structure
- BEE party must have been pre-approved by the franchisor before approaching NEF
- NEF funding generally limited to R5 million
- The NEF will exit from the investment in 5 to 7 years

UMNOTHO FUND

The Umnotho Fund product information

This Fund is designed to improve access to BEE capital and has five products:

Acquisition Finance, Project Finance, Expansion Finance, Capital Markets Fund, and liquidity and warehousing. These products provide capital to black-owned and -managed enterprises, black entrepreneurs who are buying equity shares in established white-owned enterprises, project finance and BEE businesses that are or wish to be listed on the JSE.

Funding ranges from R2 million to R75 million and details of the five products are provided below:

1. Acquisition Finance
2. Project Finance
3. Expansion Capital
4. Capital Markets
5. Liquidity and Warehousing

1. Acquisition Finance

The key criteria of this product are:

- BEE applicants seeking to fund equity purchases of between R2 million and R75 million in existing businesses
- Focus on medium to large companies
- Focus on partnerships with existing management teams and other equity investors
- Minimum BEE ownership of 25.1% post NEF investment
- Active BEE management participation
- Active BEE involvement in investee companies
- BEE Financial contribution determined on case-by-case basis
- Investment instruments can include a combination of debt, equity and mezzanine finance
- The NEF reserves the right to oblige applicants to participate in the NEF mentorship programme
- Typical investment horizon of 4 to 7 years
- Security to include personal suretyship

2. Project Finance

This product provides capital of R5 million to R75 million per project for BEE parties seeking to participate in medium-sized greenfields projects with total funding requests of between R10 million and R200 million.

The key criteria of this product are:

- Minimum 25.1% BEE shareholding
- Investment instruments can include a combination of debt, equity and mezzanine finance in support of BEE
- BEE-specific financial contribution assessed on a case-by-case basis
- NEF exposure to the project generally not to exceed 50% of total project costs
- Proven management experience within consortium
- Active BEE involvement in investee companies

Debt funding raised from the market to match equity funding provided by NEF and other project sponsors

- NEF funding limited to R25 million per project
- The NEF investment horizon is 5 to 10 years
- Security to include personal suretyship

3. Expansion Capital

The NEF will provide funding of R5 million to R75 million to entities that are already black-empowered, but seek expansion capital to grow the business.

The key criteria of this product are:

- Investment instruments can indude a combination of debt, equity and mezzanine finance in support of BEE
- BEE shareholding should be minimum of 50.1%
- Pricing based on instrument, risk matrix, security package, etc.
- Typical investment horizon of 4 to 7 years
- Active BEE involvement in investee companies
- Security to include personal suretyship and security over business assets

4. Capital Markets

This product invests in BEE enterprises, particularty those owned by black women, that seek to list on the JSE or its junior AltX market. The Umnotho Fund will also help listed BEE companies to raise additional capital for expansion. All other key features are similar to those of the Acquisition Finance product.

5. Liquidity and Warehousing

This product assists BEE shareholders who need to sell a portion or all of their shares (as minority stakes in unlisted firms are hard to sell). Also acquires and temporarily warehouses these shares before on-selling them to new BEE shareholders, and refinances BEE shareholdings where existing financing structures are costly and/or inefficient. All other key features are similar to Acquisition Finance Fund.

RURAL AND COMMUNITY DEVELOPMENT FUND

Rural and Community Development Fund was designed to promote sustainable change in social and economic relations and supporting the goals of growth and development in the rural economy, through financing of sustainable enterprises. This would be achieved through the mobilisation of rural communities in legal entities or cooperatives, in order to participate in the broader economic activities and realise the economic transformation goals in rural South Africa. The fund has four products: Project Finance, Business Acquisition, Expansion Capital and Start-up/Greenfields with the funding threshold ranging from a minimum of R1 million to R50 million.

Sectors to be funded:

- Agro Forestry
- Agro Processing
- Leisure Tourism
- Primary / Seconadary Agriculture
- Manufacturing
- Alternative Farming Methods
- Fishing and Packaging

The key criteria of this product are:

- Projects must be financially sustainable
- BEE applicants should be actively involved in the day-to-day operations of the business
- Technical partners should be actively involved in the day-to-day operations of the business
- The NEF will invest using debt, equity and quasi-equity instruments
- Minimum black ownership of 25.1% is a requirement
- Joint ventures between black and non-black partners to support skills transfer
- The business should be able to repay NEF's investment
- The business must have a clear value-add with a sustainable business case
- The NEF will exit from the investment in 5 to 10 years
- The NEF reserves the right to oblige applicants to participate in the NEF mentorship programme

Rural and community development fund which offers the following financing products:

1. Finance
2. New Venture Enterprises and
3. Expansion Capital

STRATEGIC PROJECTS FUND

In the quest to expedite BB-BEE participation not only in small and medium enterprises and existing businesses through acquisition of equity interest in well established businesses but also participation in new sector industries which have been built from the ground, the NEF established the Strategic Projects Fund ("SPF").

The Strategic Projects Fund (SPF) is at the centre of NEF's investment strategy when it comes to securing the participation of historically disadvantaged people (HSDAs) in early stage projects. Its core function is to provide Venture Capital Finance aimed at developing South Africa's new and strategic industrial capacity within strategic sectors identified by government as the key drivers to the economic growth. The fund is led by the Chief Executive who provides the strategic guidance.

It all began with a simple strategic question; "How is the NEF going to secure the participation and empowerment of black people in strategic sector projects that are at an early stage?" This required NEF to develop a fund that would become a pioneer in providing Venture Capital Finance that would seek to provide seed capital for feasibility studies.

This fund would embody NEF's truest sense of achieving its developmental finance objectives, most importantly securing the participation of black people. To date that question is being answered and the NEF through SPF takes a leading role and has has become the face of BB-BEE in future strategic companies. Established in 2008 as a division within the NEF, the SPF's mandate is to play a central role in early stage projects by identifying, initiating, scoping and developing projects that are in sectors identified by government as the key drivers to South Africa's economic growth. These projects will be taken through 6-stages of the project development phases.

The phases being the following: Scoping and Concept Study; Pre-Feasibility Study; Bankable Feasibility Study; Financial Closure; Construction Phase; and Technical Completion.

A successful implementation of the Fund will see the NEF take the lead in the following:

- Expansion and creation of new industrial and manufacturing capacity in South Africa,
- Investment in economically depressed areas or poverty nodes, and principally in rural areas,
- Warehouse equity for the future benefit of BB-BEE in national strategic projects and increase the participation of BB-BEE in these projects,
- Increase export earning potential for South Africa,
- Reduce the dependency of South Africa on imports.

Empowerment Objectives

Through the Strategic Projects Fund, NEF will facilitate BB-BEE in the following ways:

- Warehouse equity for BB-BEE in early stage projects at valuations with little or no premium paid to access the projects. This enables NEF to distribute its warehoused equity to BB-BEE at lower valuations once a project is operational;
- Take early stage risk on behalf of black people as early stage projects have higher execution risks compared to operational companies. The NEF will assume most of the financing risk and devise instruments to carry or transfer equity to BB-BEE once project fatal flaws have been mitigated;
- Manage the project and venture capital finance structuring complexities as it is more complex and difficult to raise capital for new ventures as compared to corporate finance deals where valuations can be ascertained based on historical performance and risks are clearly understood;
- Enable project promoters to focus on making projects bankable and operational by giving the BB-BEE status as NEF is the only DFI gazetted as a BB-BEE facilitator;

Stage 1 - Scoping or Concept Study: This is the 1st stage in the development of a project. The key focus is to invest in the generation of ideas at very high level and package options that are technically and economically sound for the idea to become feasible. These options are then presented for Pre-Feasibility consideration which will in more detail test the viability of feasibility of the proposed options.

Stage 2 - Pre-feasibility Study (PFS): This is the 2nd stage in the development of a project. This objective is to test for fatal flaws in any concept and reduce the options to one concept. The selected option is then developed in more detail to an extent that all assumptions are qualified and verifiable within 30% accuracy. This covers areas ranging from marketing, technical packages, Environmental Impact Assessments (EIA), financing structures etc. At the end of the PFS, a base case economic model is used to ascertain viability of the project and the key risks and possible mitigants are defined.

Stage 3 - Bankable Feasibility Study (BFS): This is one the key steps in the development of the project. The key objectives of the BFS are to execute most, if not all, material contracts that will reduce the uncertainty in the project. For example, concluding a "lump sum turn-key (LSTK) contract" for the construction of power plant, concluding a "supply contract for raw material" or "off-take agreement for purchase of services or products" or receiving a "positive EIA record of decision". It is on the back of these executable contracts that project financiers and private equity investors would then consider the project bankable and offer investment finance to financially close the capital requirements for the project to move to construction.

Stage 4 - Financial Closure (FC): This stage largely involves capital raising for the project as determined by the BFS and once all financing agreements have been executed, the project is then deemed to have reached financial close. Financing stages 1 to 3 by providing venture capital, SPF will then play a Private Equity or Project Financier role depending on the size of the project. After financial close, the project is then ready to begin construction.

Stage 5 – Construction Phase (CP): At this stage the focus is to manage the construction of the project as per plan and budget. Depending on the nature of the project this can be anything from 3 – 36 months.

Stage 6 – Technical Completion (TC): This represents the final milestone for SPF. This represents a stage at which the project has been constructed and tested against the designed operating parameters as signed off in the BFS material contracts. The project will then be handed over the Post Investment Unit to manage and monitor the business operations measured against the business plan.Strategic sector alignment

Our Investment Strategy is directed towards the following sectors:

- Tourism and Hospitality
- Renewable Energy
- Business Process Outsourcing
- Mining and Mineral Beneficiation
- Agriculture and Agro-processing
- Infrastructure
- Strategic Manufacturing Capacity (new area under development)

INVESTEE STORIES

Building the Economy, Sharing the Wealth

R50 million in Mgro Properties to acquire productive Citrus Farm in the Western Cape

The NEF has approved a R50 million investment to Mgro, for shareholder loans of R40 million, with interest charged at prime less 3% repayable over a 10-year period. R10 million is for preference shares, redeemable over a 10-year period with a 6% coupon rate.

The transaction relates to the acquisition of four farms that will cater for Citrus products from South Africa worldwide. This investment will create an opportunity for the Emgro Properties (BEE Group) to own productive farms with established markets in place. Mouton Citrus (Pty) Ltd will provide mentorship support in respect of daily operations, marketing, technical know-how and distribution. The company is 80% owned by BEE grouping, Mgro Group, which comprises permanent farm workers, seasonal workers and the community of Citrusdal.

The farms are located in the poverty stricken area of Citrusdal, in the Western Cape. This transaction supports a black company to own productive citrus farms with established global markets, and will help retain 40 jobs and create 110 new jobs at a primary farming level, and 540 seasonal jobs during harvesting.

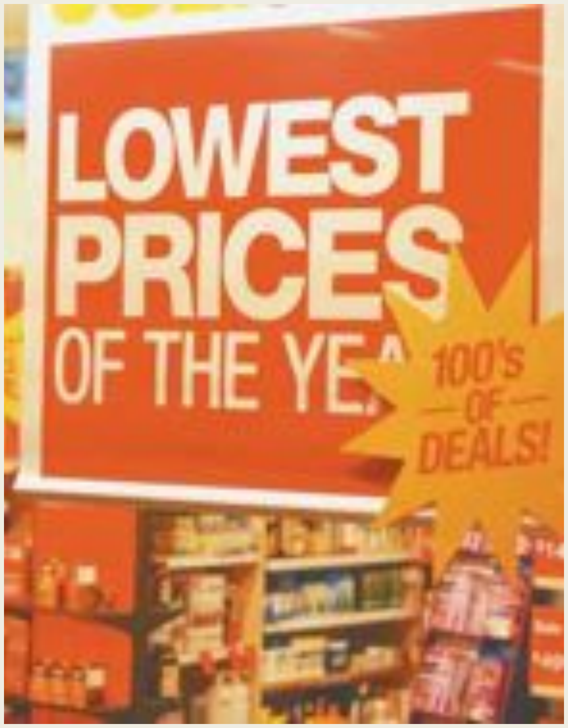
R50 million for Country View Retail Centre in Butterworth, Eastern Cape

In Butterworth in the Eastern Cape province, the NEF has approved an investment of R50 million to support the development of the first shopping mall in the area.

Valued at approximately R170 million, the start-up commercial property will have 26% community shareholding, 23% shareholding by BEE groupings, and 51% by the contractor /developer.

During construction, 210 will be created, while 350 permanent jobs to be created when operations begin.

The developer has donated a community library with, complete with books and a computer system.



R9,9 million for a mussle farm in Saldanha Bay, Western Cape

In Saldanha Bay, Western Cape, the Mazisa Mussel Farm produces 730 tons of black mussles per annum, and has a 100% off-take agreement with LaVie Seafood, the only processor of mussles in South Africa. The NEF has approved R9,9 million for Masiza's commercialisation and expansion. 62% of the company is owned by black people located in a poverty-stricken area. The investment supports a transaction in the economically sustainable and globally competitive marine aquaculture sector, and will lead to the retention of 6 jobs and the creation of 10 new jobs at a primary farming level, and 90 new jobs at the processing plant.

R50 million for Orange Farm Shopping Centre, trading as Towns Square Mall, in Gauteng

In the peri-urban area of Orange Farm, in Gauteng's Johannesburg south, the NEF has approved R50 million to support 19% upfront community ownership of a regional shopping centre measuring 39 000m². The mall will be anchored by major brands such as Pick' n Pay, Shoprite, JD Group, Edcon and Thusong Services housing Home Affairs, SARS and the Department of Labour .

46% of the shops will be let to black tenants in a mall whose commercial viability is based on 80% confirmed leases. The investment will create 750 permanent jobs and around 2000 jobs during construction. Between 20 and 30% of project value will be spent in the Orange Farm area, and retail store opportunities will be made available to hawkers and taxi owners.

R23 million for 9 franchise outlets in the Western Cape

Sales Hire is a Cape Town based company that specialises in the hire of builder's equipment and other related tools. The company has 20 in the Western Cape, and intends to franchise nine of their branches to the current black management in those branches. Sales Hire specialised in hire and sale of tools and equipment in the construction industry. Their product offering ranges from access platforms, breakers, cleaning equipment, compacting and concrete, compressors , drills, generators and power tools etc. These products service both the DIY and construction industry.

Shops for the People of the Free State

My Store is a convenience store that aims to empower black entrepreneurs, creating employment and developing skills among individuals within South Africa's informal market. The NEF will finance the acquisition of 7 outlets in the Free State, each ranging between R250 000 and R450 000.

The franchisor has developed a container-store model and offers this as a business opportunity within the informal market. The aim of the convenience store is to offer the basic needs of the surrounding community. The My Store container business is fully equipped to provide services such as Take Aways, spaza (groceries, sweets, health & beauty products, diary, cooldrinks, etc.), ATM services, Lotto, Internet, prepaid electricity and airtime, copy/fax/scan/print and public phone services.

R44 million in the Eastern Cape

This is a greenfields project in the broiler industry.

Velevutha Agricultural Consultancy's operations will be in contract-growing for chicken processing entities. It has secured a 10-year outgrower contract with Crown Chickens (Pty) Ltd, a subsidiary of the JSE listed Sovereign Foods Limited, to grow over 6,3 million chickens per annum.

The NEF has approved R44 million new ventures finance to fund the land, infrastructure and equipment required to kick-start the project. Velevutha represents a genuine broad-based BEE initiative including 33% women, 10% Staff and 7.5% Broad-Based BEE ownership as well as the creation of 12 new jobs and transformation of a white-dominated, blue-chip industry.

Over R28 million for a hotel in KwaZulu Natal

The NEF has approved finannce for the development of a hotel in the Westbrook area, in KwaZulu Natal. Expected job creation includes 45 permanent positions and in excess of 1000 positions during construction. This is a strong enterprise-development initiative and offering local participation and procurement.

R50 million in the Eastern Cape

Just On Cosmetics (Pty) Ltd (JOC)is a black-owned cosmetics retailer whose operations commenced in 1991. To date, the company boasts 38 outlets in the Eastern Cape, KwaZulu-Natal and the Free State, 2 warehouses, 36 vehicles, more than 50 suppliers and over 600 employees. The NEF has committed R50m in funds for JOC's expansion plans. This has the potential of creating in excess of 200 jobs in the above mentioned provinces whiles growing a black-owned company.

R45 million in Limpopo

LA Crushers (Pty) Ltd is a mining contracting company based in Phalaborwa, with operations in Limpopo and Mpumalanga. Having operated for more than 20 years, their client base includes blue chip companies like Phalaborwa Mining, BHP Billiton, Foskor and Exxaro. LAC's Head Office is in Phalaborwa, and the company employs some 500 personnel. The NEF's R45 million investment was to enable the acquisition of a 46% by a BEE Consortium, including the surrounding communities, as well as for the business' working capital requirements.

R7,9 million to fuel black economic participation in the Northern Cape

Desert Oil is a fuel branding and marketing company. The company came about as a result of Chevron divesting in retailing in the industry in line with applicable regulations.

The company began its operations in March 2010 before securing full funding. The assets acquired include supply agreements for 28 sites, pumps and tanks on all sites, and land and buildings for four sites. The entrepreneurs are strong individuals with 40 years' collective experience in the industry, indicating firm commitment to the transaction through a R2 million own contribution, and two of the three directors moving from the Western Cape to the Northern Cape in compliance with the NEF's requirement for direct operational involvement.

R30 million in arts and culture

The NEF has supported the introduction of a consortium of black women and the Nozala Trust as shareholders in the Ma-Afrika business, and funded the production of 2 films, namely A Million Colours and Winnie. Through this investment the NEF is supporting transformation in a key industry and has assisted in the facilitation of more than 350 jobs for crew and cast positions.

i3-Africa (Pty) Ltd

The project aims to deploy Last Mile Fibre Optic cables across the national landscape of South Africa. Fibre optic infrastructure that is 4 times faster at less than half the cost of normal fibre will be deployed. Licensed patented technology that uses existing sewer and other currently existing infrastructure rather than the normal method of digging up trenches to lay fibre optic cables, will be utilised. An initial capital investment of R300 million will lead to the establishment of a South African Last Mile Fibre Optic Infrastructure Company, i3 Africa.

The project will increase broadband access, thus having a huge impact on the liberalisation of broadband access in South Africa.

BUSA Holdings (Pty) Ltd

South Africa's Health Care sector is dominated primarily by three large groups who control more than 75% of total market share, while the balance is largely fragmented.

Busa Holdings intends to be the first black-owned hospital group to compete with the big three. The vision is to be a consolidator of fragmented health care market. This will be kick-started with the commercialisation of four hospital licenses amounting to 500 hospital beds, spread over three provinces, namely Gauteng, Cape Town and the Free State.

With the first being in Gauteng, this hospital will be a world class orthopaedic and sports medicines centre, a first of its kind in Africa. The aim is to develop centres of excellence which will provide world-class services. The project size for the four hospitals is approximately R1.2 billion.

Rare Metals Industries (Pty) Ltd

Rare Metals Industries ("RMI") is an investment by a select group of venture capital investors collaborating in the building of the world's first integrated speciality metals beneficiation complex, that will produce high value industrial metals, namely pure Titanium, Zirconium, Hafnium and Silicon. The beneficiation complex is expected to be built at a cost of approximately US$2.1 billion.

LemonEx (Pty) Ltd

The LemonEx project is a partnership between the Citrus Growers Association and the National Empowerment Fund in an agriculture and agro-processing venture expected to be built at a cost of R100 million involving the plantation of lemons over 2,000 ha tracts of land owned by a rural community in South Africa's Mpumalanga province, in an area named Badplaas. The lemon plantation will be accompanied by an investment in a lemon juice and lemon oil extraction plant with both products intended to be supplied to one of the world's largest beverage companies.

FRANCHISES FUNDED TO DATE

Build it
SPAR
bp
CAPPELLO
FOOD · PASSION · PEOPLE
Cofi
DEBONAIRS PIZZA
DIY DEPOT
BUILDING HARDWARE PAINT
ENGEN
With us you are Number One
Fish And Chips
HOT DOG Café
EXPECT THE BEST
KAROO
CATTLE AND LAND
Mystore
CONVENIENCE STOP
Nando's
NEWS CAFE
its about the vibe
PRIMI
Piatti
sasol
reaching new frontiers
Spur
Steak Ranches
A taste for life

Taking BB-BEE to the stars

We at the National Empowerment Fund continue to reach new heights in championing the cause of BB-BEE. By approving R50-million support for SunSpace Innovative Satellite Solutions, we have opened yet another gateway for black participation in the universal economy. SunSpace is the only manufacturer of high-performance satellites in South Africa and one of only two such companies in Africa, providing pioneering space technology for the local and international markets.

SunSpace successfully launched the SumbandilaSat in September 2009, taking a giant leap into the galaxy.

Part of the NEF's approach is the warehousing of equity at the early stages of potential projects. One such project is a coconut water venture with a Mozambican company. Once the feasibility study is complete, a coconut bottling plant will be set up in Malelane, Mpumalanga, to produce bottled coconut water.

CODES OF GOOD PRACTICE

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 or 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.

GLOSSARY OF TERMS

AMD	: Asset Management Division
Approved	: Final committee approval obtained, legal agreements not signed
BB-BEE	: Broad-Based Black Economic Empowerment
BFS	: Bankable Feasibility Study
DFIs	: Development Finance Institutions
Drawdowns	: Advances made against disbursed facilities
EIA	: Environmental Impact Assessments
Equity	: Another name for shares(derived from the word "equal" meaning each share is equal to every other share in the same class)
EXCO	: Executive Committee
EXCO IC	: EXCO Investment Committee
Facilities for disbursement	: Legal agreements signed, all Conditions Precedent met
FMD	: Fund Management Division
GAAP	: Generally Accepted Accounting Practice
GDP	: Gross Domestic Product
GRAP	: Generally Recognised Accounting Practice
IAS	: International Accounting Standards
IDC	: Industrial Development Corporation
IFRS	: International Financial Reporting Standards
IPAP	: Industrial Policy Action Plan
IPF	: Industrial Policy Framework
IRR	: Internal Rate of Return
JSE	: JSE Securities Exchange Limited
KPI	: Key Performance Indicator
MOU	: Memorandum of Understanding
NCOP	: National Council of Provinces
NEF	: National Empowerment Fund
NIPF	: National Industrial Policy Framework
PFMA	: Public Finance Management Act
PFS	: Pre-feasibility study
PIU	: Pre-Investment Business Support Unit
POIU	: Post Investment Business Support Unit
RMC	: Portfolio and Risk Management Committee
ROI	: Return on Investment
SAIs	: State-Allocated Investments
SAVCA	: South African Venture Capital and Private Equity Association
SME	: Small and Medium Enterprise
SOCE	: State Owned Commercial Enterprise
SPF	: Strategic Projects Fund
The Codes (of Good Practice)	: Broad Based Black Empowerment Act Codes of Good Practice
the dti	: The Department of Trade and Industry

National Empowerment Fund
Growing Black Economic Participation

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Morningside
2057

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

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The Trust was established through the National Empowerment Fund Act (Act 105 of 1998),to provide access to funding for black entrepreneurs and black empowered businesses through the fund management division. In addition, the promotion of investments and savings activities is undertaken by designing and offering retail investment products through the Asset Management Division which are offered for subscription by black investors. The NEF also has a Strategic Projects Fund which provides funding for venture capital actvities in the Industrial Policy Action Plan sectors.
Trustees	Mr R Ntuli (Chairman) Ms Philisiwe Buthelezi (CEO) Mr Andrew Wright (CFO) Ms N Fakude (Resigned 16 May 2011) Mr R Garach Ms A Halstead Ms A Makwetla Ms J Molisane Ms N Mosala Ms Z Ntlangula Mr A Raiz Mr K Thaver Mr T Tlelai
Registered office	187 Rivonia Road West Block Morningside 2057
Business address	187 Rivonia Road, West Block, Morningside, 2057
Postal address	PO Box 31, Melrose Arch, Melrose North, 2076
Executive Authority	Department of Trade and Industry, South Africa, to which the Trust reports as its Executive Authority under the auspices of the Public Finance Management Act.
Bankers	Standard Bank Limited First National Bank Rand Merchant Bank South African Reserve Bank Investec Bank
Auditors	Pricewaterhouse Coopers Inc.

National Empowerment Fund Trust (established by Act 105 of 1998) IT: 10145/00
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the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA