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"It is critical to draw a distinction between the ownership of assets or property by a few black people, and such ownership by the majority that is still disadvantaged even after 19 years into democracy. It is an undisputable fact that white compatriots still control the South African economy and disproportionately own most of the prime land in the country."

”

His Excellency President Jacob Zuma, National Assembly, March 20 2013



*His Excellency
Mr Jacob Zuma,
President of the Republic
of South Africa*

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CRAFTING SUSTAINABLE ENTREPRENEURS

The central orange globe in the image appearing on the front cover, with its radiating craft-like network, symbolises the NEF at the centre of innovative transformation solutions for an economically inclusive South Africa.

The NEF is at the centre of harnessing entrepreneurial energy – radiating as a well-crafted facilitator and supporter of the pillars of black enterprise – with the promise of providing solutions to black entrepreneurs.

At the heart of the values of the NEF, with the acronym EMPOWER, is the undertaking that as patriots we will serve the nation with integrity and honour, with empathy and dedication to excellence, inspired by the vision of a growing and inclusive economy. This, is our oath, our vocation, our contract with the nation.🔥



FOREWORD BY THE HON. MINISTER OF TRADE AND INDUSTRY NEF ANNUAL REPORT 2013

The National Empowerment Fund (NEF), a statutory Trust which is mandated to implement Broad-Based Black Economic Empowerment, is an integral part of the dti family, and forms part of the strategy through which Government strives to transform South Africa's economic landscape in order to achieve sustainable growth and inclusivity.

South Africa's history does not allow us to grow the economy, to industrialise, without addressing the legacy of disadvantage, discrimination, and underdevelopment left by apartheid. By broadening economic participation to encompass participants excluded in the past, we develop a stronger entrepreneurial base for the future, and that is an imperative of the NEF.

This report shows the highest level of funding activity for the organisation since operational inception in 2004. To date, NEF funding has supported over 44 000 jobs, with job support targets exceeded in the previous year with a job support ratio of R60 848.

The dti considers entrepreneurship, co-operatives and SMME development as central to broadening economic participation. The NEF's SME strategy, first implemented in the previous financial year, resulted in significant increases in the number of businesses supported by the NEF throughout the country. The introduction by the NEF of the Socio-Economic Development Support initiative together with the Rural and Community Development Fund, will provide further impetus to our efforts to increase the number of black rural entrepreneurs by driving broader transformation in the rural economy.

I am also pleased by the introduction of the Entrepreneurship Development Programme, which provides training to potential entrepreneurs through incubation. Also noteworthy are the continuing non-financial business interventions in the form of an on-line business-planning solution, as well as a Mentorship Programme, interventions that are both available at no cost to the public and to NEF investees, respectively.

The Strategic Projects Fund (SPF) is an initiative aimed at entrenching black entrepreneurial rights in early stage projects by identifying, initiating, scoping and developing projects aligned to the Industrial Policy Action Plan. I am pleased to note that some of these projects, which are valued at over R33 billion, have a potential to create over 100 000 jobs, and offer the real possibility to generate exports and beneficiation. Based on historical trends, the NEF's Enterprise



The Hon. Dr Rob Davies, MP
Minister of Trade and Industry

Development Fund will continue to attract the growing participation and partnership across the private and public sectors.

We congratulate the former and the new Board of Trustees, under the leadership of Chairman, Mr Thando Mhlambiso, the CEO, Ms Philisiwe Mthethwa, as well as the executive, management and the staff of the NEF.

We wish the NEF ever greater success and impact in fulfilling its important mandate. »

A handwritten signature in black ink, appearing to read 'R. Davies', written over a white background.

The Hon. Dr Rob Davies, MP
Minister of Trade and Industry

Government of the Republic of South Africa

PERFORMANCE HIGHLIGHTS

AS AT 31 MARCH 2013

Funding approvals	To date, approved 519 black-empowered businesses to the value of R5.05 billion. During the financial year, approved 135 deals worth R1.33 billion (2012: 98 deals worth R1.16 billion; 2011: 62 deals worth R749 million).
Creating jobs	From inception to date, the NEF has through its approval process supported more than 44 000 jobs, including more than 24 000 new jobs which it has created. The NEF is projected to support 15 555 jobs at approval stage during the 2012/13 financial year, of which 11 408 were new. Job support targets were exceeded as a result of the high level of approvals during the year.
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; since inception 26 projects have been approved, with a total project size worth R33 billion, with an employment-creation potential in excess of 100 000 decent jobs over the next three years. SPF projects have the potential to attract meaningful foreign direct investment into South Africa.
Fund a woman, fund a nation	From inception to date, 21% of the NEF's funded portfolio has comprised businesses that are owned and managed by black women. Through its marketing and outreach initiatives, the NEF continues to urge more women to apply for funding. In the experience of the NEF, women entrepreneurs are known to have better financial discipline and tend to service their loans with far greater diligence and are reputed to do so in record time.
National footprint	The NEF has opened seven regional offices in order to ensure a national footprint. These are in Eastern Cape, KwaZulu-Natal, Mpumalanga, Limpopo, Free State, the Western Cape and the North West. The Northern Cape offices will open soon.
Enterprise Development Fund	The NEF Enterprise Development (ED) Fund, which enables 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 then directly co-invests in enterprise development initiatives alongside the NEF ED Fund on a 60:40 ratio. To date, participants include Western Cape Department of Economic Development and Tourism, Evraz Highveld Steel, the Laser Group, BP, Chrysler and Transalloys. Significant developments for the NEF ED Fund include entering into an MOU with the UK Trade and Investment where a partnership has been developed to encourage UK-owned subsidiaries in South Africa to help develop new black-owned enterprises that are able to become new South African suppliers in the value chains of these multi-nationals.



PERFORMANCE HIGHLIGHTS

AS AT 31 MARCH 2013

Post Investment and mentorship support	<p>During 2012/13 mentorship to the value of R3.3 million has been provided to investees where the investees needed to improve on their general management or technical skills. The Post Investment Unit achieved the following key performance outputs:</p> <ul style="list-style-type: none"> • Tabled 181 formal investee progress reports • Conducted 335 site visits over this period • Facilitated 10 exits totalling R71.1 million on the investment portfolio
Entrepreneurship development	<p>In response to the constraints facing some black entrepreneurs, such as limited management skills, including financial, marketing and technical expertise, over 127 entrepreneurs were referred by the NEF to the Shanduka Black Umbrellas incubator programme. Business skills training was also provided through the NEF's Pre Investment Unit for 1 460 potential entrepreneurs, who attended a total of 83 courses at different centres across the country.</p>
Financial sustainability	<p>In parallel with meeting the mandated performance targets, the NEF has maintained financial discipline and prudence with an unqualified audit opinion on its financial reporting, for eight successive years. Financial sustainability has been upheld, with the NEF being able to report an overall annual portfolio return of 9% before impairment provisioning and write-offs.</p>
Stakeholder relations	<p>In pursuit of its commitment to transparency and accountability, the NEF participates 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. As a result, more and more people, according to successive research surveys, have come to know about the NEF. Enquiries and applications for funding continue to increase as a result of the television, print, outdoor and on-line adverts, as well as growing volumes of media coverage received.</p>
Socio-economic development	<p>In order to propel meaningful participation by designated groups especially in the rural economy and in particular for the benefit of women and people living with disabilities, the NEF established the Socio-Economic Development Unit, whose mandate is to facilitate proper establishment of workers' trusts, community trusts and co-operatives. This Unit also evaluates the feasibility of foundations or trusts linked or associated with NEF-funded projects. In order to optimise the NEF's socio-economic impact, the Unit develops best practice in respect of socio-economic and broad-based initiatives on an investment-by-investment basis, and facilitates strategic partnerships and alliances with other support institutions.</p>



ABOUT THE NEF

Legislative mandate

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

The operations of the NEF are governed by the Public Finance Management Act, No. 1 of 1991 (PFMA), including the National Treasury Regulations, the King Report on Governance for South Africa 2009 (King III) and the Protocol on Corporate Governance in the Public Sector, 2002.

Vision

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

Mission

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

Values

E_{THICS} M_{OTIVATION} P_{ERFORMANCE} O_{WNERSHIP} W_{ORTHY} E_{XCELLENCE} R_{ESPECT}



Strategic objectives

The NEF Act defines the policy objectives of the NEF as being to:

1. Provide black people with the opportunity of acquiring shares or an ownership interest in SOCEs (State Owned Commercial Enterprises).
2. Encourage and promote savings, investment and meaningful economic participation by black people.
3. Promote and support business ventures pioneered and run by black enterprises.
4. Promote a thorough understanding of the concept of equity ownership among black people.
5. Contribute to the creation of employment opportunities.
6. Encourage the development of a competitive and effective equities market that involves all persons in the Republic.
7. Generally employ such schemes, businesses and enterprises as may be necessary to achieve the objectives of the NEF Act.

“The historical obligation of our generation is to reclaim the humanity of the African people in all critical areas that define modernity, to modernise the forces of production, to raise education levels of all the peoples and to eradicate the economic inequalities.”

Deputy President Kgalema Motlanthe,
15th African Renaissance, Durban, 23 May 2013

In order to achieve these objectives the NEF is structured to deliver against its mandate by performing the following core activities:

- Fund Management, which comprises:
 - The Venture Capital and Corporate Finance Division, consisting of uMnotho Fund and the Strategic Projects Fund (SPF). The uMnotho Fund focusses on funding acquisitions and expansion of existing businesses while SPF creates new industrial capacity while creating black industrialists with a focus on seed capital and venture capital funding.
 - The SME and Rural Development Division, which consists of the Pre Investment Unit, iMbewu Fund, the Rural and Community Development Fund, the Socio-Economic Development Unit and Regional Offices. The iMbewu Fund focuses on providing funding for SMEs (Small and Medium Enterprises) while the Rural and Community Development Fund is committed to supporting the financing and establishment of sustainable rural enterprises
- Office of the General Counsel, which consists of the Legal Department and the Post Investment Unit, supports services to the invested portfolio
- Asset Management, which serves as the custodian of certain equity allocations in SOCEs, and through which the NEF aims to foster a culture of savings and investment among its beneficiaries.🔥



“We serve the nation with integrity and honour, with empathy and dedication to excellence, inspired by the vision of a growing and inclusive economy.”

Management and Staff of the NEF

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FUNDING PRODUCTS AND SERVICES

Funding from R250 000 to R75 million

The NEF is an agency of the dti mandated to grow black economic participation. Accordingly, its funding mandate is directed by the Codes of Good Practice on Broad-Based Black Economic Empowerment (B-BBEE), and by the Industrial Policy Action Plan. The NEF provides business loans from R250 000 to R75 million across a range of sectors, for start-up, expansion and equity acquisition purposes. One of the key requirement for NEF funding is for the investees to be involved in the operation of their businesses.

Initial Assessment Criteria

The NEF provides funding to black entrepreneurs and groups with the aim of facilitating access to finance in support of B-BBEE 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:

- Minimum percentage of black ownership or interest required
- Meaningful participation by black women is viewed favourably
- There must be operational involvement by black people at managerial and board levels
- Commercial viability of the business case being presented
- Specific product criteria

- 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
- Rural and Community Development Projects must have meaningful benefits for the communities
- The business must comply with all relevant laws and regulations
- Return on investment
- The business must be able to repay NEF funding
- Possibility of co-funding with private or public sector institutions is encouraged in larger projects

Once an 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 completing 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 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 assists 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
- Facilitate business development

b. Post Investment Unit (POIU)

Black businesses need to be robust and self-sustaining for B-BBEE 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 monitoring
- 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
- Providing 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 as 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 start-up and expansion capital to new and early-stage businesses which 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
- The business must have a clear value-add with a sustainable business case
- The business should preferably employ minimum of 5 people
- Maximum NEF funding is R10 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 clear evidence of skills transfer 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 applicants 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 licence. 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 the NEF
- NEF funding generally limited to R10 million
- The NEF will exit from the investment in 5 to 7 years

uMNOTHO FUND

uMnotho Fund product information

This Fund is designed to provide access to Acquisition Finance, New Ventures Finance, Expansion Finance, Capital Markets, 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, participation in New Ventures by black entrepreneurs 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. New Ventures 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. New Ventures 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 R75 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 include a combination of debt, equity and mezzanine finance in support of BEE
- BEE shareholding should be a 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, 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.

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

RURAL AND COMMUNITY DEVELOPMENT FUND

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

Sectors to be funded:

- Forestry/Manufacturing
- Agro Processing
- Rural Tourism
- Primary Agriculture "Integrated"
- Manufacturing
- Property
- Aqua/Marine Culture

The key criteria of this fund are:

- Projects must be financially sustainable
- BEE applicants should be actively involved in the day-to-day operations of the business
- Technical partners where applicable should be appointed
- 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

STRATEGIC PROJECTS FUND

In the quest to expedite B-BBEE participation, not only in small and medium enterprises or existing businesses through acquisition of equity interest in well-established businesses, but also participation in the development of new industrial capacity, in the leading sectors which impact South Africa's economy positively, the NEF established the Strategic Projects Fund (SPF).

SPF is at the centre of NEF's investment strategy when it comes to securing the participation of black people in early-stage projects. Its core function is to provide Seed Venture Capital Finance aimed at developing South Africa's existing industrial capacity within strategic sectors identified by Government as key drivers of economic growth.

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



To date that question is being answered and the NEF through SPF takes a leading role and has become the face of B-BBEE in future strategic companies. Established in 2008 as a division within the NEF. The investment made by SPF will develop projects from scoping stages up until financial completion, plugging a gap in the market where participation is considered too risky for ordinary investors.

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

- Expanding and creation of new industrial and manufacturing capacity in South Africa
- Investing in economically depressed areas or poverty nodes, and principally in rural areas
- Warehouse equity for the future benefit of B-BBEE in national strategic projects and increasing the participation of B-BBEE in these projects
- Increasing export-earning potential for South Africa
- Reducing the dependency of South Africa on imports

Empowerment Objectives

Through SPF, NEF will facilitate B-BBEE in the following ways:

- Warehouse equity for B-BBEE 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 B-BBEE 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 B-BBEE once project fatal flaws have been mitigated
- Manage the project and complexities of venture capital finance structuring 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 B-BBEE status, as NEF is the only DFI gazetted as a B-BBEE facilitator

Stage 1 – Scoping or Concept Study: This is the first 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 or feasibility of the proposed options.



Stage 2 – Pre-Feasibility Study (PFS): This is the second 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 such as 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 the viability of the project and the key risks and possible mitigants are defined.

Stage 3 – Bankable Feasibility Study (BFS): This is one of 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: 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: 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 to 36 months.

Stage 6 – Technical Completion: 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)

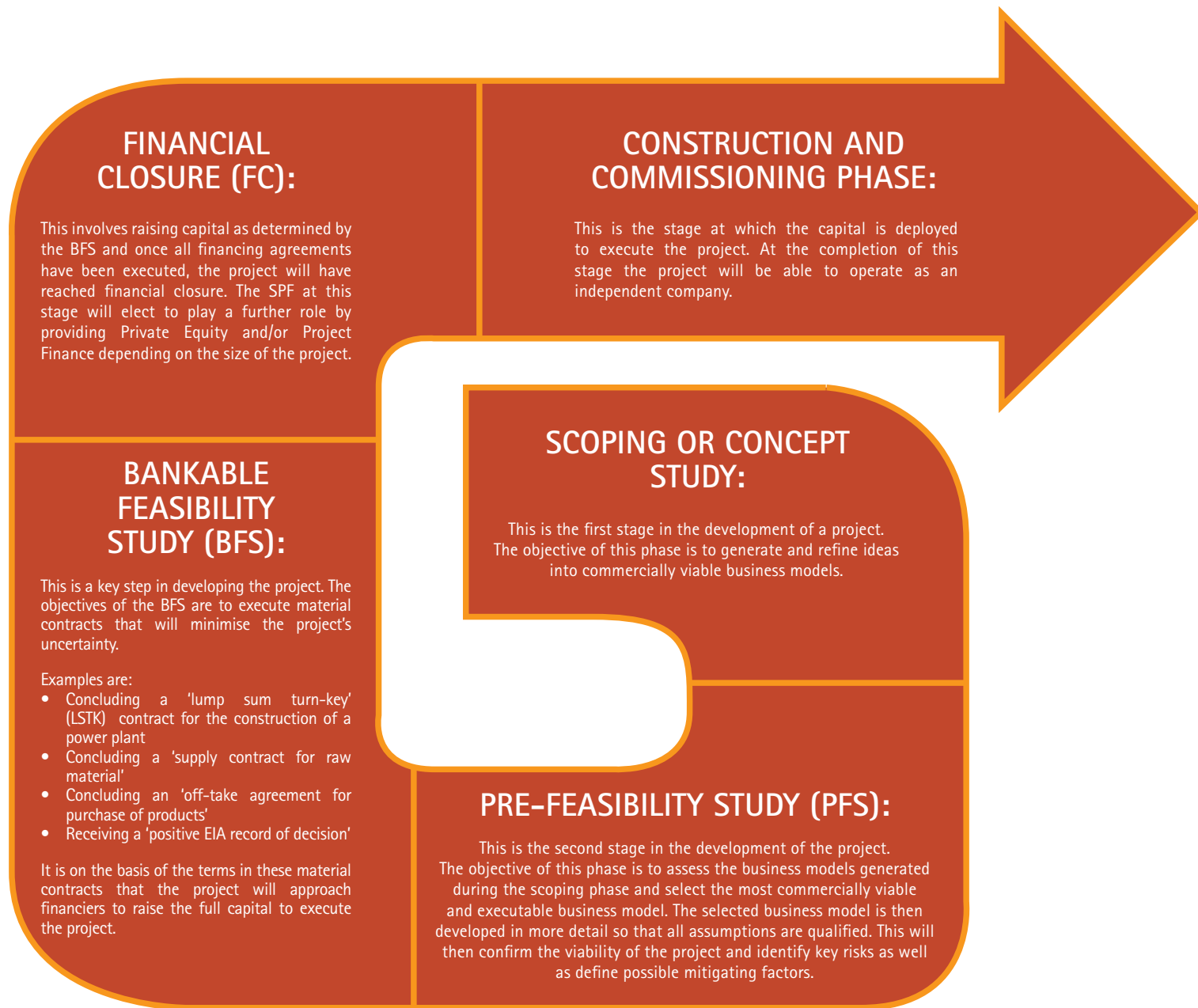
Challenges or market failures

Which face black business in South Africa

- Limited own capital
- Access to affordable capital
- Limited management skills, including financial, marketing and technical expertise
- Lack of accurate and reliable financial information
- Poor quality of business plans
- Lower bargaining power and strong competition from established businesses with entrenched market dominance
- Lack of access to local and international markets



SPF Investment Process



REPORT OF THE CHAIRMAN OF THE BOARD OF TRUSTEES

“The NEF, which is known by many as a funder with a soul, must continue to behave with selflessness and with dedication to the cause if we are to chart a compelling and principled way forward.”

LIFE TO DATE HIGHLIGHTS

Approved investments 519

Approved amount R5.05 billion

Jobs supported 44 000

Entrepreneurs trained 1 512



Mr Thando Mhlambiso
Chairman

The mortar that defines our mettle

While we must turn up the volume ...

Once our country's economy recovers, and business confidence returns, demand will grow amongst entrepreneurs for capital to create or to expand their enterprises. In this regard, the National Empowerment Fund (NEF), which is mandated by Government to facilitate black participation in South Africa's economy, will become ever-more critical to enabling black entrepreneurs to realize their dreams.

In the recent past, South Africa has witnessed a phenomenal surge in the desire of its citizens to step into the entrepreneurial arena. One measure of this drive is the growth in the numbers of applications to register new businesses with the Companies and Intellectual Property Commission: 26 334 submissions in FY2010 to 222 146 applications in FY2013 (a whopping 744%

increase over the last three years!). Interestingly, black entrepreneurs have also demonstrated a healthy appetite to start or to expand their own ventures, with the number of applications for funding from the NEF having grown over the same period from 1 290 in 2010 to 1 929 in 2013, a 49.5% increase.

Unfortunately for black entrepreneurs, the past few years have also borne witness to a measurable retreat from B-BBEE financing by several leading development finance institutions and the private sector.

At the heart of the NEF's existence lies the economic, social and moral imperative to enable black South Africans to participate meaningfully in our economy. Given recent developments, our mission is more relevant today than it ever was.

... we've already undergone a remarkable journey ...

It's been almost 10 years since the NEF became operational and we find ourselves now at an important crossroads. We are getting close to depleting the capital that was entrusted to us to invest in black-owned ventures, and yet the country, our Government and black entrepreneurs look to us more today than before to be a more effective partner in driving black participation in South Africa's economy.

Given where we stand, it's important to appreciate that the NEF has recorded several notable achievements since 2004. Namely, we have:

Promoted Entrepreneurship: We have approved 519 investments worth R5.05 billion for black-owned firms, 21.1% of which are owned by black women and 60% of which are SMEs, all of which are in a variety of industries, in rural and urban centres, across the country. These ventures have the potential to create over 100 000 jobs over the years. During the current year alone, we have provided business skills training to over 1 460 aspirant entrepreneurs who attended 83 business courses across the country.

Facilitated Greater Black Ownership of the Economy: We have enabled 87 000 black individuals and institutions to become shareholders in the MTN Group through the R1.3 billion Asonge Share Scheme. Further, the NEF advised Sasol in mobilising 200 000 black investors in the R7.9 billion Sasol Inzalo BEE Scheme. In addition, through our highly successful Investor Education campaign, the NEF has hosted more than 70 community seminars countrywide, reaching more than 17 000 people who were educated on issues such as how to save and to invest, on personal financial discipline, on shares, dividends and bonds and on the property and money markets.

Ensured that our Work has Benefitted a Broad Base of our People: Over the years, the NEF has placed increasing emphasis in ensuring that the investments we make touch many black peoples' lives in several important

ways: by propelling ownership, operational involvement, employment equity, skills development, preferential procurement, enterprise development and socio-economic development. This developmental impact has helped unlock economic opportunities (including in rural and peri-urban environments across our land) by empowering communities, young people, women and people living with disabilities.

Built a Solid Foundation for Future Growth: We have also developed a team of over 160 investment and business professionals, maintained a cost-to-income ratio of under 60%, developed a geographic footprint in all but one province, and consistently secured an unqualified external audit opinion.

For this remarkable journey that has been traversed so far, the country shall forever be in the debt of the NEF's past and present trustees, who were ably led by my predecessor Chairman and Acting Chairperson, Mr Ronnie Ntuli and Ms Zukiswa Ntlangula, respectively. Most notable for her contribution is Ms Philisiwe Mthethwa whose visionary, patriotic, principled and passionate leadership as CEO has been the chief reason for our many achievements to date.

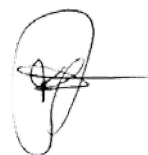
It is my privilege also to thank the executives, managers and other staff of the NEF for their dedicated service to the organization and for their willingness to embrace an examination of how the NEF can better optimise its impact.

Our profound gratitude also goes to President Jacob Zuma, to Minister Dr. Rob Davies, to other members of Cabinet and of Parliament, and to our family of investees and beneficiaries whose resolve to build our country's economy is the mortar that inspires and defines our mettle.

... and defining moments are on the horizon

As the NEF and Government embark upon the process of finding a sustainable, long-term funding arrangement for the NEF's future activities, we must strive to do so in a manner that will honour the hopes and aspirations of Tata Nelson Mandela to build a better society.

The NEF – which is known by many as a funder with a soul – must continue to behave with selflessness and with dedication to the cause if we are to chart a compelling and principled way forward.🔥



Mr Thando Mhlambiso
Chairman of the Board of Trustees
National Empowerment Fund

31 March 2013

REPORT OF THE CHIEF EXECUTIVE OFFICER

“The mandate of the NEF is one that gives the promise of hope and certainty to the majority that their exclusion from the economic mainstream is not permanent, nor is it a way of life.”

2013 HIGHLIGHTS

Imbewu Fund approvals	91 deals worth R379,3 million
Rural and Community Development Fund approvals	9 deals worth R148 million
uMnotho Fund approvals	23 deals worth R560,5 million
Strategic Projects Fund approvals	12 deals worth R244,7 million



Ms Philisiwe Mthethwa
Chief Executive Officer

A jewel in the crown of a nation

This Annual Report 2013, aptly entitled **Crafting Sustainable Entrepreneurs**, is the public record of a development finance institution that has continued to exceed its targets and milestones, secure in the knowledge that the standards that it sets for its investees must be the same benchmark by which its own performance is measured.

The mandate of the NEF is one that gives the promise of hope and certainty to the majority that their exclusion from the economic mainstream is not permanent, nor is it a fated way of life. It is a mandate whose cornerstone is the conviction that the quest for maximum black economic participation is noble, legitimate and just, and that its accomplishment will come to be the jewel in the crown of our nation's pride.

Finance

For eight years running, an unqualified audit opinion was again achieved for the March 2013 year-end results. Despite 98% of loan instalments being successfully collected over the year, the NEF's impairment provisions are currently at 20.1%. A key strategic focus, going forward, will be to manage this trend downwards through intensive mentorship support.

The return on the portfolio before impairments is at 9%, showing a 2% increase year on year. The sustainability of the NEF beyond current capital available for disbursements remains a key strategic consideration.

Recapitalising the NEF

A continuing priority focus will be to conclude the recapitalisation of the NEF in order to meet the growing demand for development funding by black entrepreneurs. The NEF was capitalised in 2004 by Government to the value of R2.5 billion, all of which was fully disbursed by 2010. Since then, the NEF has been self-financed with proceeds from dividends and interests from its investments and proceeds from the sale of its holding in MTN Group in 2007 through the Asonge Share Scheme.

The NEF has registered many historic milestones since its operational inception in 2004 to date, having approved 519 transactions worth R5.05 billion for black-empowered businesses across the country, with R3,6 billion committed to 417 of these companies. The remaining transactions are still in the process of being contracted before disbursement can take place.

The NEF's projection in April 2013 indicated that the organisation would run out of unencumbered or uncommitted cash by August 2013 if it continued with transactions that were already in the pipeline, and as anticipated in the business plan. Accordingly, the Board took a decision in April 2013 to temporarily suspend new approvals by 31 May 2013 in order to preserve the NEF's unencumbered cash. This is a temporary suspension that will be reviewed once full or partial capitalisation occurs.

In order to meet obligations and commitments in respect of funding black enterprises, the NEF has pursued the following key initiatives:

1. Capital-raising via the fiscus through the Medium Term Expenditure Framework process, having applied with the dti and National Treasury for capital to be deployed over the NEF's three-year strategic-planning period.

2. Re-classification of the NEF from a Schedule 3A to Schedule 2 entity as defined in the Public Finance Management Act, and thus enable the NEF to also raise alternative funding in the open market.

The NEF is confident that the meaningful engagements it has had with its stakeholders, including Parliament, will soon yield a successful long-term solution to the needs of its target market which, if we are to use the JSE as a proxy, own less than 5% of South Africa's national economy.

Fund a Woman, Fund a Nation

Inasmuch as South African society cannot progress without black people in the vanguard of the economy, so too will progress and growth be unattainable without the active, primary and meaningful participation of women across all spheres of human endeavour, and especially in business.

In the experience of the NEF, women make successful and effective entrepreneurs because they are focused, driven and true to their dreams. They service their loans with far greater diligence, and have been known to do so in record time. Armed with this knowledge, the NEF is pleased to have provided loan finance to Ndalo Luxury Ventures (NLV), a thoroughly legitimate and praiseworthy investment that accords with the NEF's mandate and policies because it supports a company that is owned and managed by black women in an untransformed sector.

The Annual Report may not be the conventional platform to reflect on the virtues of a particular transaction, but when one has ignited such fervent excitement as the NEF's funding of NLV has, then it does, for the record, merit commentary in the NEF's foremost publication, especially as its narrative gives expression to the many sinews of the NEF's DNA.

NLV's long-term vision is to become a leading South African retail group comparable to the major white-owned groups. It is a vision that resonates eloquently with the mandate of the NEF.

The dti's policy guidelines recommend a minimum 75% local production and manufacturing in the textile and retail sectors. By the end of September 2013, 81% of the NEF's funding will have been used in the local economy for the construction of the store, the design and manufacturing of the Luminance clothing range, the procurement of goods and services, as well as the arts and crafts produced by rural women, some of whom are also 10% shareholders in the business. The shareholders of NLV have contributed R15 million of their

own capital for the start-up costs of the business, a significant part of which has been allocated for the importation of foreign clothing labels, which are valued at R14.2 million.

Further, as of June 2013, NLV, which is a broad-based black women-owned and women-managed company, had begun to repay the loan as a result of growing market demand for its products.

Through this transaction, many South African products will be exported internationally, giving them access to markets that are otherwise difficult to penetrate. These internationally-destined products include the Luminance brand, designs by South African designers such as David Tlale, Stoned Cherry and many others, as well as the wide array of arts and crafts manufactured by South African women in rural areas. All these designers will also benefit from the skills transfer that is being provided by acclaimed international designers.

While the NEF will continue to fund entry-level businesses, especially in the rural and peri-urban areas, so too will the support continue for those entrepreneurs who have achieved a measure of success in other ventures, because the destiny of SMEs must be to enlarge manufacturing and industrial capacity for the South African economy. Those black entrepreneurs that are said to be empowered have an even greater obligation to become part of the quest for South Africa's industrialisation, thereby increasing our country's export-earning potential and reducing import dependency. This we do because ours is an institution that exists to remove the glass ceilings set in place by a past that must not return.

The transaction is above reproach. The application for funding by NLV succeeded exclusively on merit, as it should, and as is the case always because the NEF is run in full compliance with good corporate governance, and all applications for funding are assessed in conjunction with approved policies.

Having been judged unjustly, no doubt by the detractors of transformation itself, we look forward to the day when the work of black people will be greeted with trust, respect and appreciation, instead of the instinctive suspicion of wrong-doing and impropriety that has come to characterise reaction to endeavours by black people.

Fund Management

During the year under review the NEF rose to the stars by registering its highest volumes of approvals and disbursements ever since operations began

in 2004, having approved R1,3 billion for 135 transactions and disbursed R946.5 million to 87 of these businesses.

Regional Offices

The NEF has opened regional offices in seven additional provinces and is confident that going forward, its invested portfolio will ultimately mirror the GDP contribution of the various provinces to the national economy. The regional offices have been responsible for the huge growth in approvals and disbursements, having generated over 30% of the 135 approved transactions in the financial year under review. At present, Gauteng still attracts the highest volume of funding, followed by KwaZulu-Natal and the Western Cape. The NEF is working closely with Provincial Governments and local development fund institutions to reduce this imbalance through the NEF's national and regional office network.

Pre Investment Unit

The port of entry at the NEF for entrepreneurs requiring funding is the Pre Investment Unit, which has continued to provide enthusiastic client liaison. This Unit successfully processed 7 365 enquiries and received 1 917 applications, which translates to 58% and 13% increases respectively, compared to the same period in 2011/2012. The Unit experienced a significant increase in enquiries and applications, which is a testimony to the growing recognition of the NEF as a financier of choice to black entrepreneurs.



All letters were sent out within the first three days as targeted, while applications were screened within the first three weeks, with the majority of applications being screened within seven days.

The Entrepreneurial Development Strategy continued to yield satisfactory results, with a total of 1 460 budding entrepreneurs having been trained, and 127 enterprises referred for business incubation. Through this intervention 90% of the entrepreneurs assisted were rural-based enterprises and 73% of delegates were women.

iMbewu Fund

The iMbewu Fund, which primarily supports SMEs that are mostly life-style businesses with a very low level of own contribution, have seen significantly reduced impairment levels from around 50% at the beginning of the financial year to an estimated 22% in 2013. iMbewu has a significant strategic role to play in the development of black SMEs and the fund has developed capacity to deliver quick turnarounds to entrepreneurs.

The newly-established Credit Committee, which handles transactions that need quick turnarounds like contract or procurement finance and franchising deals from R250 000 up to R1.5 million, managed to approve in total 37 deals worth R32.9 million out of 91 in total approved by iMbewu Fund alone, worth R379.3 million. Already, five of these deals have fully settled NEF loans amounting to R12.3 million.

Rural and Community Development Fund

We are pleased to report that the Rural and Community Development Fund is continuing to make meaningful inroads into the less developed provinces of the country, as well as in respect of the economic empowerment of black women. The Fund has achieved approval outside of primary agriculture and has made progress in agro-processing businesses.

The Fund has approved nine transactions with a value of R148 million. The progress in disbursements is also commendable, where the Fund has disbursed eight deals with a value of R129.7 million, as targeted, and further undertook 22 drawdowns with a value of R71 million of historically approved deals. The deals approved have 52.27% women shareholding, 43% are women-owned, while 53% boast community participation. Exactly 1 003 permanent jobs and 230 existing jobs have been supported in this area of the NEF's work. In this area, impairments have been maintained at 8% as at the end of the financial year;

uMnotho Fund

In this financial year uMnotho Fund has made strong strides towards sustainability, having exceeded disbursement and drawdown targets, amounting to 92% more than the previous year, whilst the average deal size approved remained at around R25 million.

uMnotho achieved 23 approvals worth R560.5 million, an increase of 13% compared to the previous year and 1% higher than the year's target.

For the first time in the history of the Fund, uMnotho met and exceeded by 8% its disbursement target. The Fund supported a total of 3 827 jobs, with 1 855 new jobs during the current financial year versus a target of 2 200 jobs supported.

Strategic Projects Fund

In the Strategic Projects Fund, which is one of the instruments through which the NEF continues to pursue its aspiration of growing black industrialists, a total of 12 approvals worth R244.7 million were achieved, which was in line with the targets for the financial year. From the third quarter of the financial year SPF did not process new projects as the team focused on the further development and commercialisation of the projects already in the pipeline.



A total of three projects, namely Karbochem Energy, MIBT and Link Africa, are under construction. Financial Close was reached for the first BusaMed hospital and construction will start during the 2013 calendar year, in Strand in the Western Cape. Another project that reached financial close is a renewable energy project in KwaZulu-Natal, the Hluhluwe Wind Farm and Richards Bay Wind Farm. Mabele Fuels, a bio-fuels project in the Free State and Auto Disable Syringes, reached Bankable Feasibility.

Post Investment and Mentorship Support

Once funded, NEF investees receive after-care support from the Post Investment Unit. The Unit is primarily responsible for on-going portfolio management, mentorship and technical assistance, collections management, credit control, business restructures and turnarounds.

With the roll-out of the regional SME loans, the Post Investment Unit has strengthened its regional mentorship support to assist local SMEs in the operations of their various businesses. The mentorship programme has been highly successful as evidenced by the containment of the NEF impairment ratio at 20%.

The year-to-date collection rate is 123%, which must be assessed against the harsh economic climate that most businesses are still operating in. The NEF investment portfolio now boasts an average risk rating of 44%. This must be seen against the fact that, by number, 85% of the NEF's investments are early-stage or development-stage businesses. This is further confirmation that the organisation is delivering on its mandate.

By 31 March 2013 the Unit had concluded more than 335 investee site visits and prepared 181 investee performance reports for the 10 Portfolio Management Committee meetings. The Unit had also successfully exited from 10 investments which had a total exposure of R71.1 million.

Enterprise Development and Asset Management

Still in its embryonic stages, the Enterprise Development Fund managed to raise some R21.1 million since inception from participating partners, with BP having committed to working with the NEF on community development initiatives. The Fund held various engagements with international players like the Swedish Business Chamber, with a notable breakthrough being the signing of an Memorandum of Understanding (MoU) with the UK Trade & Industry. Further, the NEF has managed the process of a BEE partner-selection and negotiation process for the PRASA rolling stock procurement programme. The

Fund has concluded various MoUs with Provincial Governments and has been an important channel of transactions for the investment Funds.

Supply Chain Management

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 NEF's Balanced Scorecard.

The Procurement Committee is tasked with monitoring progress against B-BBEE procurement targets. For the financial year under review, the NEF's Procurement Spend amounted to R73.6 million on procurements from 338 suppliers, and 52% of this expenditure has been with black-empowered businesses.

Information Systems and Technology

Significant strides have been made to stabilise the NEF's IT platforms, with the CRM upgrade successfully completed. We have also worked successfully to formalise the IT Governance Framework in line with recommendations of King III to ensure that decision-making and accountability for the IT investments made by the NEF are well directed and aligned to the strategic goals of the organisation.

With the governance framework approved by the Board of Trustees, the foundation has been set to work on enhancing the NEF's platforms with the aim of improving business intelligence and information management.

Brand health

Media coverage during this financial year was the highest ever, with an advertising value equivalent of R24.7 million being achieved, having grown from R22 million in the previous year. According to the recently completed Brand Audit, brand awareness of the NEF grew significantly as a result of sustained advertising on television, print, radio, and online, supported by a national billboard campaign, another first in the NEF's outreach efforts.

Risk Management

As the size of the NEF's portfolio grows, additional focus is placed on understanding the risks within the NEF's invested portfolio. The NEF's

invested portfolio is a standing item on the agenda of the Risk and Portfolio Management Committee. This focus involves close scrutiny of the risk ratings of transactions and overall trends on approvals, disbursements, draw downs and collections.

The NEF takes a strong approach towards the management of fraud risk, and manages its fraud risk exposure through its Fraud Prevention Plan as required by the Treasury Regulation prescribed under the Public Finance Management Act (PFMA). Ongoing communication through awareness sessions with staff around the Tipp-offs Anonymous Hotline is a key component of the NEF's anti-fraud efforts.

New initiatives involved the identification of the entire risk universe in which the NEF operates and linking this to the internal audit coverage plan and combined assurance methodology.

Internal Audit

The internal audit department is pivotal in performing and coordinating the assurance activities throughout the NEF over controls implemented to mitigate identified risks. As reported to Board, the function has indicated that the key controls implemented by management to address the associated risks appear to indicate that an adequate control framework is in place but improvements are needed in certain key control activities in providing reasonable assurance that the risk areas, subject to review, are being properly managed and controlled and were exercised in a generally acceptable manner.

Human Capital Development

The NEF was successful in appointing a total of 29 new employees from 1 April 2012 to 31 March 2013. To date, the NEF staff complement has grown to 173 employees, and this is made up of 168 permanent employees and 5 trainees. In an effort to reduce recruitment costs, the NEF saved R1m on recruitment and placement fees.

In terms of employment equity the NEF employs 98% black and 60% female employees.

Training and development has also grown phenomenally, with several employees having received study assistance and successfully completing various qualifications ranging from degrees, certificates and diplomas.

Stakeholder Relations and Appreciation

The NEF has developed new and consolidated existing relations with local and international stakeholder organisations, whether to maximise enterprise

development and the funding of black-empowered entrepreneurs, or indeed, mobilising international bodies such as BRICS to invest in SPF projects. In this respect the NEF has increasingly been called upon to promote international awareness and recognition of B-BBEE as a critical growth and investment imperative.

The NEF has become a strong, robust and resilient organisation that is operated in accordance with international best practice. Its many sterling achievements are indeed a direct result of a highly talented and much sought-after staff corps, managers and executives, who are admirably led by a Board of Trustees comprising some of the best minds that our society has to offer.

The work of the NEF is made lighter by the wisdom and foresight of our nation's leaders in Government and Parliament, to whom we owe a debt of gratitude for a mandate that affords the NEF the privilege to serve the entrepreneurs and communities of our beloved country.

Ms Philisiwe Mthethwa

Ms Philisiwe Mthethwa
Chief Executive Officer
National Empowerment Fund

31 March 2013

“A continuing priority focus will be to conclude the recapitalisation of the NEF in order to meet the growing demand for development funding by black entrepreneurs”

Report of the Chief Executive Officer

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TRUSTEES' REPORT ON PERFORMANCE INFORMATION

FOR THE YEAR ENDED 31 MARCH 2013

1. Statement of responsibility for performance information for the year ended 31 March 2013

The Chief Executive Officer is responsible for the preparation of the public entity's performance information and for the judgments made in this information.

The Chief Executive Officer is also responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information. In my opinion, the performance information fairly reflects the actual achievements against planned objectives, indicators and targets as per the strategic and annual performance plan of the entity for the financial year ended 31 March 2013.

Recapitalisation remains our key objective. The demand is growing for funding in business, specifically black business which we are mandated to support. Without an additional capital injection our efforts in addressing this market deficiency would be hindered. To mitigate recapitalisation and sustainability risks, the NEF has submitted an application for the re-classification of the NEF from a Schedule 3A to a Schedule 2 entity. This will allow the NEF to present a capital-raising plan for purposes of funding programmes beyond the current strategic planning period. In addition we have prepared an MTEF application to the NT, and the Board has suspended new funding from the end of May 2013. We will continue to engage all relevant stakeholders to find a long-term solution to our recapitalisation.

The National Empowerment Fund performance information for the year ended 31 March 2013 was examined by the external auditors and their report is presented on page 80. The performance information of the entity set out on page 22 to page 37 was approved by the Board.

2. Auditor's Report: Performance information

The auditors SizweNtsalubaGobodo have performed the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit opinion. The audit opinion on the performance against pre-determined objectives is included in the report to management, with findings being reported under the Pre-determined Objectives heading in the Report on Other Legal and Regulatory Requirements section of the auditor's report.

Refer to page 80 of the Report of the Independent Auditors.

3. Overview of the NEF's performance

3.1 Service delivery environment

The NEF strives to contribute towards the transformation of the economy by enabling black people to play a meaningful role in the economy. This is achieved through the provision of financial and non-financial support to black-empowered businesses and by promoting a culture of savings and investment among black people.

The NEF has performed well against the targets set in its annual performance plan, having met or exceeded 74% of the targets for the year. Overall, the NEF has increased funding activity, thereby supporting the development of 87 black-owned businesses during the year, and committing to creating and maintaining over 15 000 jobs which are projected by investees at funding approval stage. This is by far the highest level of funding activity by the NEF since its inception. Through this input, the NEF has assisted in addressing economic growth by funding black SMEs which have the potential to boost the economy and, in turn, support much-needed jobs.

This was achieved against the backdrop of low growth expectations for the South African economy. Prospects for economic growth remained subdued during 2012 as a result of both domestic and global factors, including the low growth in the Eurozone and China. Investor and consumer confidence has therefore remained low, and GDP growth for 2012 came in at only 2.5%. With lower business and investor confidence, it was expected that the risk appetite for investments in SMEs would remain muted.

The lower interest rate environment, aimed at stimulating growth, has been a positive influence for SMEs as it reduced their cost of finance. The muted interest rate environment, however, did not adversely affect the NEF, with interest earned from investing activities peaking at R156 million (39% up on 2011/12 results).

3.2 Organisational environment

Recapitalisation remains our key objective. Mindful of the key risks highlighted in our risk register, one of which is the sustainability of the organisation, the NEF continues to focus on sourcing additional capital that will enable it to continue to deliver on its mandate, and is carefully managing its portfolio and the expenditure of the organisation.

The health of the portfolio is monitored regularly, with ongoing review of impairments and portfolio risk. The current impairment model is being updated and will be submitted for consideration to the Risk and Portfolio Management Committee and also to the Audit Committee and Board of Trustees. Impairment ratios are currently well above the target of 15%. The impairment ratio is impacted principally by restructured deals that necessitated full impairment, in addition to the full impairment made on a deal in the media sector. Return on investment for the portfolio is lower than the planned range of 12% to 15%, as a result of lower interest rates than budgeted and the lag in disbursements in the first half of the year. The NEF has also managed to ensure that operational expenses are below budget for the year to date.

The current financial year has presented the NEF with a few changes in its leadership team, with the appointment of Mr Thando Mhlambiso as the new Chairman and of three new members of the Board of Trustees. One of the additions to the NEF leadership is the new Chief Financial Officer, Ms Innocentia Pule, who replaced Mr Andrew Wright in September 2012. The changes in leadership have introduced fresh approaches and thinking to the organisation which have already resulted in improvements in internal processes.

3.3 Key policy developments and legislative changes

There have not been any new policies or legislative changes that have impacted on the operations of the NEF. The NEF is aware of the proposed revisions to the B-BBEE Codes of Good Practice, and as a catalyst of B-BBEE in South Africa the NEF aims to promote and support innovative investment and transformation solutions in its ongoing contribution towards transformation of the economy.

The NEF is mindful of the goals set out in the National Development Plan, the New Growth Path and the third Industrial Policy Action Plan, and has sought to support these initiatives through its funding activities.

QUICK FACTS

- Recapitalisation remains our most pressing objective and we will continue to engage all relevant stakeholders to find a long-term solution to our recapitalisation.
- The NEF has performed well against the targets set in its annual performance plan, having met or exceeded 74% of the targets for the year. Overall, the NEF has increased funding activity, thereby supporting the development of 87 black-owned businesses during the year.
- Changes in NEF's leadership team, with the appointment of Thando Mhlambiso as the new Chairman and of three new members of the Board of Trustees.
- Mentorship support to the value of R3.3 million has been provided to investees in cases where they need to improve either their general management or their technical skills.
- The NEF has managed to increase its invested portfolio during the year in KwaZulu-Natal, North West, Free State, Mpumalanga, Limpopo and Eastern Cape Provinces, which can be attributed to the activity of the regional offices in the above mentioned provinces.

“The NEF strives to contribute towards the transformation of the economy by enabling black people to play a meaningful role in the economy.”

Report of the Trustees

3.4 Strategic outcome-oriented goals

The NEF's key strategic outcome-oriented goals are to:

1. Provide finance to business ventures established and managed by black people.
2. Invest in black-empowered businesses that have high employment-creating opportunities.
3. Advance black economic empowerment through commercially sustainable enterprise.
4. Facilitate investment across all provinces in South Africa.
5. Establish the NEF in the South African economy as a credible and meaningful development finance institution.
6. Establish the NEF as a sustainable development finance institution.

The progress made towards the achievement of these goals is outlined below:

3.4.1 Providing finance to business ventures established and managed by black people

The NEF has continued to advance B-BBEE through its financial support of black business. Financial support is delivered through the NEF's four funds – (1) the uMnotho Fund, (2) the Strategic Projects Fund, (3) the iMbewu Fund and (4) the Rural and Community Development Fund – through which black entrepreneurs can access capital to finance their business ventures.

Overall the NEF has increased the value of approvals and disbursement activities thereby disbursing funds into 87 black-owned businesses during the year. In total, the NEF has approved 135 transactions worth R1.332 billion, which is a 14.6% improvement in the value of approvals compared to 2011/12 (R1.162 billion).

The organisation has also performed well in terms of disbursement facilities, with a total for the year of 87 disbursement facilities worth

R946.5 million. This is a 53% improvement over last year's performance of R620 million worth of disbursement facilities and is by far the highest level of disbursements in the history of the NEF. It demonstrates the NEF's commitment to disbursing funds into projects in pursuit of our mandate, while continuously striving to close the gap between approvals and drawdowns.

The total drawn down by investees during the year is R628.9 million for facilities disbursed during the year, which is 114% of the drawdown target for the year. The total drawn down for the year, including drawdowns from facilities disbursed during previous financial periods, is R703.8 million.

Activity within the NEF Enterprise Development (ED) Fund is progressing well, with annual targets for the number of contributors secured towards the NEF ED Fund already being exceeded during the year.

A total of six contributors have participated in the Fund, to the tune of R17.9 million. The NEF has facilitated R8.5 million in enterprise development approvals during the year. Given the long lead time to market our services and to secure funding from potential contributors, this is an excellent outcome.

“The NEF continues to focus on sourcing additional capital that will enable it to continue to deliver on its mandate, and is carefully managing its portfolio and the expenditure of the organisation.”

Report of the Trustees



Table 1: NEF investment performance: approved deals

NEF APPROVED DEALS						
Period	Value approved in period (Rm)	Target value of approvals for period (Rm)	Cumulative value approved as at relevant date (Rm)	Number approved	Target number of approvals for period	Cumulative number approved as at relevant date
Apr-03 – Mar-04	5		5	1		1
Apr-04 – Mar-05	30		35	16		17
Apr-05 – Mar-06	357		393	54		71
Apr-06 – Mar-07	205		598	23		94
Apr-07 – Mar-08	128	587	726	23	75	117
Apr-08 – Mar-09	329	687	1 055	46	74	163
Apr-09 – Mar-10	749	1 020	1 804	61	77	224
Apr-10 – Mar-11	749	835	2 553	62	70	286
Apr-11 – Mar-12	1 162	897	3 716	98	115	384
Apr-12 – Mar-13	1 332	1 116	5 048	135	123	519

“We definitely need a new mindset in Africa and also in South Africa, a renewed patriotism and love of the continent and its people.”

Opinion piece titled "Africa Rising" by President Jacob Zuma, 27 January 2013

Table 2: NEF investment performance: disbursement facilities

NEF DISBURSEMENT FACILITIES						
Period	Value disbursed in period (Rm)	Target value of disbursed for period (Rm)	Cumulative value disbursed as at relevant date (Rm)	Number disbursed	Target number of disbursed for period	Cumulative number disbursed as at relevant date
Apr-03 – Mar-04	5		5	1		1
Apr-04 – Mar-05	20		25	10		11
Apr-05 – Mar-06	251		276	52		63
Apr-06 – Mar-07	219		495	23		86
Apr-07 – Mar-08	203	450	698	31	60	117
Apr-08 – Mar-09	279	525	977	43	69	160
Apr-09 – Mar-10	549	950	1 526	48	67	208
Apr-10 – Mar-11	552	710	2 078	49	62	257
Apr-11 – Mar-12	620	750	2 698	73	95	330
Apr-12 – Mar-13	946*	920	3 644	87	104	417

*Total disbursements for 2012/13 are R946.49 million. To avoid a rounding error, this has not been rounded up.

Figure 1: NEF approved and disbursed deals by value since inception to 31 March 2013

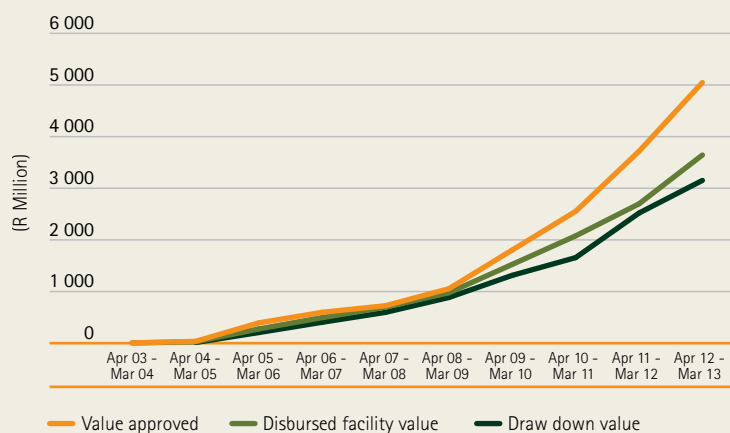


Figure 2: NEF approved and disbursed deals by number since inception to 31 March 2013

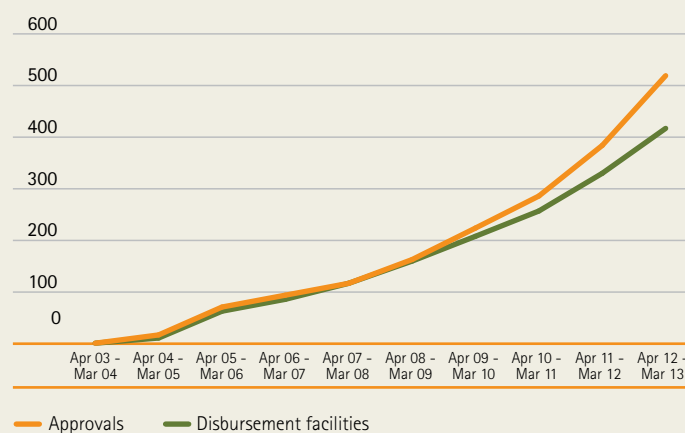


Figure 3: NEF investment performance: approved deals

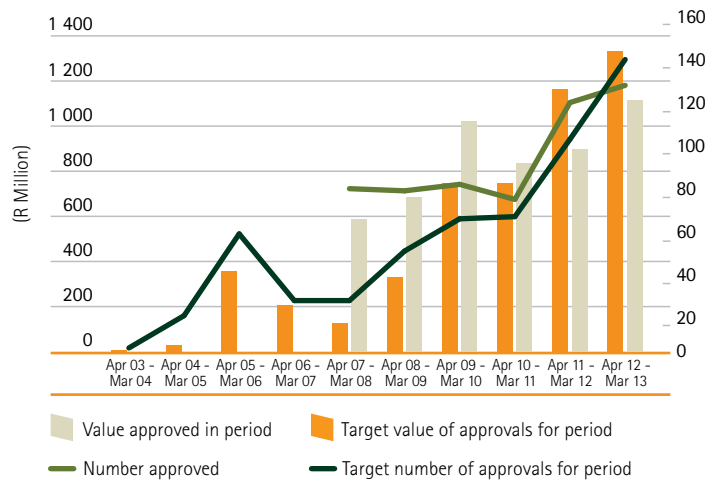


Figure 4: NEF investment performance: disbursement facilities

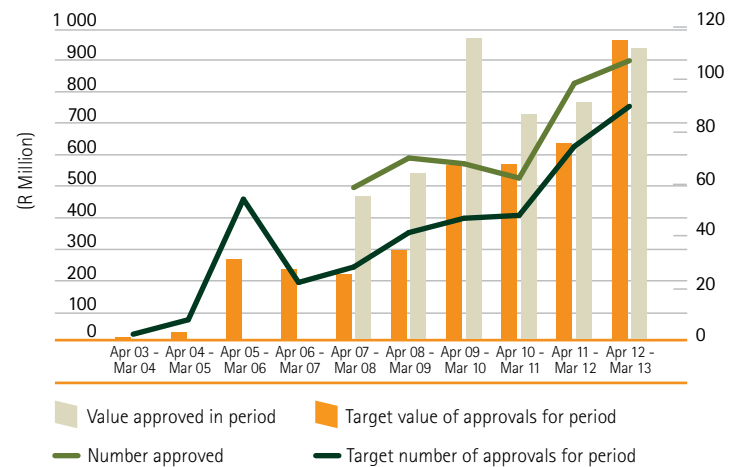
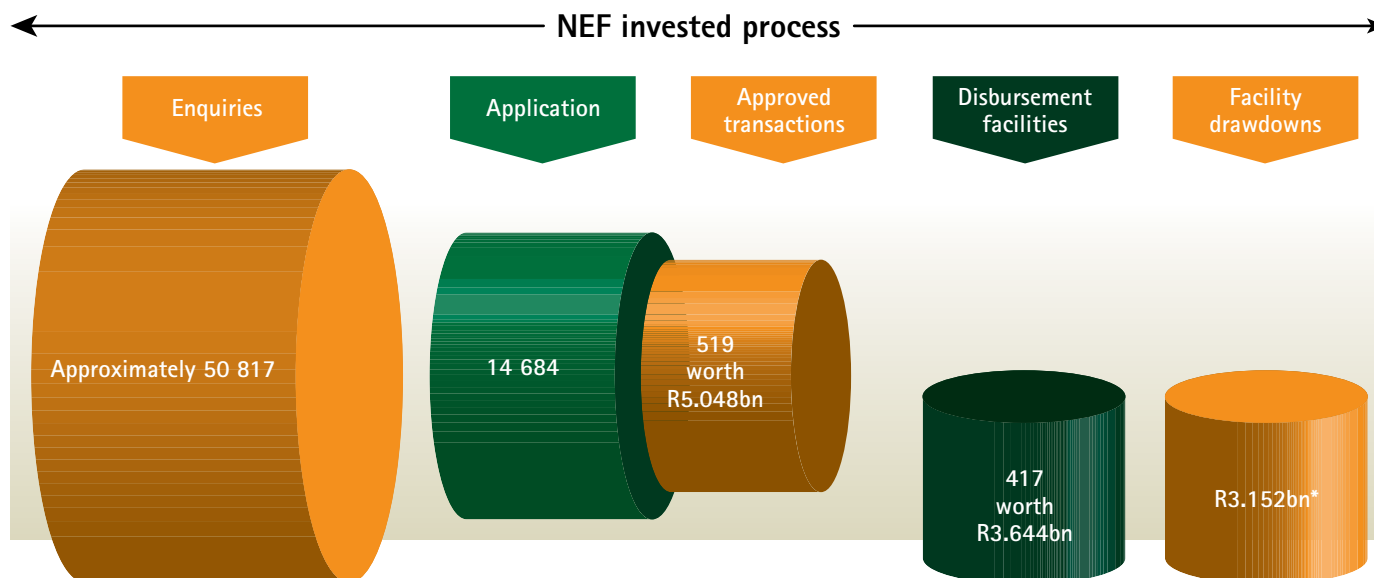


Figure 5: NEF invested process report



*Facility Drawdowns excluding write-offs from inception.

3.4.2 Investing in black-empowered businesses that have high employment-creating opportunities

Approximately 15 555 jobs (11 408 new and 4 147 existing) were estimated to be created and maintained by investors at funding approval stage. This was achieved against a target of 11 000 new and/or existing jobs for the year. This is a marked improvement over the 2011/12 financial year, when the organisation was expected to support only 5 904 new and existing jobs.

3.4.3 Advancing black economic empowerment through commercially sustainable enterprise

A key challenge for the NEF continues to be to connect with suitable entrepreneurs in businesses with a high growth potential. To address this issue, the NEF not only aspires to be highly visible and accessible to entrepreneurs, but also provides non-financial support in the form of incubation support, mentorship and entrepreneurial development in order to support entrepreneurs who have good business ideas but may lack the requisite technical skills.

Mentorship support to the value of R3.3 million has been provided to investees in cases where they need to improve either their general management or their technical skills. This programme is managed by the Post Investment Unit, whose role is to monitor the performance of the NEF's portfolio. To carry out this function, the Unit has completed site visits to investees within the active portfolio and has produced 181 reports against a target of 156. The higher number of reports is indicative of the intensity of engagements with investees.

A new service being implemented by the NEF is Socio-economic Development Support, which has been put into effect to meet challenges faced by the funds in responding to community-based transactions, especially in rural areas. The service includes support in the form of social and community interventions for the NEF's funds and, in particular, support for many rural communities who are beneficiaries of NEF-funded projects.

It had been planned to apply the entrepreneurial assessment tool to all deals referred to the funds from the Pre Investment Unit, which is the first point of contact for all enquiries and applications. (A total of 15 approvals worth R117.29 million were sourced directly by this unit.) The tool would typically be applied to screened applications which demonstrate potential and which are referred to the funds for a more detailed assessment of feasibility. A reconsideration of the value that can be derived from the entrepreneurial assessment tool determined, however, that the existing tool does not provide sufficient information

to allow the NEF to add value to entrepreneurs during and after the investment process. As a result, the tool has been placed under review and was therefore not applied to deals referred to the funds during the fourth quarter. The Pre Investment Unit is currently searching for alternatives which can provide more useful outcomes and indicators for the Post Investment process.

The Entrepreneurship Development programme, which is run by the Pre Investment Unit, has included provision of training to entrepreneurs and referral of qualifying entrepreneurs to incubation programmes which can help nurture the entrepreneurs' business ideas into feasible business opportunities. During 2012/13, a total of 127 entrepreneurs were recommended to our incubation partners for incubation.

3.4.4 Facilitating investment across all provinces in South Africa

The NEF has successfully extended its mandate to outlying rural provinces through the support of new projects in these areas. The regional offices have contributed a total of 40 approvals worth R239.7 million. To date, the NEF has offices in eight provinces, with the exception of the Northern Cape. The 2012/13 financial year saw the opening of an office in North West Province. The rollout of the ninth regional office in the Northern Cape has currently been put on hold as part of the NEF's efforts to manage operational costs, and the Northern Cape is currently being serviced by the Free State office.

The NEF has managed to increase its invested portfolio during the year in KwaZulu-Natal, North West Province, Free State, Mpumalanga and Limpopo, which can be attributed to the activity of the regional offices in the abovementioned provinces.

3.4.5 Establishing the NEF in the South African economy as a credible and meaningful DFI

To boost utilisation of NEF services and financing products, the NEF's marketing and communications team has sought to increase positive exposure of its products and services in the media. This is measured by calculating the Advertising Value Equivalent (AVE) which amounted to R24.7 million for the year, against a target of R19.9 million.

The NEF also seeks to minimise the number of complaints, and tracks the number of complaints as a percentage of the total number of applications received. The total number of complaints received equates to 1.2% of the total number of applications received, which is well within the target of 3%.

3.4.6 Establishing the NEF as a sustainable DFI

The health of the portfolio is monitored regularly, with ongoing review of impairments and portfolio risk. Impairment ratios are currently 18.58% on the loans portfolio and 20.12% on the entire invested portfolio, which is above the target of 15%. The impairment ratio is impacted principally by restructured deals that necessitated full impairment, in addition to full impairment on a deal in the media sector. The return on investment before impairments for the portfolio is 9% on the loans portfolio and 10% on the entire portfolio, which is lower than the planned range of 12% to 15%. This is a consequence of lower interest rates than budgeted and the lag in disbursements in the first half of the year. The NEF has also managed to keep operational expenses below budget for the year.

3.5 Empowerment dividend

The NEF seeks to ensure that the financial support provided to investees is translated into a socio-economic impact, which we term the Empowerment Dividend and which is measured according to ownership structure and its broad-basedness, the participation by black women, the expected number of new and existing jobs supported, the investment return of the portfolio, investment in priority growth sectors and the geographic spread of investments.

The overall impact as measured by the Empowerment Dividend has increased as a result of improvements in the number of jobs expected to be supported, the sectors supported and the spread of the invested portfolio.

Overall targets in respect of B-BBEE are not specifically set for the NEF because they are core to the mandate of the organisation.

The NEF's performance, in terms of elements of the Empowerment Dividend, is presented below:

3.5.1 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.

It is estimated that women own approximately 21.1% of the total portfolio invested during the year. The NEF is continuing with its marketing efforts to encourage black women to apply for funding from the NEF.

3.5.2 Job creation

Approximately 15 555 jobs (11 408 new and 4 147 existing) are reported to be created and maintained by investees through the funding approved during 2012/13. Job support targets were exceeded as a result of the high level of disbursements during the year, and given that these investments are expected to support a larger number of jobs, especially during the latter part of the year. As a result, the NEF has achieved a job support ratio of R60 848 per job.

The NEF is pleased with the decrease in the average job investment ratio over the last year and compared to budget, which translates into more jobs being expected to be created per rand invested. The job investment ratio is a function of the nature and operational requirements of the transactions being funded.

The NEF is aware of the need to focus on job creation and sustaining investments and it is anticipated that the number of jobs created should be higher for transactions in employment-intensive sectors, such as the priority growth sectors identified by IPAP and the New Growth Path. These sectors will therefore continue to be targeted for funding going forward.

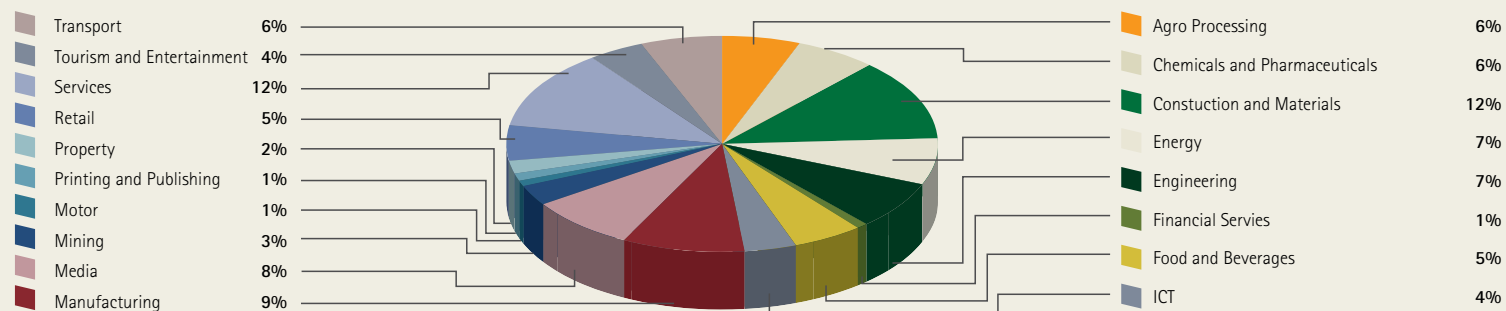
3.5.3 Investment in priority growth sectors

The NEF seeks to support investments facilitating black ownership and control of existing and new enterprises in the priority sectors of the economy as identified by New Growth Path, the NIPF and IPAP.



The current invested portfolio, as presented in Figure 6, demonstrates the sectoral spread of the portfolio.

Figure 6: NEF investment by sector and percentage of total value

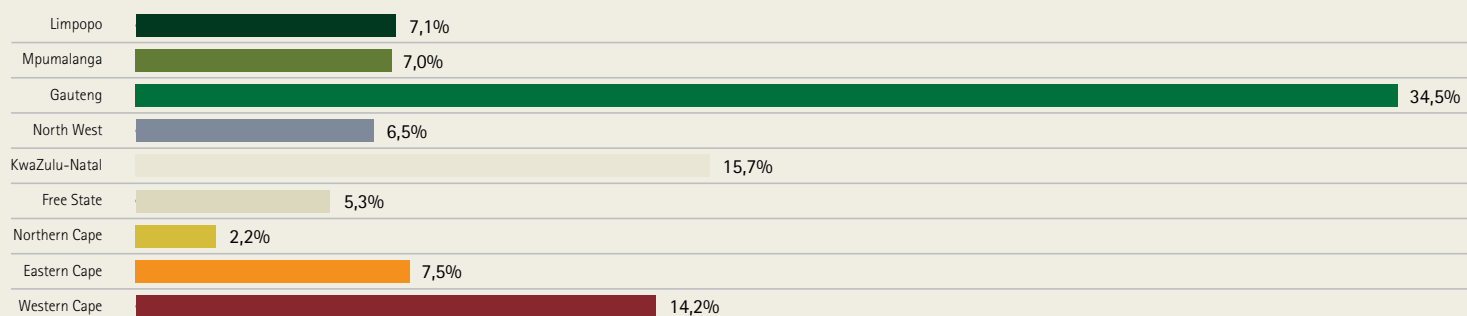


3.5.4 Geographic spread

The NEF seeks to balance the geographic spread of investments and contributions towards increased economic activity across all provinces, particularly in areas of regional economic disadvantage. Targets are set in relation to geographic spread which attempt to match the respective provinces' relative contribution to GDP and to surpass this in areas of regional economic disadvantage.

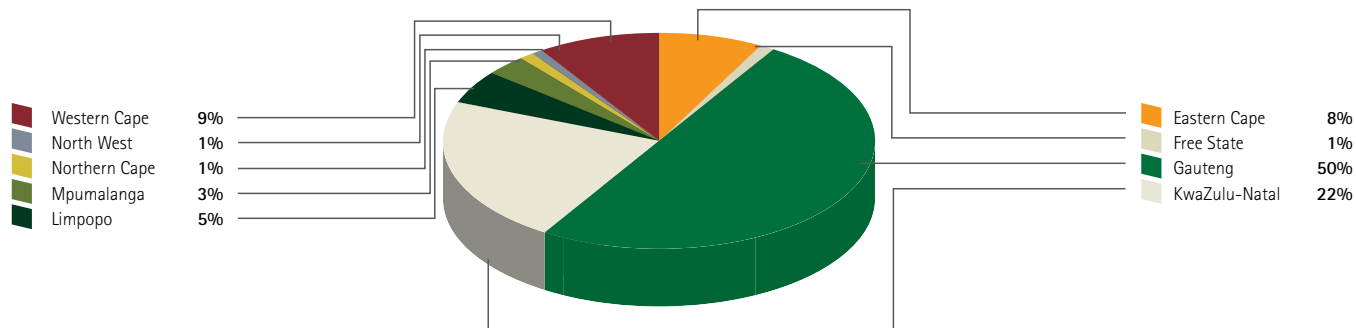
The growth in the NEF's footprint as a result of the set-up and launch of the regional offices has improved access to the NEF's products and services. As a result, the NEF has been able to attract and support more transactions from provinces like the North West, Free State, Mpumalanga and Limpopo. The invested portfolio in Gauteng and KwaZulu-Natal currently exceeds the provincial contribution to GDP.

Figure 7: NEF investment by province



Source: Stats SA (November 2012); Gross Domestic Product, third quarter 2011

NEF invested portfolio by province by value (from inception to March 2013)



3.6 Investment return

The NEF measures 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 return of 12%, while impairment ratios are to be limited to 15%.

The annualised return for the year is at 9% on the loans portfolio and 10% on the entire portfolio. The impairment provision ratio is 19% on the loans portfolio and 20% on the entire disbursed/investment portfolio.

4. Performance information by Fund

The NEF's mandate is to serve as Government's funding agency in facilitating the implementation of B-BBEE in terms of the Codes of Good Practice. To achieve this mandate, the NEF provides both financial and non-financial support to black businesses via its core programmes.

Financial support is delivered through the NEF's four funds through which black entrepreneurs can access capital to finance their business ventures:

- the uMnotho Fund
- the Strategic Projects Fund
- the iMbewu Fund
- the Rural and Community Development Fund

Non-financial support has comprised mentorship support, investor education and entrepreneurship development.

Mentorship support is provided to investees in cases where the investees need to improve either their general management or their technical

skills. This programme is managed by the Post Investment Unit, whose role is to monitor the performance of the NEF's portfolio.

Entrepreneurship Development is being run by the Pre Investment Unit. It comprises provision of training to entrepreneurs and referral of qualifying entrepreneurs to incubation programmes which can help nurture the entrepreneur's business ideas into feasible business opportunities.

"Whatever our disposition as citizens of this country, it is in our collective interests that South Africa becomes a better country economically."

Deputy President Kgalema Motlanthe, WITS Business School Alumni General Meeting, Parktown, Johannesburg, 13 May 2013

Table 3: Key achievements

Programme	Indicator	Approved	Disbursed facilities
		2012/13	2012/13
uMnotho Fund	Value of transactions	R560.5 million	R464.4 million
iMbewu Fund	Value of transactions	R379.3 million	R207.2 million
Rural and Community Development Fund	Value of transactions	R148.0 million	R129.7 million
Strategic Projects Fund	Value of transactions	R244.7 million	R145.2 million
Total		R1 332.5 million	R946.5 million



5. Performance results

Strategic objectives	Output	Performance measure/indicator	Actual achievement 2011/12	Planned target 2012/13	Actual achievement for 2012/13	Deviation from planned target to actual achievement for 2012/13	Comment on deviations
ADVANCING B-BBEE 1 Provide finance to business ventures established and managed by black people	Provide finance to black-empowered business by investing in the form of loans, quasi-equity and equity finance through funds and funding products targeting black rural enterprise, SMEs, corporate finance, venture capital and enterprise development contributions	1.1 Number and value of transaction facilities disbursed by uMnotho Fund	Disbursed 15 transaction facilities worth R253.6 million	Disburse 18 transactions of facilities worth R450 million	18 deals worth R464.4 million	R14.1 million above target by value	The average level of funding applied for per deal was slightly higher than projected
		1.2 Number and value of transaction facilities disbursed by Strategic Projects Fund	Disbursed 12 transaction facilities worth R202.6 million	Disburse 10 transactions of facilities worth R200 million	Seven deals worth R145.2 million	Below target by three deals worth R54.8 million	Given the nature of transactions funded by SPF and the need to secure additional capital, a decision was taken to slow down disbursement activity by the Strategic Projects Fund
		1.3 Number and value of transaction facilities disbursed by iMbewu Fund	Disbursed 40 transaction facilities worth R104.9 million	Disburse 67 transactions of facilities worth R140 million	54 deals worth R207.2 million	Value of transactions above target by R67.2 million Number of transactions lower than target	Average deal size being applied for by investees is approximately R3.8 million, which is higher than the targeted R2.0 million per deal
		1.4 Number and value of transaction facilities disbursed by Rural & Community Development Fund	Disbursed 6 transaction facilities worth R59.1 million	Disburse 9 transactions of facilities worth R130 million	Eight deals worth R129.7 million	Target has been achieved	
		TOTAL NUMBER of new disbursement facilities	73 disbursement facilities	104	87 disbursement facilities	Disbursed 17 fewer transactions than planned	Reasons for variations have been outlined per Fund above. Please refer to the relevant Fund information
		TOTAL VALUE of new disbursement facilities	R620.1 million	R920 million	Total for 2012 – 13: R946.5 million	Disbursed facilities total R26.5 million more than target	Reasons for variations have been outlined per Fund above. Please refer to the relevant Fund information
		1.5 Total number of facility drawdowns by the portfolio	72 drawdowns	62 drawdowns	128 drawdowns from 84 disbursement facilities	66 more drawdowns than planned	These relate to drawdowns for facilities disbursed during 2012/13. The funds have built up a healthy pipeline and increased disbursement and drawdown activity to maintain momentum in the transaction process

Strategic objectives	Output	Performance measure/indicator	Actual achievement 2011/12	Planned target 2012/13	Actual achievement for 2012/13	Deviation from planned target to actual achievement for 2012/13	Comment on deviations
		1.6 Total value of facility drawdowns by the NEF	R562 million	R552 million	R628.9 million	R76.9 million above target	
ED FUND		2.1 Number of new Enterprise Development Fund contributions secured	Board approval/launch of Fund/26 corporates engaged/one contributor secured and two in process of signing up	Secure at least five new contributors	6 contributors secured with approximately R18 million received	Additional contributor secured	A sterling performance for the year especially given the lead time involved in getting contributors on board
2 Invest in black-empowered businesses having high employment creating opportunities	Source investment opportunities for the Funding Programmes that focus on the creation of new employment opportunities	2.2 Number of jobs supported and expected to be created	3 124 jobs created and supported on approved transactions (2 367 new jobs and 757 existing jobs)	Support at least 11 000 new and/or existing jobs (based on job creation ratio of R83 200 per job)	Funding approvals are projected to support 15 555 jobs (11 408 new and 4 147 existing)	4 555 above target	Targets exceeded as a result of transactions supporting a larger number of jobs. As a result, the NEF has achieved a lower job creation ratio of R60 848 per job
OPTIMISING NON-FINANCIAL SUPPORT	Provision of non-financial support and training for black-owned businesses and entrepreneurs	3.1 Value of mentorship interventions	R3 million	R2.8 million	R3.3 million	R500 000 more worth of mentorship provided	A large number of deals required mentorship Prior mentorship assignments were continued based on the client's request Most approved deals had no finance or bookkeeping systems. Assistance was therefore provided by appointing mentors to prepare their management accounts
3 Black economic empowerment is advanced through commercially sustainable enterprise		3.2 Number of submitted and approved site visit reports, based on site visits supporting the transfer of skills/growth of businesses	188 reports	156 reports	181 reports	25 additional reports completed	Numerous business challenges were faced by investees, resulting in more reports being completed

Strategic objectives	Output	Performance measure/indicator	Actual achievement 2011/12	Planned target 2012/13	Actual achievement for 2012/13	Deviation from planned target to actual achievement for 2012/13	Comment on deviations
		3.3 Percentage of new deals referred to the funds on which the entrepreneurial assessment tool has been applied	New project	Apply tool on 100% of deals referred to the funds	26 assessments concluded which is 53% of the deals referred to the funds	47% below target	We are not entirely satisfied with the quality of information that can be derived from the assessment tool. The tool is therefore being reviewed, and has consequently not been applied to deals during the fourth quarter
		3.4 Number of Business Today Training sessions provided	New project	18 training sessions per year	46 training sessions provided in all nine provinces	28 additional training sessions provided	Satisfactory outcomes from training concluded have resulted in increased demand for the programme
		3.5 Number of entrepreneurs referred for business incubation	New project	Refer 15 screened applications for incubation per quarter	Total of 127 entrepreneurs referred to incubation partners	67 additional entrepreneurs referred for business incubation	
4 Facilitate investment across all provinces in South Africa	Increase share of portfolio in under-represented provinces	4.1 Number of co-location offices established	Four new offices secured (EC, Limpopo, Mpumalanga, FS; new leases concluded in KZN, WC)	Two co-location offices established	North West office launched	Only one of the two planned offices launched	Spending on new regional offices has been held back due to re-capitalisation considerations
		4.2 Total increase in percentage by value of portfolio invested in EC, NC, WC, KZN, NW, Mpumalanga, FS and Limpopo	Investment by value in Gauteng reduced by 6% (from 57% in 2010/11 to 51% as at 31 March 2012)	Increase value of the portfolio invested in EC, NC, WC, KZN, NW, Mpumalanga, FS and Limpopo by 5% overall	The percentage of the portfolio invested in the target provinces has increased as follows during the financial year: KZN (from 20% to 22%) FS (from 0.2% to 1%) Limpopo (from 3% to 5%) The percentage of the portfolio invested in Gauteng has consequently decreased from 51% to 50% during 2012/13	Target has been achieved	

Strategic objectives	Output	Performance measure/indicator	Actual achievement 2011/12	Planned target 2012/13	Actual achievement for 2012/13	Deviation from planned target to actual achievement for 2012/13	Comment on deviations
5 Establish the NEF in South African economy as a credible and meaningful development finance institution	Increase positive brand awareness of the NEF	5.1 Value of media coverage generated (Advertising Value Equivalent)	R25.1 million	R19.9 million	R24.7 million	R4.8 million above target	The variance of R4.8 million is the result of a number of influences including the CEO's wedding, an increased interest in the NEF investees and continued efforts by the NEF's Marketing department aimed at ensuring that the NEF is receiving positive media coverage
		5.2 Limit complaints to a percentage of applications received	1.39%	Complaints to be limited to 3% of applications received	2.2%	Target has been achieved	
FINANCIAL PERSPECTIVE	Obtain an overall real return on Fund investments through equity returns, interest on loans and interest on cash balances with minimised impairments and write-offs	6.1 Percentage of portfolio impaired	Impairment ratio of 12% of the total portfolio (13% for the loans/preference share portfolio)	15%	19% on the loans portfolio and 20% on the entire disbursed/invested portfolio.	Target has not been achieved	The impairment provisioning has been reset at R383 million for loans, preference shares and leases, and R505 million against the total disbursed portfolio
6 Establish the NEF as a sustainable DFI		6.2 Percentage ROI before impairments (to be reviewed annually)	The annualised return on investment on the loans portfolio before impairments was 7%	12% to 15%	9% on the loans portfolio and 10 % on the entire portfolio excluding cash	Return is 3% below target range	Actual interest raised on the loans portfolio is below budget. The budget was based on a slightly higher projected interest rate and disbursements over the year were slower than anticipated
		6.3 Book value of investments	Valuation exercise performed as part of annual audit	Perform valuation exercise as part of annual audit	Valuation exercise performed as part of annual audit	Target has been achieved	Conducted during April and May 2013
		6.4 Percentage of collections	97% (73% excluding additional payments)	70%	123% (98% excluding catch-up settlements)	Target has been exceeded	Collections are based on the loans portfolio

“Black Economic Empowerment, or Broad-Based Black Economic Empowerment, as it is technically known is not affirmative action, although employment equity forms part of it. Nor does it aim to take wealth from one group and give it to another. It is essentially a growth strategy, targeting the South African economy's weakest point: inequality.”

The Hon. Dr Rob Davies, MP, Minister of Trade and Industry, at the launch of the revised Broad-Based Black Economic Empowerment Codes of Good Practice, 2 October 2012

Strategic objectives	Output	Performance measure/indicator	Actual achievement 2011/12	Planned target 2012/13	Actual achievement for 2012/13	Deviation from planned target to actual achievement for 2012/13	Comment on deviations
		6.5 Manage portfolio risk	Exposure by value: High-risk: 13%; Medium-risk: 45%; Low-risk: 27%; Legal and Workouts: 15%	Exposure of the portfolio by value is as follows: High-risk clients :<25%; Medium-risk clients: <50%; Low-risk clients: <25%	Current exposure by value: High-risk: 24%; Medium-risk: 33%; Low-risk: 30%; Legal and Workouts: 12%; New Deals: 1%	A higher proportion of clients are considered to be low-risk, however the proportion of clients considered to be medium-risk is lower than planned	A higher proportion of deals are classified as low-risk, given that we have approved a high number of deals and the deals are still in the early stages of financing
		6.6 Develop capitalisation strategy for the sustainability of the Fund	New target	Develop and obtain Board approval for the capitalisation strategy	Capitalisation strategy approved by the Board of Trustees	Target has been achieved	Various avenues of sourcing additional capital have been and continue to be explored


Operational key milestones and events for the NEF include:

Milestone	Achievement as at 31 March 2013
Applications received	1 917
Enquiries	7 365
Staff complement	168
Number of stakeholder engagements	79



Thando Mhlambiso
Chairman of the Board of Trustees

31 March 2013



Philisiwe Mthethwa
Chief Executive Officer

REPORT ON CORPORATE GOVERNANCE

Corporate governance involves the establishment of structures and processes with appropriate checks and balances that enable members of the NEF's Board of Trustees to discharge their legal responsibilities and promote responsibility, accountability, fairness and transparency. Corporate governance structures established by the NEF assist the Board of Trustees to ensure that the NEF is governed and controlled in compliance with legislation and regulatory requirements and in terms of corporate governance best practice.

Compliance Framework and corporate governance

The NEF was established in 1998 by the National Empowerment Fund Act, No. 105 of 1998 (NEF Act). The NEF is an entity listed in Schedule 3A in terms of the Public Finance Management Act, No. 1 of 1999 (PFMA) and Treasury Regulations. The Board of Trustees is the accounting authority in terms of the PFMA.

To ensure compliance with all applicable laws and regulations, the NEF has developed a Compliance Framework which provides guidance on compliance processes adopted at the NEF. In addition, a Compliance Committee has been established to assist with the implementation of the Compliance Framework. The Compliance Committee's responsibility is to report on matters within its mandate to the Risk and Portfolio Management Committee and the Social and Ethics Committee (see the Report of the Risk and Portfolio Management Committee on page 59 for further detail).

The NEF acknowledges the importance of good corporate governance practices and is guided by the King Report on Governance for South Africa 2009 (King III). This year, steps taken in line with corporate governance best practice included:

- establishing a Board of Trustees and Board Committee development policy;
- establishing a Nominations Committee to consider appropriate composition of Board committees (see report on Board committees below);
- reviewing and adopting all Board Committee charters following reconstitution of all Board committees;
- conducting an integrated report bench-marking exercise to guide the NEF in formulating its medium- and long-term integrated reporting plan; and
- establishing an information technology (IT) governance framework that will guide the strategic utilisation of IT within the NEF.

Key focus areas for the future are the implementation of the integrated reporting plan and IT governance framework, as well as continuous consideration of corporate governance best practice.

QUICK FACTS

- The NEF's sole shareholder is the Government of the Republic of South Africa, represented by the Department of Trade and Industry (the dti) which serves as the NEF's executive authority in terms of the PFMA.
- A Shareholder Compact was concluded with the dti for the year under review.
- The Board of Trustees is responsible for directing, governing and controlling the NEF in the best interests of the NEF, taking into account the legitimate interests and expectations of the NEF's stakeholders.
- Board committees report to and are accountable to the Board for their areas of responsibility as stipulated in their respective charters, which are approved by the Board and reviewed on an annual basis.
- The Executive Committee has been constituted to assist the CEO to manage the NEF and to ensure performance in line with the NEF's business and strategic plan.

“...our view is that infrastructure development is a catalyst to sustainable economic development and to the improvement of the quality of life of our people in a most fundamental way.”

President Jacob Zuma, Presidential Infrastructure Conference, Sandton Convention Centre, 19 October 2012

Governance structures

Shareholder

The NEF's sole shareholder is the Government of the Republic of South Africa, represented by the Department of Trade and Industry (**the dti**) which serves as the NEF's executive authority in terms of the PFMA.

A Shareholder Compact was concluded with **the dti** for the year under review. The Shareholder Compact provides the governance framework between **the dti** and the NEF, regulates the roles and responsibilities of **the dti** and the NEF, and sets out the contracted key performance indicators and targets, in addition to the financial and performance reporting framework, in line with the requirements of the PFMA and Treasury Regulations.

Board of Trustees

Appointment

The NEF's Board of Trustees is appointed in terms of section 8 of the NEF Act. The Chairman and other non-executive Trustees are appointed by the President of the Republic of South Africa, on the advice of the Minister of Trade and Industry. Executive Trustees, such as the Chief Executive Officer and Chief Financial Officer, are appointed by the Minister of Trade and Industry.

To ensure alignment with the Board appointment provisions contained in the NEF Act, the NEF's Board of Trustees was reconstituted in October 2012, following a formal appointment process conducted by **the dti**. The Chairman and nine non-executive Trustees were appointed to the NEF Board of Trustees with effect from October 2012. The Chief Executive Officer was re-appointed as executive Trustee and the Chief Financial Officer was appointed as executive Trustee by the Minister of Trade and Industry with effect from 25 September 2012.

The duration of the non-executive Trustees' term of office is two or three years as prescribed by the NEF Act and the Trustees' appointment letters. The term of office of executive Trustees corresponds with their term of employment. Notwithstanding the appointment of the Chairman by the NEF's shareholder, the Chairman is considered to be independent in all other respects.

Role

The Board of Trustees is responsible for directing, governing and controlling the NEF in the best interests of the NEF, taking into account the legitimate interests and expectations of the NEF's stakeholders.

The duties, powers and authority of the Board of Trustees are contained in the NEF Act, in the Shareholder Compact, and in the Board Charter that is approved by the Board and reviewed on an annual basis.

The NEF's Board includes individuals with diverse skills, experience and backgrounds to ensure a balance of power and positive interaction at Board level. The high calibre of the NEF Board members, who are entrusted with providing the NEF with strategic direction to deliver on its mandate, is apparent from the profiles of Board members which are presented from page 67 of the Report.

“Corporate governance involves the establishment of structures and processes with appropriate checks and balances that enable members of the NEF's Board of Trustees to discharge their legal responsibilities and promote responsibility, accountability, fairness and transparency. Corporate governance structures established by the NEF assist the Board of Trustees to ensure that the NEF is governed and controlled in compliance with legislation and regulatory requirements and in terms of corporate governance best practice.”

Report on Corporate Governance

”

Attendance of Board meetings

During the period under review the Board convened seven scheduled Board meetings, which included a strategy session, and three special meetings to deal with consideration of investments for approval and other urgent matters. Attendance at meetings of Board of Trustees' members and information on the terms of service of Board members are reflected in the table below.

	Exec/Non-Exec	26/04/12	15/05/12	30/07/12	20/08/12	12/09/12	13/09/12	14/09/12	31/10/12	20/11/12	29/01/13
Thando Mhlambiso** (RSA, 51)	Non-executive								✓	✓	✓
Zukiswa Ntlangula* (RSA, 41)	Non-executive	✓	✓	✓	Apology	✓	✓	✓	✓	✓	✓
Philisiwe Mthethwa (RSA, 49)	Executive	✓	✓	✓	✓	✓	✓	✓	✓	✓	Apology
Rakesh Garach (RSA, 49)	Non-executive	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Avril Halstead (RSA, 37)	Non-executive	✓	✓	✓	Apology	Apology	✓	✓	✓	✓	✓
Angie Makwetla (RSA, 66)	Non-executive	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Jacky Molisane (RSA, 39)	Non-executive	Apology	✓	✓	✓	Apology	✓	✓	Apology	✓	✓
Nomalanga Mosala (RSA, 49)	Non-executive	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Innocentia Pule**** (RSA, 36)	Executive								✓	✓	✓
Allon Raiz (RSA, 46)	Non-executive	✓	✓	✓	Apology	✓	✓	✓	✓	Apology	✓
Kugan Thaver## (RSA, 42)	Non-executive	Apology	Apology	✓	Apology	Apology	✓	Apology	–	–	–
Thabiso Tlelai## (RSA, 49)	Non-executive	Apology	✓	✓	Apology	✓	✓	✓	–	–	–
Jacky Williams*** (RSA, 55)	Non-executive	–	–	–	–	–	–	–	✓	✓	Apology
Andrew Wright# (RSA, 43)	Executive	✓	✓	–	–	–	–	–	–	–	–
Sipho Zikode*** (RSA, 50)	Non-executive	–	–	–	–	–	–	–	✓	Apology	Apology

* With effect from 1 November 2011 Zukiswa Ntlangula was appointed as Acting Chairman of the Board of Trustees.

** With effect from 23 October 2012 Thando Mhlambiso was appointed as Chairman of the Board of Trustees.

*** Appointed as Board member with effect from 23 October 2012.

**** Appointed as Board member with effect from 25 September 2012.

Resigned with effect from 29 June 2012.

Retired with effect from 22 October 2012.

“To ensure compliance with all applicable laws and regulations, the NEF has developed a Compliance Framework which provides guidance on compliance processes adopted at the NEF. In addition, a Compliance Committee has been established to assist with the implementation of the Compliance Framework.”

Report on Corporate Governance

Delegation of authority

Board Committees

Following reconstitution, the Board of Trustees established an *ad hoc* Nominations Committee in November 2012 to assist the Board to ensure that:

- Board committees have the appropriate composition to assist the Board to execute its duties effectively;
- independent members (members who are non-executive, independent and not Trustees of the NEF) of NEF Board committees are appointed through a formal process; and
- formal succession plans are in place for the Chief Executive Officer and executives.

The Nominations Committee followed a formal process in November 2012 to consider the reconstitution of all Board committees. Following consideration of the roles of the various Board committees and the skills and experience of existing members as well as of candidates nominated to serve on Board committees, the Nominations Committee made recommendations to the Board of Trustees. In January 2013 the Board of Trustees took into account the recommendations made and approved the reconstitution of all Board committees. While new members were appointed to all committees, a number of members were retained to ensure continuity of the Board committees. The membership of all Board committees pre- and post-January 2013 is set out below and under the Board Committee reports in this Report.

New members of Board committees were inducted through provision of information on the NEF and attending various relevant induction sessions.

Board committees report to and are accountable to the Board for their areas of responsibility as stipulated in their respective charters, which are approved by the Board and reviewed on an annual basis. The Board has established the following six committees to assist it in fulfilling its governance role:

- Audit Committee
- Board Investment Committee
- Human Capital and Remuneration Committee
- Risk and Portfolio Management Committee
- Nominations Committee
- Social and Ethics Committee

The Chairs of all the Board committees, save for the newly-established Social and Ethics Committee and Nominations Committee, have provided separate reports for each of the Board committees in which the committee's activities for the year are highlighted. Attendances at Board Committee meetings are given in the Board Committee reports.

The following members comprise the newly-established Social and Ethics Committee:

- Angie Makwetla (Chairman of the Social and Ethics Committee and Trustee)

- Michelle Mbaco (Independent member)
- Jacque Williams (Trustee)
- Sipho Zikode (Trustee)

The Social and Ethics Committee's first meeting was held on 6 March 2013 to approve its mandate and Charter, which was subsequently approved by the Board in April 2013. The Social and Ethics Committee will focus on monitoring the NEF's activities with regard to matters relating to:

- social and economic development
- good corporate citizenship
- stakeholder relationships
- the environment, health and public safety
- labour and employment
- ethics implementation in the NEF
- monitor codes of conduct and conflicts of interest

After finalisation of its recommendations regarding the reconstitution of all Board committees, the *ad hoc* Nominations Committee will reconvene as required to perform its mandate. Nominations Committee membership is comprised as follows:

- Thando Mhlambiso (Chairman of the Board and Chairman of the Nominations Committee)
- Philisiwe Mthethwa (Chief Executive Officer and Trustee)
- Rakesh Garach (Trustee and Chairman of the Audit Committee)
- Avril Halstead (Trustee and Chairman of the Human Capital and Remuneration Committee)
- Angie Makwetla (Trustee and Chairman of the Social and Ethics Committee)
- Zukiswa Ntlangula (Trustee and Chairman of the Risk and Portfolio Management Committee)
- Jacky Molisane (Trustee and Chairman of the Board Investment Committee)

NEF committees

Executive Committee

In terms of section 17 of the NEF Act, responsibility for management of the activities of the NEF is delegated to the Chief Executive Officer, who may delegate managing powers to NEF staff or other NEF structures.

The Executive Committee has been constituted to assist the CEO to manage the NEF and to ensure performance in line with the NEF's business and strategic plan.

The Executive Committee separates its business into Investments and Operations. The Executive Operations Committee manages the daily activities of the NEF and the Executive Investment Committee considers for approval transactions within its delegated authority. Both Executive Committees comprise 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, Marketing Manager, Chief Risk Officer and Internal Audit Manager attend all Executive Committee meetings.

Management Committee

The Management Committee was established by the Executive Committee to support the Executive Committee in managing the day-to-day business of the NEF by, *inter alia*, recommending policies, procedures and operational directives to the Executive Committee for approval and facilitating synchronisation of various departments to achieve the NEF's objectives.

The Chairman of the Management Committee is the Chief Risk Officer and the NEF senior management are members of the Committee.

Other committees

Other NEF committees include:

- The Compliance Committee (considers compliance matters as indicated above)
- The Procurement Committee (considers supply chain management matters)
- The Portfolio Management Committee (monitors and approves interventions for approved investments and insures adherence to repayment terms and other required performance parameters)
- Investment committees such as the Fund Management Investment Committee and Credit Committee (consider for approval transactions as per their delegated authority)

In acknowledgement of the importance of sound management of supply chain management matters in the public sector and of adherence to the requirements of the PFMA, a report by the Chairman of the Procurement Committee has been included on page 64 of the report.

Remuneration

Remuneration of non-executive Board members and Board Committee members is based on market-related rates in terms of a remuneration policy which is approved by the dti. Full disclosure of the emoluments of the Trustees is contained on page 130 of the annual financial statements.

Ethics

Board members and Board Committee members are required to discharge their fiduciary duties and their duties of care, skill and diligence in the best interests of the NEF. In addition, Board members, Board Committee members and NEF staff are required to conduct themselves in a manner that accords with the NEF's values and Code of Conduct.

The provision of NEF funding to members of the Board of Trustees or of Board Committees, or to their family members, is prohibited. Members of the Board of Trustees and of Board Committees are required to declare all their interests annually in the Conflict of Interest Register and to declare specific interests in matters at Board and Board Committee meetings. After disclosure of interests, potential conflicts of interest are managed as deemed appropriate by the Board or Board Committee.

The Code of Conduct and Conflict of Interest policies are currently under review to ensure adherence to corporate governance best practice.

Evaluation

In line with King III recommendations, the NEF strives to ensure that the Board, Board Committees and individual members are evaluated every year. The last Board and Board Committee's evaluation took place at the end of 2011. Due to the reconstitution of the Board of Trustees and of Board Committees at the end of 2012, the next Board and Board Committees' evaluation is expected to take place at the end of 2013.

Secretariat

The Head: Secretariat, and the Secretariat team, are responsible for, *inter alia*, providing corporate governance advice to the Board, Board Committees and the NEF in general, ensuring compliance with applicable legislation and good governance practices (including King III), acting as the primary point of contact for stakeholders regarding matters of corporate governance, as well as for the administration of Board, Board Committee, Executive Committee and Investment Committee meetings and related activities.

Requests for information

No requests for information were lodged with the NEF in terms of the Promotion of Access to Information Act. No. 2 of 2000, during the financial year. ▶



Ms Natasha Bouwman

Head: Secretariat

REPORT ON SOCIAL, ENVIRONMENT AND ENTREPRENEURIAL SUPPORT

Empowerment dividend for highlighted transactions

Introduction

The mandate and mission of the National Empowerment Fund is to be a vehicle for broad-based economic empowerment by providing black people with opportunities for acquiring shares or interest, directly or indirectly, in private business enterprises, thereby also contributing to the creation of employment opportunities. These objectives are achieved through a range of investments in transactions which meet basic funding criteria such as commercial viability, job creation, community involvement, return on investment, and black managerial and operational involvement. The NEF's funding criteria conform to codes of good practice directed towards economic emancipation of the historically disadvantaged and transformation of the various industry sectors.

The National Empowerment Fund's investments give priority to community involvement, black ownership, skills transfer, enterprise development and supplier development that will advance the empowerment of communities, especially in rural areas and provinces. Another key element in determining the eligibility of a transaction is the expected empowerment dividend, determined by issues like the number of jobs to be created, involvement by women, geographic location of the proposed transaction, and the economic sector in which it is classified. Communities might participate in a transaction directly through shareholding or indirectly through spin-off opportunities that could transpire in the neighbouring vicinity. In transactions where the land is communally owned, the promoters or technical partners who identify the business opportunity are encouraged, in terms of the NEF's empowerment mandate, to incorporate meaningful community participation by allocating to the community an empowering portion of the business. In NEF-funded transactions, communities or beneficiary groups (in their various possible legal embodiments: community trusts, co-operatives, companies, etc) cannot always be recognised as employees but may well be owners or managers in a ground-breaking or expanding enterprise or acquisition in one or another sector of the economy.

Social Development

Giving weight to the transformation agenda, the NEF's Social Development Unit functions as a custodian of social development and empowerment, responsible for ensuring that the interests and roles of the different beneficiary groups and communities are meaningfully safeguarded and brought to fruition. Interventions by the Social Development Unit include:

- identification of beneficiaries
- fostering beneficiary awareness
- addressing beneficiaries' expectations
- assisting with the registration of legal entities
- assisting with the formulation of a social development plan
- training and capacity building in regard to key business issues
- corporate governance training and mentoring
- linkage with markets, international and nationally
- mobilising grant funding for implementation of spin-offs and other social development interventions
- facilitating other non-financial support by external stakeholders
- facilitating participation of the investee companies in local and international market expos
- managing the duties of social facilitators

1. Amani Spa

Amani has seven spas, located in Gauteng, North West, Mpumalanga, and Western Cape. Included in the empowerment dividend following NEF's investment in Amani Spa have been the following gains: 74 workers have a 20% shareholding in the business and virtually all employees are women, from neighbouring communities and other rural communities in Mpumalanga, North West and Limpopo. The workers have agreed to establish a bursary scheme that will benefit them and their dependants. Other worker benefits planned include hospital cover and funeral cover, and a portion will be distributed as dividends. Additional spin-off opportunities will flow to external women's co-operatives which will be given contracts to supply the following services:

- linen (cushions, pillowcases, bed runners)
- uniforms for the employees
- laundry services
- hot water bottle covers
- towels and gowns
- shoes
- body products

1.1 Triple bottom line

- **Social impact:** The NEF's investment in this transaction will see the lives of 74 workers who are shareholders positively improved, as well as those of groups who will benefit through enterprise development, supplier development and corporate social development.
- **Economic impact:** The investment will make a substantial contribution to the mainstream economy, with the employees sharing directly in GDP growth through participation in an industry which was historically untransformed.
- **Environmental impact:** The investment is fully compliant with all environmental regulations, creating no emissions or other detriment to the environment.

2. Ndalo Luxury Ventures (NLV)

Luminance, owned by Ndalo Luxury Ventures, is a proudly South African, cutting-edge luxury fashion and lifestyle brand shaped by international trends for the African market. The entire collection is designed in South Africa to suit the specific needs of the South African market. The major part of the collection will be manufactured in South Africa by Karma Clothing, a women-owned factory located in Gauteng, with the balance coming from Italy. The homeware range and some of the artefacts in the shop will be supplied by local rural women who will be 10% shareholders in the business. NLV employees have also been allocated a 10% shareholding in the business.

2.1 Empowerment plan for NLV employees

To qualify as a beneficiary of the Workers' Trust, an employee must have been in the employ of NLV for a period of at least two years without any legal finding against the employee. Employees who choose to resign from the employment of NLV for any reason within a period of five years after qualification as a beneficiary will automatically forfeit their Shareholder status in the NLV Workers' Trust. The following benefits have been discussed with a small number of NLV staff, as most of the envisaged staff have yet to be employed while the business is still in the process of setting up:

2.1.1 Bursary Scheme

Through the Workers' Trust, NLV will assist with the establishment of an education trust/bursary scheme for all the employees' dependants. The education trust will give priority to support of children who wish to pursue studies that coincide with Luminance's core business or related fields.

2.1.2 Corporate Social Investment

As part of its corporate social investment, NLV undertakes to adopt a student from a disadvantaged community who has completed matric and needs to further his or her education in the field of either media or fashion, with provision of employment by NLV after completion of these studies.

2.1.3 Day Care Centre

NLV staff complement being 96% female, with an average age of 30, part of the Trust's proceeds will be expended on establishing a day care centre for children of NLV employees. This facility will also be open to other parents from the general public – especially those working in and around the business park where the Luminance office block is located – who choose to pay for the care centre services. Revenue generated from the day care centre will accrue to the Workers' Trust and could be used for further development and investment in other projects.

2.1.4 Investor Education

NLV employees are to be assisted in identifying other investment opportunities that will ensure the economic growth and development of all the beneficiaries, provided that it is not in conflict and competition with NLV operations.

2.1.5 Career pathing and development

NLV will draw up a career development and progression plan for its employees, especially those in the lower earning bracket. This will be informed by the outcome of the skills audit to be conducted within NLV.

2.1.6 Enterprise development

Code 600 of the BEE Codes of Good Practice (BEE Act 53 of 2003) stipulates that a company must contribute 3% of its net profit after tax to enterprise development. NLV will contribute this 3% to the social development plan of the Workers' Trust, in consultation with the workers and informed by their inputs. The proposal is that the 3% ED fund contribution be invested in Karma Clothing, which has no BEE partners at the moment. Decision on this proposal will also be contingent on agreement by the Karma owners and on the evaluation outcome.

2.1.7 AIDS Scheme

NLV will have to register an AIDS scheme in line with the requirements of the textile industry.

2.2 Training and capacity building for NLV staff

Training and knowledge exchange for the NLV employees will be organised as follows:

2.2.1 Industry-specific training and knowledge transfer

Information exchange and education will be encouraged by hosting annual design master classes in South Africa where selected international designers will share, inspire, motivate and connect with established and aspirant designers. NLV will engage with local training institutes to give students exposure to these master classes from early in their careers.

2.2.2 Staff training

Service excellence is one of the cornerstones that will differentiate NLV from its competitors. Highly-specialised training will therefore be a pivotal component of the organisation's human resource development strategy.

NLV has enlisted the help of Michael Yacobian (TYG), who are leading experts in training that enables a quality in-store customer experience through systems and, most importantly, staff. They will provide training that combines content with process and takes the guesswork out of store management. Together with clients, they coach, inspire and enable front-line teams to delight customers. NLV staff members will be trained in the art of customer service as enjoyed by luxury retail consumers. With this in mind, an extensive training budget has been allocated at pre-opening. Furthermore, the ongoing training budget has been calculated at 6% of payroll, a rate that is significantly higher than the industry norm.

“The National Empowerment Fund's investments give priority to community involvement, black ownership, skills transfer, enterprise development and supplier development that will advance the empowerment of communities, especially in rural areas and provinces.”

Report on Social, Environment and Entrepreneurial

2.3 Social enterprise development for external BEE community groups

A 10% allocation of Luminance shares has been set aside for external BEE groupings. Half of this has been allocated to a collection of six arts and crafts manufacturing groups, composed of women or disabled persons, located in the KZN Midlands and in Pietermaritzburg, Newcastle, Ladysmith and Durban. Other recipient groups are from the Zululand region and northern KZN, including Mahlabathini, Vryheid and KwaNongoma. The women craftworkers are registered in primary co-operatives which will, in turn, be formed into a single secondary co-operative to promote competitiveness and efficiency in supply and packaging of their products. Mintek, the co-operatives unit of the dti, KZN Department of Economic Development and Tourism and KZN Wildlife will help to provide both financial and non-financial support to all these co-operatives. An application to the co-operatives unit of the dti is underway for funding of equipment to produce beads and other jewellery products. Mintek will provide the technical training and NEF will provide entrepreneurial training and investor education to the six primary co-operatives.

The co-operatives are:

- Vukani Arts and Crafts Co-operative
- Nkosimbeke Co-operative
- Zizameleni Disabled Co-operative
- Ababumbi Co-operative
- Zan Zan Décor
- Simunye Handcraft and Jewellery

The co-operatives currently produce a variety of artefacts, but their business management and technical know-how need to be enhanced and up-skilled: hence the involvement of partners like Mintek and the Department of Economic Development and Tourism. In addition, Luminance has identified a mentor who will render further assistance to the crafters with quality and standards of their products.

2.4 Triple bottom line

- Social impact: With the 10% shares allocated to the craftwork co-operatives the business has made a positive impact on the lives of their members, 5 to 10 in number for each co-operative. The transaction will also capacitate and up-skill these participants to a level of professional efficiency and competitiveness that will equip them to compete in international pavilions. This readily translates to 60-plus permanent jobs, with a bottom-line benefit to at least

another 60 individuals, according to the size of each craftworker's household.

- **Economic impact:** Through their shareholding in Luminance the crafters will secure an off-take agreement as suppliers of homeware to the Luminance store, which means they will be paid cash for the artefacts that they deliver to the Shop: This will increase their economic benefit in the business over and above the 10% shareholding, with further advantage for their standard of living. The employees of Luminance and Ndalo will also derive economic benefit through this empowerment transaction, which will involve some of them in active participation in the business operation.
- **Environmental impact:** The craftwork produced through Mintek's training in the manufacture of glass beads will make use of recycled glass collected from local community waste. Glass rods will provide the colouring for the beads, and no emissions into the environment will be caused by any raw materials used in the production process.

3. Badplaas Milling

The Badplaas Timber Company (Pty) Ltd is a newly established company owned by a community of three families based in the rural area of Badplaas. There are a total of 38 beneficiaries in the three families (8 women, 11 men, 19 children). Almost all of the adults are unemployed and nine are interested in working on the farm. The average age of the households, excluding the children, is 30.



The beneficiary communities come from Lochiel, Elukwatini, and other smaller villages close to the small town of Badplaas. They have previously sought employment in the timber forests adjoining Vunani Forests (50% BEE company) who are the current owners of the 1 286 ha farm, planted with pine and gum trees, and who have ceased operations for the last three years due to a dispute with Sappi on the agreed and signed lease agreement. The transaction with NEF restructured the company and recapitalised the business to allow it to resume operations under mentorship and with better financial and management control. As part of the strategy going forward, the company purchased a milling company for beneficiation of forest timber as planks and other construction or building material. It was proposed that the NEF invest directly into a newly established company named Badplaas Timber Company (Pty) Ltd and a new milling company named Badplaas Milling Company (Pty) Ltd, alongside an experienced technical partner. The NEF funded both companies in exchange for shareholding by the workers in the forestry and mill operations. The milling company is owned 35% by the Badplaas Workers' Trust, 35% by employees and 30% by the technical partner who owned a small milling operation in the area. The condition for his involvement was for him to close his operations and concentrate his efforts and skills in running the new milling company.

3.1 Empowerment Dividend

- Nineteen individuals have gained a good livelihood as a result of NEF's investment creating jobs for them, and an additional 25 workers have been reinstated in their jobs at the milling company
- The investment presented an opportunity in the forestry industry which is still lagging in regard to transformation. Forestry is a major employer of rural people, mostly women, and also a significant driver for rural development. The transaction constitutes NEF's first investment in the industry
- The NEF's investment helped to advance transformation and unlock value in facilitating entrance of new small forestry businesses and assisting the community to acquire mature forests and farms. The industry is still protected and dominated by large privately-owned forestry business such as Mondi, Sappi, etc
- The long-term nature of the industry and the risk profile perception limit investments and funding for BEE groupings in this sector; the assistance provided by NEF involvement will therefore have a significant impact
- Various interventions led by NEF and the Department of Agriculture helped the company to improve efficiencies and become commercially viable

- The milling operations have been an added value to both the Badplaas Workers' Trust and the current labour force of the technical partner's milling plant. The operation has strong growth prospects and the margins have risen significantly since the introduction of construction timber in the range of product offerings

3.2 Other benefits for the social development plan

Other benefits include:

- a funeral scheme that will benefit the three beneficiary families
- a bursary scheme
- hospital cover
- a bee-keeping business that normally requires a forest to thrive, which this community has to its advantage

3.3 Triple bottom line

- Social impact: The NEF's investment in this transaction has improved the lives of the three families and the workers who are shareholders in the forestry and milling business
- Economic impact: The investment will make a substantial contribution to the mainstream economy, with the employees sharing directly in national GDP growth and Mpumalanga provincial growth through participation in an industry which was historically untransformed
- Environmental impact: The investment is fully compliant with all environmental regulations, creating no emissions or other detriment to the environment

4. Richmond Opkomende Boere Co-operative

Richmond Opkomende Boere Co-operative approached the NEF for funding assistance totalling R3.6 million for purchase of livestock, equipment and implements, farm vehicles, and for working capital and farm improvements. The co-operative was farming with a small herd of goats and wanted to switch to commercial extensive sheep farming. The project is located in the Northern Cape, 11 km from the Karoo town of Richmond. The farm is 7 026 ha in extent and is being leased from the local Ubuntu Municipality. NEF's funding was provided to Richmond Opkomende Boere Co-operative, which is owned on an equal basis by its 44 members.

Richmond Opkomende Boere Co-operative is 100% black-owned, with 44 members (22 women, 22 men, with ages ranging from 22 to 79). The co-operative represents the interests of its 44 members, who are all previously disadvantaged individuals and predominantly Xhosa- and Afrikaans-speaking; all reside in Richmond. Some of the members

are already working at the farm and they have the relevant working experience in this regard. Of the 44 members, 13 are employed full-time in the business while the other 31 are beneficiaries.

4.1 Empowerment Dividend

- The co-operative members are all from the Richmond local community. The beneficiaries have subsistence farming experience from the two-year period of running their goat business
- This project has afforded 44 historically disadvantaged individuals the opportunity to improve their social circumstances by being shareholders of this new venture, making it possible for them to improve their livelihood and do the kind of work that the region is best suited for, which is sheep farming
- The co-operative will farm with merino sheep which is known for its high-quality meat and can produce 10% to 15% of its own live mass annually in clean wool
- The transaction demonstrated financial viability and long-term sustainability, combined with significant development impact
- The transaction is a groundwork investment in the Northern Cape which is one of our priority focus areas. The sheep production unit is seen as a low-risk commodity for the Richmond area



- Skills transfer is a key element of the project, and a skills development plan has been created for up-skilling the employees
- A well-experienced sheep mentor has been appointed, who understands the technicalities of the business very well

4.2 Development impact achieved through NEF Investment

The NEF's investment has eased the challenge of access to finance by black farmers and has assisted a co-operative to own a commercial sheep farm. The transaction has achieved the following developmental impacts:

- Job Creation: 7 new jobs have been directly created
- Women Empowerment: There is 50% effective female shareholding in this transaction. No females are employed in the project because it is labour intensive
- Geographic spread: This transaction represents the first rural transaction funded by the NEF in the Northern Cape

Skills and enterprise development: The RCDF model facilitated enterprise development and skills transfer from the technical partner. Basic business management skills remain a challenge and will be transferred and developed by the managing technical partner through an understudy programme for some of the employees.

4.3 Compliance with targeted sector objectives

The transaction is in line with the Agri BEE Sector Charter objective of achieving 100% ownership by black people.

4.4 Social development intervention

Among the proposed social development interventions from the dividends of the business are:

- a funeral scheme for the 44 beneficiaries
- hospital cover for the direct beneficiaries
- a bursary scheme for the beneficiaries' dependants
- a hospital plan for all 44 beneficiaries

4.5 Triple bottom line

- Social impact: The NEF's investment in this transaction has positively improved the lives of the families and workers who are shareholders in the sheep farming and shearing business
- Economic impact: The investment will make a substantial contribution to the mainstream economy, and will see a community that has been excluded from economic activities participating directly in the growth of the Northern Cape and the national GDP through involvement in an industry which was historically untransformed

- Environmental impact: The investment is fully compliant with all environmental regulations, with no detriment to the environment

5. Sekakopamo Brick Manufacturing

The NEF was approached by this co-operative to provide start-up capital of R10.7 million for the establishment of a brick and roof-tile manufacturing business in GaMatlala, Limpopo. The business is called Sekakopamo Bricks and Tiles Manufacturers (Pty) Ltd. It is 40% owned by the Sekakopamo Manufacturing Primary Co-operative Ltd, and the Community Trust together with the NEF will each own 30% of the business. The BEE sponsors in the transaction are the Sekakopamo Manufacturing Primary Co-operative Ltd, which is made up of seven founding members: five black women and two black men. The Community Trust is led by the Head Lady, Nkoko Selolo, and the beneficiaries will include the estimated 300 households of Kordon village and Cloetesdam village.

5.1 Social development interventions

In consultation with the community trustees the following social development initiatives were prioritised:

- acquiring water tanks for each household, as water availability is a key challenge
- establishing a bursary scheme for the village scholars
- NEF assistance with identifying a service station opportunity that will be owned by the community through the Trust

5.2 Triple bottom line

- Social impact: The NEF's investment in this transaction will positively impact the lives of the GaMatlala villagers, the five co-operatives' members and their families, and workers who are shareholders in the brickmaking business
- Economic impact: The investment will make a substantial contribution to the mainstream economy and will see a community that has been excluded from economic activities sharing directly in national GDP growth and Limpopo provincial growth through participation in a construction industry which was historically untransformed
- Environmental impact: The investment is fully compliant with all environmental regulations, creating no emissions or other detriment to the environment.

REPORT OF THE CHIEF FINANCIAL OFFICER

“The NEF has continued to diligently discharge its mandate during the 2012/13 financial year, as evidenced by approvals totalling R1.3 billion in the year, 14.6% growth year on year, and disbursements of R946 million (52.6% growth year on year).”

Report of the Chief Financial Officer

2013 HIGHLIGHTS

Interest earned from
development activities

up 39%

Return on Investment

9%

Cost to income ratio

59%



Ms Innocentia Pule
Chief Financial Officer

Economic overview

South Africa's gross domestic product expanded by 2.5% in 2012 as a whole, with quarterly growth accelerating from 1.2% in the third quarter to 2.1% in the final quarter. Positive contributions emanated from a rebound in manufacturing, significantly faster growth in the agricultural sector and modest acceleration in financial and business services and in transport and communications. The mining sector in turn experienced a lower rate of contraction in the last quarter of 2012.

Despite a higher inflation trajectory since the middle of last year, coupled with a potential breach of the 6% target band ceiling in the third quarter of 2013, the Monetary Policy Committee (MPC) decided to keep the repo rate unchanged at 5%. The MPC expects inflation to fall back into the target range and to remain within the band until the end of 2014. Furthermore, it remains concerned with the overall economic performance and the excessively high rate of unemployment in the country.

The South African economy shed 68 000 jobs in the final quarter of 2012 compared to the preceding three months. Continued sluggish growth and developments in the labour market, particularly wage demands and heightened industrial action, are likely to have contributed to these adverse developments. Notwithstanding the job shedding, the unemployment rate fell marginally to 24.9% in the fourth quarter of 2012 from 25.5% in the previous quarter, thus indicating that more people have stopped looking for work.

Against the backdrop of these seemingly gloomy economic developments, yet remaining vigorously committed as a DFI to:

- providing counter-cyclical funding;
- providing an enabling environment for enterprise and industry;
- creating and supporting employment;
- redistributing wealth;
- developing poor groups or regions; and
- developing new industrial sectors or boosting weak ones,

The NEF proudly delivers its annual report for the financial year ended 31 March 2013.

The NEF has continued to diligently discharge its mandate during the 2012/13 financial year, as evidenced by approvals totalling R1.332 billion in the year, 14.6% growth year on year, and disbursements of R946 million (52.6% growth year on year).



QUICK FACTS

- The increase in operating income results from the pleasing traction we have had in our Enterprise Development initiative, with R17.9 million (compared to R3.2 million in 2012) raised from six contributors during the year.
- Impairments are significantly higher than last year, mainly due to the non-performance of some businesses which have attracted a high risk rating at year-end. These account for R177.1 million (45.5%) of the impairment provision for the year.
- We have maintained our collection ratios (measured as receipts as a percentage of instalments raised) at 98% (97% in 2012). This is a key measure that allows us to monitor the recoverability of our collectable investments.
- The NEF will maintain portfolio management activities without building a pipeline to ensure at least capital return on investments made thus far.

“The overall 3% year on year increase in interest income is a very good result in a downward-trending interest rate environment.”

Report of the Chief Financial Officer

Financial position

Financial performance overview

Rm	5-year CAGR	5-year average	Annual growth	2012/13	2011/12	2010/11	2009/10	2008/09
Financial position								
Cash and cash equivalents	(8%)	2 373	(22%)	1 689	2 202	2 593	2 788	2 604
Financial market assets	8%	1 351	20%	1 686	1 403	1 372	1 125	1 172
Investment in development activities	19%	1 363	21%	1 976	1 640	1 307	1 063	827
Other assets	15%	49	21%	71	58	54	24	35
Total assets	3%	5 136	2%	5 422	5 303	5 316	5 000	4 638
Current liabilities	(20%)	64	11%	49	44	35	41	152
Trust capital and reserves	4%	5 071	2%	5 372	5 259	5 281	4 959	4 487
Financial performance								
Interest on development activities	9%	118	39%	156	112	115	107	103
Interest on investments	(8%)	139	(25%)	102	137	169	128	157
Total interest	0%	257	3%	258	249	284	234	260
Dividends from development activities	98%	1		3				
Dividends from financial market assets	34%	54	0%	86	85	75	1	20
Retail share offer activities	(100%)	90					180	1
Operating income	224%	30	380%	24	5	1	123	
Fair value gains/(losses)	76%	39	832%	251	(34)	(28)	(7)	15
(Loss)/profit on disposal of investments				–	(15)	(1)	(19)	6
Operating expense	15%	163	14%	219	192	154	143	108
Impairments	27%	152	176%	290	105	103	171	89
Surplus/(deficit) for the year	2%	97	1 999%	114	(6)	75	199	104
Financial ratios								
Cash and cash equivalents to total assets		46.6%		31.2%	41.5%	48.6%	55.8%	56.1%
Return on assets		2.0%		2.1%	(0.1%)	1.4%	4.0%	2.2%
Return on investment (before impairments)		9.4%		8.8%	6.8%	8.8%	10.0%	12.5%
Return on investment (after impairments)		(2.1%)		(7.3%)	0.4%	0.9%	(6.1%)	1.7%
Operating expenses to income		44.6%		59.0%	56.4%	42.7%	26.5%	38.6%
Impairment charge ratio		11.2%		14.7%	6.4%	7.9%	16.1%	10.8%

Net surplus for the year at R114 million is influenced mainly by a healthy growth in interest from development activities and by fair-value gains (more specifically in respect of the MTN shares which have for the first time been brought into the statement of financial performance due to the accounting standard change (GRAP 4) effective 1 April 2012), which were offset by impairment charges incurred during the year.

It is pleasing to see an increasing interest income on our development activities (39% year on year), in line with an increasing portfolio, despite the year on year 50 basis points (bps) drop in prime lending rate. This increase was influenced mainly by disbursements made in the last quarter of the 2012 financial year, together with increased disbursements made during the 2012/13 financial year.

The steady decline in interest income from investments was expected, as cash was being disbursed into investments. The overall 3% year on year increase in interest income is a very good result in a downward-trending interest rate environment.

The increase in operating income results from the pleasing traction we have had in our Enterprise Development initiative, with R17.9 million (compared to R3.2 million in 2012) raised from six contributors during the year. Of the contributions raised during the year, we have managed to approve R8.5 million by year-end. A good pipeline has been built to ensure that more qualifying businesses are supported going forward.

Our annual increase in operating expenses at 14% was mainly as a result of headcount increase (in line with our strategy and a growing portfolio) and the full-year impact of the greater part of our regional offices roll-out. At 60% (57% in 2012), human capital costs continue to be the single largest overhead for the NEF. This is mainly due to a significant planned proportion of professional staff to support the strategic implementation of our plans. The proportion of support staff to professional staff has been maintained at two professional staff to one support staff member.

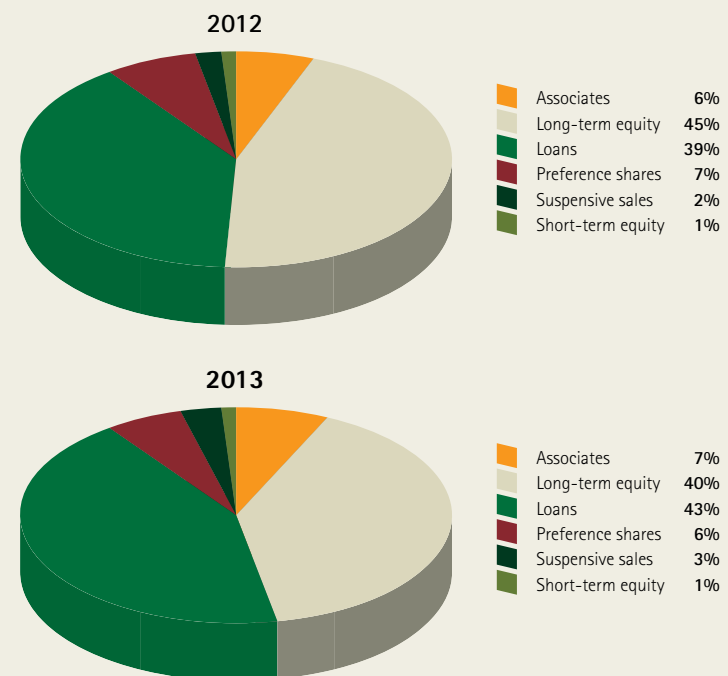
Impairments are significantly higher than last year, mainly due to the non-performance of some businesses which have attracted a high risk rating at year-end. These account for R177.1 million (45.5%) of the impairment provision for the year. There was a further impairment of R96.3 million in respect of a client in the media sector.

Our Post Investment Unit and the Funds continue to monitor our portfolio closely to enable early identification of investments showing signs of potential non-performance so that timely interventions are possible.

Sustainability of Our Portfolio

Our portfolio make-up, as reflected in Figure 1, indicates that interest-bearing lending remains a focus for the NEF. Loans, preference shares and suspensive sale advances account for 52% of the portfolio (48% in 2012), with a very good shift evident in originated loans year on year. This bias in favour of non-equity instruments provides the NEF with the required element of predictable cash flows, although this must be done in full consideration of the level of loans in moratorium at the specific reporting date.

Figure 1: Portfolio make-up (gross amortised cost/fair value)



Reported income before impairments, fair value movements and dividends is a key indicator of the operational sustainability of the Fund. At R63 million (R62 million in 2012), this indicator accounts for the ability of cash and investments to sustain the operational overheads of the NEF.

We have maintained our collection ratios (measured as receipts as a percentage of instalments raised) at 98% (97% in 2012). This is a key measure that allows us to monitor the recoverability of our collectable investments. We have further continued to closely monitor the level of loans

in moratorium, which we normally aim to keep ranging between 35% and 40% of the carrying value of the loan book. Despite the continued surge in disbursement activity in the last two quarters of the financial year we have managed to reduce this ratio to 39% (48% in 2012), as the impact of new disbursements was tempered by existing loans that came out of moratorium and started paying as scheduled.

Despite the good traction on the abovementioned measures, some of our investees have experienced operational difficulties, resulting in an increase in our portfolio impairment provisioning in the year to 20% from last year's 12%. Our Post Investment Unit is closely monitoring these and other 'watch list' exposures with the aim of either turning the businesses around or clawing back as much as we can from the securities we have.

We have made good progress in developing a new impairments model that will allow us to better cater for our growing portfolio and reduce the amount of qualitative evaluation made on individual deals at each reporting period. This model will further assist us to assess the level of impairments on a more regular basis than we have managed to do in the past. We are working through all the governance structures to finalise the model for implementation by the end of the second quarter of the 2013/14 financial year.

Fair value movements on equity positions (excluding MTN), at a loss of R16.3 million, have shown a marked improvement from last year's R34.4 million reported loss. This is a reflection of a fairly buoyant equity market and a relatively lower activity in SPF over the past year.

Overall return on investments for the year before impairments is 8.8% (6.8% in 2012) and after the impact of impairments is -7.3% (0.4% in 2012). This trend is confirmation that the gross returns on investments have improved year on year, but have been eroded by increased impairment provisions experienced in the year.

Progress on capital adequacy for future mandate

As indicated in the 2012 Annual Report, capital is still available to meet projected disbursements, and hence the mandate, to the end of March 2015. However, the current uncommitted capital can only allow us to meet projected approvals to the end of August 2013. The NEF will maintain portfolio management activities without building a pipeline to ensure at least capital return on investments made thus far. The main objective of the NEF is to support black-empowered business, which is done in the form of funding (i.e. actual disbursements) to qualifying entities that face fund-raising challenges due to inadequate own collateral – a market failure that continues today. There is therefore no reason for the going-concern principle not to be applied in the financial reporting of the NEF.

The Board and Management continue to rigorously engage relevant stakeholders in order to raise the requisite capital that would allow us to continue discharging our mandate. Various capital-raising alternatives that are being explored include:

- Re-applying for funding to the National Treasury via the Medium Term Expenditure Framework (MTEF) process. With the challenges faced by the economy, and many competing demands on the limited resources available to the State, we were unfortunately not successful in our application. We will however continue to engage the National Treasury during the interim review and re-apply in the next MTEF process.
- Reclassification of the NEF to a Schedule 2 entity of the PFMA so as to allow the NEF to explore wider capital-raising sources. This application is still being considered by the National Treasury in view of wider implications it has for potential guarantees the State might have to provide to third-party funders.

While engaging our stakeholders on the abovementioned issues, we continued to seek co-funding opportunities for some of our investments, where relevant, using the combination of grant funding, ED funding, and other funders in the market to leverage our balance sheet. This has proved a very effective way of ensuring that risk on the deals is spread and cost of funding to our investees is minimised as much as possible.🔥



Ms Innocentia Pule
Chief Financial Officer

REPORT OF THE BOARD INVESTMENT COMMITTEE

The Board Investment Committee (BIC) is a committee of the Board of Trustees (BoT) mandated to assist the BoT with the assessment, evaluation and investment decision-making on investment proposals that would otherwise have been considered by the BoT. The BIC has to monitor adherence to investment policies and compliance with the main objectives of the NEF.

Macro-economic conditions in South Africa were stable in the 2012 year, with a Real GDP growth of 2.5% compared to 3.1% in 2011. The annual average prime overdraft rate in 2012 was 8.5% compared to 9.0% in 2011. The lower interest rate boosted entrepreneur confidence and the NEF saw an increase in deal activity, especially for new ventures and expansion of existing businesses (acquisition of businesses was still low – according to Who Owns Whom, a total of 48 BEE transactions were concluded in 2012 compared to 51 transactions in 2011).

The 2012/13 financial year has seen the NEF making great strides in the growth and empowerment of black businesses. The implementation of the SME strategy in the previous financial year resulted in significant increases in the number of businesses supported by the NEF. Continuous focus on development of the projects in the Strategic Projects Fund (SPF) saw an increase in the number of projects moving from one stage of development to the next. Three projects moved from bankable feasibility to financial close. One project saw the start of construction which is currently employing 174 construction workers, and will employ a further 47 people post-construction. The NEF also continued to roll out the Entrepreneurship Development strategy; this has established new opportunities in enterprise development which boosted conversion rates of deals moving from the regional offices and Pre Investment Unit into the Funds. In total, 55 of 135 deals approved originated from the regional offices and Pre Investment Unit.

The NEF's Post Investment Unit continues to aggressively manage and monitor the growing portfolio, with 345 site visits performed and 181 reports submitted to the various decision-making committees. The continuous monitoring of the total investment book has yielded positive results in terms of collections on outstanding debts.

The current year's collection rate is 123% (the "all in rate") which must be assessed against the harsh economic climate conditions in which most businesses are currently operating. The NEF investment portfolio now boasts an average risk rating of 44%. This must be seen against the fact that, by number, 76% of the NEF's investments are early-stage or development-stage businesses. The NEF continues to provide mentorship, consulting, coaching and technical support to the majority of the investees, and an amount of R3.3 million was spent in this regard. This mentorship spend relates to 124 meaningful interventions, spanning the following key areas of business:



Ms Jacqueline Mabohlale Molisane
Chairman of the Board Investment Committee

- Restructures and turnarounds
- Systems and financial controls
- Marketing
- Operational management
- Governance
- Industry-specific technical assistance

With the roll-out of the Regional SME loans, the NEF has strengthened its regional mentorship support to assist local SMEs in the operations of their various businesses. The NEF has also successfully exited 10 deals with a total exposure of R71.1 million. During the period under review the NEF Executive Committee tabled 19 transactions (worth an aggregate of R707 million) to the BIC for consideration and approval. The BIC approved a total of 13 of these transactions (worth R385 million), recommended five transactions (worth R291 million) to the BoT for final approval, and declined one transaction (worth R32 million). The high approval 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 NEF funding in line with the strategic objectives of the NEF.

The Fund Management Division managed to approve 135 transactions worth R1.332 billion, and disburse approximately R920 million in 87 new investment projects. The NEF continued to show its commitment in supporting SMEs, as approximately 62% of the investments were to projects equal or below R5 million. The industries supported by the NEF during the year under review are diverse, with the major sectors by value being services (19.19%), energy (18.41%), construction and materials (12.55%), retail (7.40%), manufacturing (6.64%), property (6.39%), media (5.74%), agro processing (5.61%), food and beverage (4.81%), tourism and entertainment (3.79%), engineering (3.75%), distributors, dispatchers and processors (2.23%), mining (1.26%), transportation (0.75%), textiles (0.64%), ICT (0.58%), printing and publishing services (0.09%) and financial services (0.08%).

As in 2011/12, the focus of the NEF during the year under review was once more on expansionary empowerment aimed at ensuring that the businesses supported build 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: venture capital (20.43%), acquisition finance (11.52%), expansion capital (16.41%), entrepreneurship finance (26.55%), franchise finance (5.64%), rural and community development projects (2.60%), new ventures (previously project finance) (13.31%) and procurement finance (3.55%).

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

	24/04/12	27/06/12	25/07/12	29/08/12	24/10/12	04/03/13	15/03/13
Thabiso Tlelai*	Apology	✓	✓	✓	✓		
Jacky Molisane**	Apology	✓	✓	Apology	✓	✓	✓
Philisiwe Mthethwa	✓	✓	✓	✓	✓	Apology	✓
Lindiwe Bakoro	✓	Apology	✓	✓	✓	Apology	Apology
Delphine Govender***						✓	✓
Nomalanga Mosala	✓	✓	✓	✓	✓	✓	✓
Sawa Nakagawa***						✓	✓
Allon Raiz	✓	Apology	✓	✓	✓	✓	✓

* Retired as Trustee and Chairman of the BIC with effect from 22 October 2012.

** Chairman of the BIC with effect from January 2013.

*** Appointed as BIC independent members with effect from January 2013.



Ms Jacky Molisane

Chairperson of the Board Investment Committee

NEF interventions during the year under review are geared to support just over 15 000 jobs. Approximately 11 000 of these were new jobs, and the average job investment rate for the creation of new jobs for the year was R60 848.⌘

Board Investment Committee members

Composition before January 2013:

Thabiso Tlelai (Chairman – resigned as a Trustee from 22 October 2012)

Lindiwe Bakoro (Independent Member)

Philisiwe Buthelezi (CEO and Trustee)

Jacky Molisane (Trustee)

Nomalanga Mosala (Trustee)

Allon Raiz (Trustee)

Composition after January 2013:

Jacky Molisane (Chairman and Trustee)

Lindiwe Bakoro (Independent Member)

Delphine Govender (Independent Member)

Philisiwe Mthethwa (CEO and Trustee)

Nomalanga Mosala (Trustee)

Sawa Nakagawa (Independent Member)

Allon Raiz (Trustee)

REPORT OF THE AUDIT COMMITTEE

The Audit Committee assists the Board of Trustees in its duties relating to the safeguarding of assets, the operation of adequate financial systems and control processes, and the preparation of annual financial statements and related reporting in compliance with all applicable legal and regulatory requirements and accounting standards. The Audit Committee has adopted comprehensive terms of reference that have been approved by the Board of Trustees. The committee has conducted its work over the past financial year and discharged its responsibilities in accordance with those terms of reference and has reported quarterly in this regard to the Board of Trustees.

We are pleased to present our report for the financial year ended 31 March 2013.

Audit Committee members and attendance

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

Composition before January 2013:

- Rakesh Garach (Chairman and Trustee)
- Zukiswa Ntlangula (Trustee)*
- Innocentia Pule (Independent Member)**
- Anthony Coombe (Independent Member)

Composition after January 2013:

- Rakesh Garach (Chairman and Trustee)
- Zukiswa Ntlangula (Trustee)*
- Anthony Coombe (Independent Member)
- Rene van Wyk (Independent Member)^

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

Member	Qualification	19-Apr-12	22-May-12	19-Jul-12	29-Oct-12	22-Jan-13
R Garach	CA (SA)	✓	✓	✓	✓	✓
Z Ntlangula*	B.Juris; LLB	–	–	–	Apology	✓
A Coombe	CA (SA)	✓	✓	✓	✓	✓
I Pule**	CA (SA)	✓	Apology	✓	–	–

* With effect from 1 November 2011 Z Ntlangula was appointed as Acting Chairman of the Board of Trustees. As a result of this appointment her attendance at the Audit Committee was suspended. Her attendance was re-instated when T Mhlambiso was appointed as Chairman of the Board of Trustees on 22 October 2012.

** I Pule was appointed as the Chief Financial Officer from 25 September 2012.

^ R van Wyk was appointed from 31 January 2013.



Mr Rakesh Garach
Chairman of the Audit Committee

The Chief Executive Officer (executive trustee), the Chief Financial Officer (executive trustee), the Chief Risk Officer, the Internal Audit Manager, the internal and external audit firms and the representative of the Auditor-General are standing invitees at each meeting. The Audit Committee has direct access to these attendees in the fulfilment 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, co-ordination 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
- Provide oversight of the external and internal audit appointments and functions
- 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 and performance information provided to management, the Board of Trustees and other users thereof
- Review and, if thought fit, recommend to the Board of Trustees for adoption the audited annual financial statements
- 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
- Oversee the NEF's integrated reporting and recommend the integrated report for approval by the Board of Trustees

The Audit Committee has regulated its affairs in compliance with applicable laws and regulations, has discharged all responsibilities contained therein and has reported quarterly in this regard to the Board of Trustees.

The Board of Trustees also approved the Internal Audit Charter in May 2013, after consideration and approval by the Audit Committee in January 2013.

Effectiveness of internal control

The report and conclusion from the Internal Audit function found that, while the key controls implemented by management to address the associated risks appear to indicate that an adequate control framework is in place, improvements are nonetheless needed in certain key control activities to give reasonable assurance that the risk areas subject to review are being properly managed and controlled. This finding confirmed 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 it also indicated that improvements are needed in certain key control areas. These key control areas were identified in the Information Systems and Technology environment and indicated the need for a holistic IT Governance Framework, which was subsequently implemented in May 2013. The area of supply chain management, though satisfactorily maintained from an internal control perspective, will continue to be a focal area for continuous enhancement of system-based internal controls to detect any breaches in adherence to the supply chain management regulations. A combined assurance framework was designed and implemented in the period under review, which will better assist Management, the Audit Committee and the Board of Trustees in managing and adequately mitigating the Trust's key risk areas. In March 2013 a new Human Resources Information System was implemented which addressed a number of the control deficiencies identified by Internal Audit.

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

A separate Risk and Portfolio Management Committee monitors and oversees the assessment and mitigation of risk on a prioritised basis throughout the 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. We are satisfied that the internal audit function at the NEF, under the management of the internal audit manager who reports to the Audit Committee, and with the support of a firm of internal auditors appointed following a public tender process, has provided adequate coverage for the year under review.

Management of the financial function

The financial function at the NEF is adequately staffed by suitably experienced and qualified personnel. Under the executive management of the Chief Financial Officer (who is also an executive trustee), senior staff and management of the financial function demonstrate the requisite ability to appropriately lead the finance portfolio. Adequacy of experience and technical capability in the finance portfolio will continue to be monitored by the Audit Committee, as will the need for succession planning.

Quality of management reports

During the financial year under review, quarterly management reports were submitted to the dti as required under the PFMA and Treasury Regulations, including performance information related to core business activities extracted from the organisation's enterprise resource planning (ERP) systems. The performance information is 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 the appropriateness of accounting policies and practices; and
- reviewed and was satisfied with the independence of the External Auditors.
- 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; and
- reviewed significant adjustments resulting from the audit.

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

General support exists within the NEF for embarking on a sustainable fund management model involving the raising of additional capital to fund portfolio growth and extend the impact made through investment activity in black-empowered business.

Thus there is a high level of confidence that the NEF will be successful in at least one of the recapitalisation initiatives and establish itself as a major development finance institution in South Africa. There is no reason for the going concern principle not to be adopted in the financial reporting of the NEF.»



Mr Rakesh Garach

Chairman of the Audit Committee

31 March 2013

“The Audit Committee assists the Board of Trustees in its duties relating to the safeguarding of assets, the operation of adequate financial systems and control processes, and the preparation of annual financial statements and related reporting in compliance with all applicable legal and regulatory requirements and accounting standards.”

Report of the Audit Committee

REPORT OF THE RISK AND PORTFOLIO MANAGEMENT COMMITTEE

Market overview

The global economic outlook should be stable for 2013. The US recovery will gradually pick up steam and China's economy should slowly gain momentum. European growth in general will be weak.

The growth outlook for South Africa looks fragile, however. Labour discontent may lead to more strike action throughout 2013, negatively impacting on investor sentiment. The weakening of the currency is expected to stay at these levels through 2013, a situation that will push inflation higher. The increase in unemployment with a relatively high level of inflation is a concern.

The losses incurred in the unsecured lending market by financial institutions will also lead to a more cautious approach by financial institutions in lending. This will require Development Finance Institutions (DFIs) such as the NEF to play an increasing role in implementing Government's strategies for job creation.

Risk management

The NEF adopts an Enterprise-wide Risk Management (ERM) approach to risk management as opposed to a silo approach. ERM looks at risks across all business lines and activities of the organisation and adopts a holistic view of risk management. The NEF's Risk Management Framework outlines the risk management process adopted at the NEF.

In line with good corporate governance, the Board of Trustees is accountable for the management of risk within the NEF. The Board has established a Risk and Portfolio Management Committee (RPMC) to assist it in overseeing the implementation of the risk management process at the NEF and in overseeing the NEF's portfolio.

Risk and Portfolio Management Committee

The main purpose of the RPMC is to provide independent and objective oversight of the risk management process within the NEF and of the performance of the NEF's portfolio.



Ms Zukiswa Zandile Daphne Ntlangula
Chairman of the Risk and Portfolio Management Committee

The duties of this committee in the governance of risk include:

- Oversight of risk management activities within the NEF
- Facilitating determination of the NEF's risk appetite and tolerance
- Reviewing scenarios relating to the NEF's sustainability
- Review of risk registers and tracking of actions
- Dealing with compliance-related matters
- Reviewing and approval of certain policies and procedures
- Reviewing and updating the Delegation of Authority Framework
- Monitoring of the NEF's invested portfolio

Composition before January 2013:

- Kugan Thaver (Chairman and Trustee)
- Zukiswa Ntlangula (Trustee)
- Rakesh Garach (Trustee)
- Avril Halstead (Trustee)

Composition after January 2013:

- Zukiswa Ntlangula (Chairman and Trustee)
- Rakesh Garach (Trustee)
- Simon Harford (Independent Member)
- Zola Fihlani (Independent Member)

Attendance of members at meetings for period under review was as follows

	13 June 2012	14 November 2012	13 March 2013
Kugan Thaver*	✓	–	–
Zukiswa Ntlangula (Chairman)	–	–	✓
Philisiwe Mthethwa	✓	✓	✓
Zola Fihlani [#]	–	–	Apology
Rakesh Garach	✓	✓	✓
Avril Halstead***	✓	✓	
Simon Harford [#]	–	–	✓

* K Thaver was Acting Chairman of the RPMC whilst Z Ntlangula was Acting Chairman of the Board. During the appointment as Acting Chairman of the Board, Z Ntlangula's attendance and Chairmanship of RPMC was suspended. K Thaver retired as trustee and RPMC member of 22 October 2012.

*** A Halstead served to January 2013 and was not reappointed as RPMC member.

[#] S Harford and Z Fihlani were appointed from January 2013.

Critical risk exposures

Realisation of the NEF's strategic objectives may be affected by certain key risks as ranked in the organisation's Key Risk Register. The NEF is currently exposed to the following critical risks:

1. Recapitalisation risk – risk that the NEF will have insufficient capital in order to fulfil its mandate, risk that increased investment activity will deprive the NEF of adequate cash to fund medium-term expenditure, or risk that the NEF will be unable to follow through on equity options secured in early-stage projects

The increase in deal activity within the various funds without any new capital is impacting negatively on the NEF's ability to grow. The relatively low available cash after catering for approvals will impact negatively on the NEF's ability to continue funding new transactions.

Through its SPF, which focuses on developing early stage projects that have a high element of job creation and contribute towards the economic development through priority sectors, the NEF secures

equity participation rights in the projects that it funds. The ability to follow through on these equity rights and secure equity participation at discounted values is dependent on the level of current and future capital available to the NEF. Should these rights not be exercised there is a significant opportunity cost for the NEF in being unable to participate in a viable project of high economic impact that it has funded to reach an advanced stage. To mitigate this risk the NEF closely monitors and manages both the investment pipeline in the SPF and the stages of the investments so that it can better manage current available capital and future capital needs should these transactions materialise into projects.

To mitigate recapitalisation and sustainability risks, the NEF is continuing its engagement with national treasury, through the dti, to secure PFMA re-classification so as to position the NEF to raise additional capital against this portfolio of investment opportunities. The NEF has applied for re-classification from a Schedule 3A to a Schedule 2 entity. This will allow the NEF to present a capital-raising plan for funding programmes beyond the current strategic planning period.

Engagements are continuing with national treasury and a new application will be submitted for the next round of the MTEF process. An application for additional funding has also been submitted with another DFI.

2. Sustainability risk – risk that erosion of the capital base will cause the NEF to be financially unsustainable and lack adequate capital to fund planned programmes

The NEF was no longer allocated capital via the MTEF process and has managed to sustain itself over the strategic planning period (three years) out of current capital and internally-generated portfolio returns.

Sustainability risk will materialise should the current capital not be prudently managed, should the investment portfolio become significantly impaired in the absence of future funding being allocated to the NEF or should the NEF be unable to source additional capital.

Exposure in this area has increased owing to a rise in the level of approvals without a corresponding increase in obtaining additional funding.

The current funding instruments (equity, shareholders' loans, etc) used to structure transactions and the application of moratoriums are also impacting negatively on the NEF's cash flows.

Actions implemented to mitigate this risk include:

- Close monitoring of the portfolio by the Post Investment Unit
- Re-examining the current funding instruments and drafting a policy on moratoriums to improve on cash inflows
- Increased focus on funding expansion-finance transactions that do not require long moratoriums or funding instruments which delay repayments to the NEF
- Engagements with the dti and National Treasury regarding funding requirements. These engagements have been escalated to ministerial level at both the dti and National Treasury
- Application for re-classification of the NEF from a Schedule 3A Public Entity
- Application for funding from other DFIs

3. People risk

Increased uncertainty in relation to the recapitalisation process could impact negatively on the retention of staff. Management, with the assistance of the Human Capital and Remuneration Committee (HCRC) and the Board, are looking at various initiatives to ensure the retention of key staff during this period. In addition management have been communicating with staff regarding the current funding situation (e.g. at staff strategy feedback sessions).

Other risk committee activities

Risk appetite, risk tolerance and risk-bearing capacity

The existing risk-bearing capacity (RBC) of the NEF has been updated. The RBC of an organisation is defined as the ability to absorb additional risk-based volatility in the results of an organisation without detrimental effect on key plans and strategies. The results of this exercise will be used to agree on the risk appetite and risk tolerance levels of the various Funds and the NEF. This will be formally approved at a joint sitting of RPMC and Audit Committees and thereafter will be submitted to board for final approval.

Portfolio reporting

Monitoring of the invested portfolio is a key focus of the RPMC. A Post Investment Unit is in place to monitor the portfolio, and reports to RPMC on the status of the portfolio, examining exposure per industry, risk rating per client and an update on the top 20 exposures and initiatives undertaken by management to manage these exposures.

Impairment methodology

A new Impairment Model is being developed for implementation in the new financial year. ▶



Ms Zukiswa Ntlangula

Chairperson of Risk and Portfolio Management 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 primary purpose of the HCRC is to review, consider and make recommendations to the Board, on the human capital policies, procedures and structures that regulate the relationship between the NEF as the employer and its staff. The Committee sees its role as influencing and supporting the human capital management strategy of the NEF as well as overseeing and monitoring the level and remuneration structure of the NEF staff to ensure that the organisation's employees are fairly rewarded for their individual contributions to the organisation's overall performance. This is delivered within the mandate of its Charter as approved by the Board of Trustees and in accordance with the NEF's Delegation of Authority.

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

Performance for the Financial Year ended 31 March 2013

People costs make up more than 50% of the NEF's overheads, indicating the important role that human capital plays in the organisation. Consequently the HCRC placed particular emphasis on strategies for attracting and retaining high calibre staff, an emphasis that will continue to be a key focus area in the future. It was pleasing to see positive results in this regard, evidenced by the low staff turnover of 10% and the recruitment of 29 new staff members which enabled the organisation to grow to 168 employees and expand its activities. In addition, 16 employees were recognised and rewarded for long service of which 2 employees were recognised for 10 years' service at the NEF. Nevertheless, at the year-end 27 positions were vacant. However, the organisation was still able to perform at an outstanding level: approving and disbursing the most transactions in its history.

The NEF's recruitment policy supports the principles and spirit of the Employment Equity Act and the organisation prides itself on having an employment profile that is closely linked to the country's demographic profile. The Committee continued to provide oversight of staff composition and its alignment to the country's gender profile, where 60% of the NEF's employees are female.



Ms Avril Halstead
Chairman of the Human Capital and Remuneration Committee

The NEF seeks to remunerate staff in line with market trends and norms and based on performance. Individual performance is assessed based on key performance indicators linked to the organisation's balanced scorecard. The HCRC reviewed the remuneration and bonuses paid to all non-executive staff to ensure that the approved remuneration principles were adhered to.

Employees are provided with rewarding career opportunities. During the 2012/13 financial year NEF has developed succession plans for critical positions in the organisation. Significant progress was made in building core competencies and skills. A total of 168 employees were supported with technical, soft skills and academic training with a total spend of R2.1 million. The NEF continues to support staff through the employee wellness program. A key milestone was the successful implementation of the HR Information system which was designed to create efficiencies in all areas of HR management including leave, payroll, HR data, and performance management. All existing Human Resource policies were reviewed and approved in order to improve efficiencies and operations. Each year the NEF participates in the "Take a Girl Child to Work" initiative.

A total of 18 young girls in grades 10, 11 and 12, from 6 different provinces were hosted by the NEF. The program saw the young girls visiting the NEF, Standard Chartered Bank and the Presidency where they were introduced to the world of work and encouraged to fulfil their dreams of a successful career.❖

Membership and Attendance

The membership of the HCRC before January 2013:

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

The membership of the HCRC after January 2013:

Ms Avril Halstead (Chairman and Trustee)
Ms Angie Makwetla (Trustee and Member)
Ms Sonja Stojanovic (Member)
Ms Jacque Williams (Trustee and Member)*
Mr Michael Campbell (Member)*

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

Member	02.05.2012	07.09.2012	12.10.2012	18.02.2013	19.03.2013
Ms Avril Halstead	✓	✓	✓	✓	✓
Mr Michael Campbell	–	–	–	Apology	✓
Ms Busisiwe Dlamini	✓	✓	✓	–	–
Ms Angie Makwetla	✓	✓	✓	✓	✓
Adv. Mike Marcus	✓	✓	✓	–	–
Ms Sonia Stojanovic	✓	Apology	✓	✓	✓
Ms Jacque Williams	–	–	–	✓	✓

* Ms Jacque Williams (Trustee and Member) – appointed January 2013

* Mr Michael Campbell (Member) – appointed January 2013

** Ms Busisiwe Dlamini (Member) – retired January 2013

** Adv. Mike Marcus (Member) – retired January 2013



Ms Avril Halstead

Chairperson of the Human Capital and Remuneration Committee

“The NEF's recruitment policy supports the principles and spirit of the Employment Equity Act and the organisation prides itself on having an employment profile that is closely linked to the country's demographic profile.”

Report 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 to ensure that they comply with the NEF Supply Chain Management Policy and Supply Chain Management Regulations of the National Treasury.

Membership of the PC is made up of management representation by appointment of the Chief Executive Officer as listed in the table below.

The committee met six times during the financial year to 31 March 2013. Over and above procurement process compliance monitoring, the PC also had several informal meetings.

Member	21 May 2012	28 May 2012	13 August 2012	12 November 2012	24 January 2013	25 February 2013
Andrew Wright (Chairperson – Former CFO resigned – June 2012)	✓	✓	–	–	–	–
Innocentia Pule (Chairperson – Joined Sept 2012)	–	–	–	✓	✓	✓
Hlengiwe Makhathini (Deputy Chairperson – Executive: Venture Capital and Corporate Finance)	Apology	✓	✓	Apology	✓	Apology
Mziwabantu Dayimani (General Counsel)	✓	✓	✓	✓	✓	✓
Fatima Ebrahim (Projects Manager)	✓	✓	✓	✓	✓	✓
Kedibone Mboweni (Head of Supply Chain Management)	✓	✓	✓	✓	✓	✓
Emmanuel Mohlamme (Deputy Manager: Marketing and Communications) (Joined Procurement Committee Feb 2013)	–	–	–	–	–	✓
Moemise Motsepe (Marketing and Communications Manager)	Apology	✓	Apology	✓	✓	✓
Selvan Naicker (Finance Manager)	✓	✓	✓ (Acting CFO)	✓	Apology	✓
Nhlanhla Nyembe (iMbewu Fund Manager)	Apology	✓	✓	✓	✓	✓
Prabashnee Pillay (Human Resources Manager)	✓	✓	✓	✓ (On invitation – recused from voting)	✓	✓

Two public tenders (requests for proposals – RFPs) were considered and approved, one request for quotation (RFQ), and two requests for information (RFIs), which were 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 in the relevant practice notes.

Table 1: Number of public tenders issued and considered

REQUEST FOR PROPOSALS (RFPs)

Tender	Tender number
Mentorship Panel for Various Provinces	RFP: NEF 02 – 09/ 2012
HR Information and Payroll System	RFP: NEF 10/2012

Table 2: Number of requests for quotation (RFQs)

Tender	Tender number
Hygiene Services	RFQ: NEF 01/2012

Table 3: Number of requests for information (RFIs)

Tender	Tender number
Socio-economic Development Facilitators	RFI: NEF 01/2012
Business Development Specialist	RFI: NEF 02/2012

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

The PC is tasked with monitoring progress against Broad-Based Black Economic Empowerment procurement targets and for the financial year. In this regard, R74 million of our procurement spend for the financial year was procured from 338 suppliers. Of this expenditure, 52.19 % was with 50.1% – 100% black-owned suppliers, amounting to R38.4 million, and of this figure 17% (R12.3 million) was procured from black women-owned businesses.

Of our total spend, 39.61% has been with black-owned enterprises (75.1% – 100% black-owned), 12.58% with black-controlled enterprises (50.1% – 75% black-owned), and 16.56% on black-influenced enterprises (25.1% – 50% black-owned).



Table 4: BEE ownership levels reported

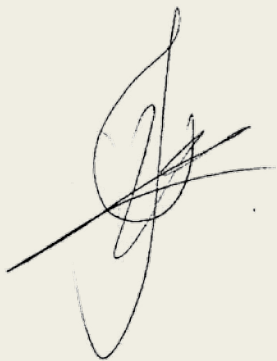
BEE Status – Ownership	Number of suppliers	Percentage by number	Percentage by value	Amount
1. 75.1% – 100%	119	35.21%	39.61%	R29 141 442.23
2. 50.1% – 75%	11	3.25%	12.58%	R9 250 078.73
3. 25.1% – 50%	42	12.43%	16.56%	R12 183 534.86
4. 0% – 25%	166	49.11%	31.25%	R22 989 383.56

It is also important to note that as part of the NEF SME development programme within the Supply Chain Management Department, 52.19% by value of the above black-owned businesses are businesses that report turnovers of less than R35 million per annum, as reported below:

Table 5: Black-owned suppliers by size

	EME (Less than R5 Mil)	QSE (>R5 Mil <R35 Mil)	Large (Above 35 Mil)
Number of suppliers	141	86	111
Percentage by number	41.72%	25.44%	32.84%
Value	R16 999 611.17	R22 522 443.86	R34 042 384.35
Percentage by value	23.11%	30.62%	46.27%

Supply chain management practice has been maintained at the highest levels of good governance and the PC is able to report that no procurement irregularities were identified in the financial year ended 31 March 2013.👉


Ms Innocentia Pule – CFO

Chairperson of the Procurement Committee

PROFILES OF THE BOARD OF TRUSTEES



Mr Thando Mhlambiso

Chairman of the Board

Mr Thando Mhlambiso is an executive director of Allan Gray where he leads the firm's operations and expansion plans across Africa (excluding South Africa). Formed in 1974, Allan Gray manages approximately US\$45 billion in assets on behalf of institutions and individuals and is Africa's largest privately-owned investment manager.

Prior to Allan Gray, he worked from South Africa on investments across the continent as managing principal and head of infrastructure equity investments of Absa Capital, as CEO of Sanlam Private Equity and as a founding partner of Kagiso Ventures Private Equity Fund.

In the United States, Mr Mhlambiso rendered cross-border advice as a mergers and acquisitions associate with JP Morgan, and as a corporate finance attorney with the law firm Skadden, Arps, Slate, Meagher & Flom.

Mr Mhlambiso has also served as chairman of E2 and as vice-chairman of council (and chairman

of the Remuneration Committee and a member of the Executive Committee) of the University of Cape Town. He holds an AB in Biology from Brown University, an MBA in Finance from Columbia University Graduate School of Business and a Juris doctorate from Columbia University School of Law (where he was an editor of the *Columbia Business Law Review*).¹



Ms Zukiswa Zandile Daphne Ntlangula

Trustee

Ms Ntlangula holds a B. Juris and LLB degree as well as a Masters Diploma in Human Resources and a Diploma in Project Management. She is the founder and director of Ntlangula Inc, a property and corporate-commercial law firm based in Sandton. Since she started practicing as an attorney in 1995, she has served in various strategic positions at Ntsebeza Inc., Bowman Gilfillan Inc., Deloitte Consulting SA as a change management specialist and Thebe Investment Corporation as Group Company Secretary.

From 2007 to 2011, she served as a member of the Board of the Gauteng Gambling Board, as well as a member of its Audit and Risk Committee. In

this role, she was appointed as the South African representative on the Steering Committee of the International Association of Gambling Regulators (IAGR), a body that represents the interests of Gambling Regulatory Institutions.

In 2009, Ms Ntlangula was appointed as a non-executive Trustee of the NEF. She served as the acting Chairperson of the NEF from 1 October 2011 to 1 November 2012. She is currently the Chairperson of the Risk and Portfolio Management Committee and a member of the Audit Committee of the NEF.

In 2010, she was appointed as a secretary of the Black Conveyancers Association (BCA) and later appointed as its Deputy Chairman in 2011, a position she currently holds. In this capacity, she represents the BCA in the Black Business Council (BBC).

In September 2012, she was appointed as a non-executive Director of the Board of Alexkor SOC Ltd, where she is the Chairperson of the Social, Ethics and HR Committee and a member of the Audit Committee.²



Ms Philisiwe Mthethwa

Chief Executive Officer

Ms Mthethwa holds an MBA Corporate Finance from the University of Sheffield, and an MSC Economics (thesis not defended) from the University of Paris 2. She 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 an unparalleled understanding of the environment in which the organisation operates.

Prior to joining the NEF, Ms Mthethwa 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 also employed as a Regional Director for Europe by the dti in Germany and France 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 (B-BBEE) strategy, the B-BBEE Act and the Codes of Good Practice.

Ms Mthethwa is Chairman of Group Five and also serves on the Boards of Sanlam Limited, Sanlam Life Insurance Limited and the Industrial Development Corporation. Among her recent accolades are: 2011 Corporate Business Woman of the Year (Business Women's Association), 2011 African Business Woman of the Year (Africa Investor), and appointment as a Chevalier de la Legion d'Honneur (Knight of the National Order of Merit) by the former president of the French Republic, Mr Nicolas Sarkozy.



Mr Rakesh Garach

Trustee

Mr Rakesh 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 concluded with Utajiri Investment.

Mr Garach is a founding shareholder of Utajiri Investment, established to participate as an equity leader in the black economic initiatives in the financial services industry. He previously served

as a partner within Assurance Services at Ernst & Young (Johannesburg).

He serves as a board member and chairman of the Audit Committees for KZN Growth Fund Managers and the Gauteng Partnership Fund. He also serves on the Audit Committee of the Financial Sector Charter Council.



Ms Avril Halstead

Trustee

Ms Avril Halstead holds an MSc in Economic Policy from the University of London, an MBA from the University of Cape Town and an MA in Organisational Consulting from the City University, London. Ms Halstead is a Chief Director at the National Treasury in South Africa where she has responsibility for overseeing approximately 40 of the largest State-owned enterprises (SOEs).

Prior to joining the National Treasury, Ms Halstead worked for McKinsey & Company, Old Mutual and Wipcapital, a subsidiary of Wiphold. She has also worked with a number of NGOs, notably the Nelson Mandela Foundation, the Family and Marriage Association of South

Africa (FAMSA) and Ikageng, an organisation responsible for caring for HIV/AIDS orphans. In 2011 she was nominated as a Young Global Leader and one of the *Mail & Guardian's* Top 200 Young South Africans. »



Ms Angelina Matlhodi Makwetla

Trustee

Ms Angelina Matlhodi Makwetla holds a BA (Social Sciences) 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 work and business experience, including the Randfontein Council, Market Research Africa IBM. Ms Makwetla then ventured into entrepreneurship starting with a computer training centre, followed by Makwetla and Associates, a company specialising in Public Relations, Event Management, Community Development, Sponsorship Procurement and Disability Equity management.

Among their flagship projects was the Dr Aggrey Klaaste SOWETAN Nation Building programme. Angie was recently appointed 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 Caledon Tunnel Authority (TCTA) as a director and the Business Women's Association (BWA), Market Theatre Foundation, Human Right Commission Trust, Gauteng Consumer Affairs Board, and NAFHOLD, the investment arm of NAFCOC. She has received a series of awards and accolades, including Shoprite Checkers Women of the Year Award (Media & Communications Category, Visionary Leadership Award by Soweto branch (BWA) and Top Emerging SMME Empowerment Company Award by Impumelelo Top Companies, a recognition endorsed by the dti. Ms Makwetla describes herself as a social entrepreneur, dedicated to the lifelong learning and upliftment of disadvantaged members of our communities, particularly women. In June 2012 she received accreditation as an empowerment trainer from the Empowerment Institute in Rhinebeck, USA. »

“To date, NEF funding has supported over 44 000 jobs, with job support targets exceeded in the previous year with a job support ratio of R60 848.”

The Hon. Dr Rob Davies, MP, Minister of Trade and Industry



Ms Jacqueline Mabohlale Molisane

Trustee

Ms Jacqueline Molisane holds a BA Honours in Economics (Monetary, International and Developmental) and has been recently appointed as the deputy Director-General Strategic Partnerships at the Department of Public Enterprises (DPE), where she will have the responsibility to oversee the design and implementation of strategic capital investment programmes and projects undertaken by the SOEs within the DPE portfolio. The investment programmes and projects relate to extraordinary funding initiatives, complex procurements and ongoing supplier and customer relationships involving various stakeholders.

Prior to her current position she was the Chief Director: Financial Analysis and Transactions in the Energy and Broadband Unit, focusing on providing strategic advice on SOE performance; assessing SOE transactions such as acquisitions, mergers and disposals and securing the necessary funds for the SOEs. She performed in-depth financial and commercial analysis on SOEs such as Eskom and Broadband Infracore and formed an integral

part of the team tasked with securing funding for Eskom from the World Bank and the African Development Bank.

Ms Molisane has 10 years of private sector experience in the financial services sector specialising in Investment Banking. She spent seven years working for local and international investment banks specialising in stockbroking with a particular focus on equities trading and portfolio management. The last three years were spent honing and broadening her skills base in the private equity and structured finance arenas.▶



Ms Nomalanga Tsatsi Mosala

Trustee

Ms Nomalanga Tsatsi Mosala is the first female director of NCT Forestry Co-Operative Limited and 3 subsidiaries namely Shincel, BayFibre and Durban Wood Chip, which are export facilities in KwaZulu-Natal Richards Bay and Durban ports.

Ms Mosala is co-founder and Chairperson of Nomalanga Estate a mixed farming operation, which has been awarded oribi custodianship by Ezemvelo and Endangered Wildlife Trust and is in the process of being proclaimed a Nature Reserve. Ms Mosala has two top export producer awards conferred upon her

by the Department of Agriculture and Environmental Affairs (DAEKZN) in 2009 and 2010.

She was Deputy Chairperson of the National Forestry Advisory Council (NFAC) from 2006 to 2009 and she is currently EXCO member of NFAC and Chairperson of Committee for Sustainable Forestry Management (CSFM) from 2010 to 2013. She is member of Forestry Governance Working Group (FGLG), an alliance of in-country groups and international partners currently active in eight African and three Asian countries (2008 to 2013).

Ms Mosala is an accomplished business woman with a strong focus on economic development orientation. A human resource practitioner who has been an advisor for a number BEE transactions, development and policy reviews including the BB-BEE Forestry Charter development and privatisation of SiyaQhubeka Forestry (SQF), category A State forests. She was appointed trustee by the Industrial Development Corporation (IDC) to manage an incubator fund that supported contractors in SQF.

Ms Mosala is Trustee and member of the Board Investment Committee (BIC) of the National Empowerment Fund NEF.▶

“We wish the NEF ever greater success and impact in fulfilling its important mandate.”

The Hon. Dr Rob Davies, MP, Minister of Trade and Industry



Ms Innocentia Pule

Chief Financial Officer

Ms Innocentia Pule is a qualified Chartered Accountant and also holds a Global Executive Development qualification from GIBS and a Transition to General Management certificate from INSEAD. She completed her trainee articles with Ernst & Young, mainly focusing on financial services external audits. She then joined Ernst & Young Corporate Finance and Advisory Services (Pty) Ltd where she gained experience in due diligence and valuations. She then moved to the Ernst & Young London office to join the Risk Management Advisory department for over two years.

In 2006 she joined Nedbank Limited as a Finance Executive within the Corporate Cluster, where she was responsible for consolidated reporting of all businesses within the Cluster. In 2007 she was offered an executive position as a head of finance for Nedbank Corporate Banking.

She served as a member of the Audit Committee of the National Empowerment Fund since August 2010 until she joined the National Empowerment

Fund in September 2012 as a Chief Financial Officer, responsible for strategic and business planning and performance measurement of the organisation.🔥



Mr Allon Raiz

Trustee

Mr Allon Raiz is the founder and CEO of Raizcorp, the only privately held, unfunded, profitable business incubator on the African continent, supporting in excess of 300 businesses.

Mr Raiz is the author of two bestselling entrepreneurial books, *Lose the Business Plan* and *What to Do When You Want to Give Up*. He has also hosted a radio show and written and hosted a prime time reality TV show, both in the field of entrepreneurship.

Mr Raiz is the co-founder of the 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 has also been appointed by the South African Cabinet to the board of the National Empowerment Fund (NEF). Mr Raiz's passion

and focus on the development of entrepreneurs attracted the attention of the World Economic Forum (WEF) 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 was invited to speak at the 2011 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 15 recognised global experts in this field.🔥



Ms Jacqueline Williams

Trustee

Ms Jacqueline Williams (MA, MDiv) is a black South African with a broad spectrum of experience and expertise. She is a trained political scientist and theologian. Her point of focus is and has always been the empowerment of people, especially of historically marginalised groups in society, with regard to race, gender and class.

Ms Williams has been in leadership positions in organisations since her youth, both in line management and project management. She is experienced in identifying leadership potential in people and also to further develop leadership and leadership skills. She is an experienced trainer in the areas of women in development, leadership development, management skills and diversity management. Ms Williams has broad-based international experience. She lived, studied and worked in the United States of America for five years and in Europe for a period of eight years. Her work includes leadership exchange programmes between Africans and African Americans and between Africans in Africa and Europe. She is engaged in PhD study.

Her particular expertise is to facilitate processes of change and to train people in change management, making use of the Transcultural Leadership concept. This concept utilises the various cultural backgrounds of people in organisations to optimise their performance and development, and that of the organisation in which they work.🔥

“At the heart of the NEF's existence lies the economic, social and moral imperative to enable black South Africans to participate meaningfully in our economy.”

Report of the Chairman of the Board of Trustees

**Mr Siphso Zikode***Trustee*

Mr Siphso Zikode, a deputy Director-General of the dti, is responsible for the department's Broadening Participation Division (BPD).

Among other activities, the BPD fosters the growth of sustainable SMMEs and cooperatives by creating enabling policies and programmes and overseeing the support provided by agencies such as the Small Enterprise Development Agency.

Mr Zikode joined the dti in 1997, initially as a techno economist in the Technology Promotion Division, having graduated from the University of the Witwatersrand with a B.Comm (Economics) along with a Post-Graduate Diploma in Marketing Management from the University of South Africa and a National Diploma in Chemical Engineering from Mangosuthu Technikon.

Following a short spell on secondment as Deputy Director and Sector Technical Director at the Department of Arts, Culture, Science and

Technology, he returned to the dti in 1999 rising from deputy director Defence Portfolio to the position as chief director Industrial Participation, a position he took up in 2003, having in the interim been awarded an MBA by the University of Pretoria where he was also awarded a Certificate for Technological Innovation: managing the dynamics of technological change. »



“The Codes of Good Practice have been revised to incentivise stronger performance in enterprise development and supplier development becoming key features of broad based black economic empowerment. The shift to enterprise development and supplier development are intended to support a stronger symbiotic integration of black owned enterprises in key value-chains in the economy.”

The Hon. Dr Rob Davies, MP, Minister of Trade and Industry.
The dti Budget Vote 36, Old Assembly Chamber 15 May 2013

ROLES AND RESPONSIBILITIES OF THE BOARD OF TRUSTEES

- 1.1 The Board has absolute responsibility for the performance of the NEF and is fully accountable to the shareholder for such performance. As a result, the Board should give strategic direction to the NEF, and in concurrence with the Executive Authority appoint the CEO and ensure that an effective succession plan for all directors and key executives is in place and adhered to.
- 1.2 The Board must retain full and effective control over the NEF and monitor management closely in implementing Board plans and strategies.
- 1.3 The Board should ensure that the NEF is fully aware of and complies with applicable laws, regulations, Government policies and codes of business practice and communicates with its shareholder and relevant stakeholders openly and promptly with substance prevailing over form.
- 1.4 The Board must closely monitor the process of disclosure and communication and exercise objective judgement on the affairs of the NEF, independent of management. In so doing, each individual Trustee must keep confidential all matters of the organisation.
- 1.5 The Board should formulate, monitor and review corporate strategy, major plans of action, risk policy, annual budgets and business plans of the NEF and regularly identify key risk areas and key performance indicators, based on both financial and non-financial aspects.
- 1.6 Without derogating from its fiduciary duties, the Board should ensure that the shareholder's performance objectives are achieved and that they can be measured in terms of the performance of the NEF. In addition, the Board should ensure that the organisation prepares annual budgets against which, inter alia, its performance can be monitored.
- 1.7 The Board should monitor and manage potential conflicts of interest of management, Trustees and the shareholder. The Board as a whole and each individual Trustee may not accept any payment of commission, any form of bribery, gift or profit for himself or herself from any person.
- 1.8 The Board should develop a clear definition of the levels of materiality or sensitivity in order to determine the scope of delegation of authority and ensure that it reserves specific powers and authority to itself. Delegated authority must be in writing and evaluated on a regular basis.
- 1.9 The Board should ensure that financial statements are prepared for each financial year, which fairly present the affairs of the NEF and apply relevant accounting standards. In addition, the Board must ensure the maintenance of adequate accounting records and ensure that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, have been used in the preparation of the financial statements.
- 1.10 The Board should appraise the performance of the Chairman as frequently as the Board may decide. The Board should also, annually review and evaluate its required mix of skills and experience and other qualities in order to assess the effectiveness of the entire Board, its committees and the contribution of each individual Trustee. The Board should ensure that a confidential Board and Trustee appraisal is conducted annually and establish an appropriate mechanism for reporting the results of the Board assessment to the shareholder.
- 1.11 The Board should ensure that there are appropriate and effective induction, education and training programmes offered to new and existing Trustees.
- 1.12 The Board is responsible for setting policy and standards of ethical business conduct. The board should always maintain the highest standard of integrity, responsibility and accountability and ensure that it finds a fair balance between conforming to corporate governance principles and the performance of the organisation.
- 1.13 To enable the Board to properly discharge its responsibilities and duties, certain responsibilities of the Board may be delegated to Board committees. The creation of committees does not reduce the Trustees' overall responsibility.🔥

PROFILES OF THE EXECUTIVE COMMITTEE



Ms Philisiwe Mthethwa

Chief Executive Officer

Ms Mthethwa holds an MBA Corporate Finance from the University of Sheffield, and an MSc Economics (thesis not defended) from the University of Paris 2. She 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 an unparalleled understanding of the environment in which the organisation operates.

Prior to joining the NEF, Ms Mthethwa 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 also employed as a Regional Director for Europe by the dti in Germany and France 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 (B-BBEE) strategy, the B-BBEE Act and the Codes of Good Practice.

Ms Mthethwa is chairman of Group Five and also serves on the Boards of Sanlam Limited, Sanlam Life Insurance Limited and the Industrial Development Corporation. Among her recent accolades are: 2011 Corporate Business Woman of the Year (Business Women's Association), 2011 African Business Woman of the Year (Africa Investor), and appointment as a Chevalier de la Legion d'Honneur (Knight of the National Order of Merit) by the former president of the French Republic, Mr Nicolas Sarkozy. ♪



Ms Innocentia Pule

Chief Financial Officer

Ms Innocentia Pule is a qualified Chartered Accountant and further holds a Global Executive Development qualification from GIBS and a Transition to General Management certificate from INSEAD. She completed her trainee articles with Ernst & Young, mainly focusing on financial services external audits. She then joined Ernst & Young Corporate Finance and Advisory Services (Pty) Ltd where she gained experience in due diligence and valuations. She then moved to the Ernst & Young London office to join the Risk Management Advisory department for over two years.

In 2006 she joined Nedbank Limited as a Finance Executive within the Corporate Cluster, where

she was responsible for consolidated reporting of all businesses within the Cluster. In 2007 she was offered an executive position as a head of finance for Nedbank Corporate Banking.

She served as a member of the Audit Committee of the National Empowerment Fund since August 2010 until she joined the National Empowerment Fund in September 2012 as a Chief Financial Officer, responsible for strategic and business planning and performance measurement of the organisation. ♪



Ms Barbara Lebogang Lombard

Corporate Services Executive

Ms Barbara Lebogang Lombard holds qualifications in general nursing and Midwifery (Baragwanath Hospital, 1987), she further holds a Certificate Programme in Industrial Relations (Wits Business School, 1991), Executive Development Programme (CTC, New School of Social Research, New York, 1995), International Registry of Organisational Professionals (Louw, De Toit & Associates, UK), Telecommunications Network Engineering (Mathew Bolton, UK, 2000).

Ms Lombard was born and brought up in Soweto, Johannesburg. Ms Lombard has been an HR Practitioner for the past 20 years, having had the opportunity to work as an industrial relations officer,

resourcing specialist, HR development specialist, and talent management and HR generalist. In 2001, Ms Lombard moved out of HR to manage a division of telecommunications network specialists looking after network services of some of the top 100 companies.

Ms Lombard has had extensive exposure in working for local and global companies. Her career has taken her to various countries, these are; New York, United Kingdom and India, while working for Alexander Forbes, JP Morgan, Telkom SA, British Telkom, De Beers Consolidated Mines, Barclays Bank and Standard Chartered Bank. She has served on various boards as a non-executive director these include Jo'burg Theatre, Pro Musica, and Soweto Theatre for the City of Jo'burg. Ms Lombard is currently a non-executive director at Metrobus and Piotrans-BRT Rea Vaya. »



Ms Hlengiwe Makhathini

Divisional Executive: Venture Capital & Corporate Finance

Ms Hlengiwe Makhathini is a qualified Chartered Accountant. She worked in various divisions at Investec Bank Limited as part of her articles but spent most of her 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 (NEF), a position she was appointed to on 1 April 2011. She joined the NEF in October 2005 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 Unit 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 close to R2 billion.

Ms Makhathini is a Director of Air Traffic and Navigation Services, appointed by the Cabinet in 2012, and also chairs the Audit and Risk Committee of the same company. »



Mr Setlakalane Alfred Molepo

Divisional Executive: SME & Rural Development

Mr Setlakalane Molepo is a professional engineer and during his early career practised as a civil engineer with a number of consulting firms including Lillicrap Crutchfield (Pty) Ltd, Ellmer Partnership (Pty) Ltd and BKS Inc., in a number of different roles ranging from design engineer to

project engineer on a number of commercial and industrial projects.

In 1999 he joined the Industrial Development Corporation of South Africa Ltd (IDC) until 2009. He was appointed to different positions in its business units. In 2005 and 2007 he headed the Risk Capital Facility and the Metal, Transport and Machinery Products SBUs, respectively. At the culmination of his career, Mr Molepo was appointed as 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).

Appointed Divisional Executive of the SME and Rural Development Division at the National Empowerment Fund (NEF) from November 2010, his career spans more than a decade in the development finance sector.

He has also been involved in numerous community projects, including a recent involvement as technical advisor to his local church based in Soweto when they built phase 2 R30 million extensions to the auditorium, youth centre and children's church. He was also involved in the first phase of the project, which amounted to R17 million. »

“It is my privilege to thank the executives, managers and other staff of the NEF for their dedicated service.”

Report of the Chairman of the Board of Trustees





ANNUAL FINANCIAL STATEMENTS

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TRUSTEES' RESPONSIBILITY AND APPROVAL

The Trustees are responsible for the preparation, integrity and fair presentations of the report on performance information and the financial statements of the National Empowerment Fund Trust. The financial statements presented on pages 81 to 133 have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice, and requirements of the PFMA (Public Finance Management Act) and NEF Act and include amounts based on judgements and estimates made by management. The Trustees prepared the other information presented in the Annual Report and are responsible for both its accuracy and its consistency with the financial statements.

The going concern basis has been adopted in preparing the financial 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.

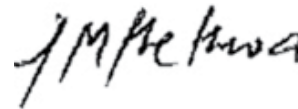
The report on performance information and the financial statements were audited by the independent auditors, SizweNtsalubaGobodo Inc, which were given unrestricted access to all financial records and related data, including minutes of all meetings of the Trustees and Committees of the Board. The Trustees believe that all representations made to the independent auditors are valid and appropriate.

The annual report, as set out, has been approved by the Board of Trustees and is hereby signed on its behalf.



Mr Thando Mhlambiso
Chairman of the Board of Trustees

Wednesday 31 July 2013



Ms Philisiwe Mthethwa
Chief Executive Officer

Wednesday 31 July 2013

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE NATIONAL EMPOWERMENT FUND TRUST

Report on the Financial Statements

We have audited the financial statements of the National Empowerment Fund Trust set out on page 81 to 133 which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, the General Notice issued in terms thereof and 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 2013, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Public Finance Management Act of South Africa and the National Empowerment Fund Act.

Report on other legal and regulatory requirements

Public Audit Act Requirements (PAA)

In accordance with the Public Audit Act of South Africa, and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the Annual Performance Plan as set out on pages 22 to 37 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable and relevant as required by the National Treasury Framework for managing programme performance information.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE NATIONAL EMPOWERMENT FUND TRUST

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

We report that there were no material findings on the Annual Performance Plan section concerning the usefulness and reliability of the information.

Additional matter

Although no material findings concerning the usefulness and reliability of the performance information were identified in the Annual Performance Plan, we draw attention to the following matter below:

Achievement of planned targets

Of the total 23 targets, 17 were achieved during the year under review. This represents 26% of total planned targets that were not achieved during the year under review. The trustees have presented the reasons for variations from planned targets in the Annual Performance Plan section.

Compliance with laws and regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. We did not identify instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of PAA.

Internal control

We did not identify any deficiencies in internal control that we considered sufficiently significant for inclusion in this report.



SizweNtsalubaGobodo Inc.

Director: Darshen Govender

Registered Auditor

Chartered Accountant (SA)

Johannesburg

31 July 2013

STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

	Notes	2013 R	Restated 2012 R
ASSETS			
Non-current assets		3 203 102 143	2 745 936 183
Property and equipment	5	6 436 286	7 064 715
Intangible assets	6	1 260 613	1 864 223
Investments in associates	7	260 542 448	201 855 314
Investments at fair value	8	1 643 241 488	1 451 319 192
Originated loans	9	1 004 124 287	847 653 728
Preference shares	10	216 350 873	198 445 058
Finance lease receivables	11	71 146 048	37 733 953
Current assets		2 218 591 178	2 557 152 753
Current portion of originated loans and finance leases	9 & 11	414 680 509	260 913 550
Investments held-for-trade	13	51 828 699	36 644 087
Non-current asset held for sale	14	8 100 000	8 100 000
Trade and other receivables	15	54 920 101	49 497 475
Cash and cash equivalents	17	1 689 061 869	2 201 997 641
TOTAL ASSETS		5 421 693 221	5 303 088 936
NET ASSETS AND LIABILITIES			
Net assets		5 372 467 397	5 258 890 572
Trust capital	18	2 468 431 472	2 468 431 472
Fair value reserves	19	–	–
Accumulated surplus		2 904 035 925	2 790 459 100
Current liabilities		49 225 824	44 198 364
Trade and other payables	20	49 225 824	44 198 364
TOTAL NET ASSETS AND LIABILITIES		5 421 693 221	5 303 088 936

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March 2013

	Notes	2013 R	2012 R
Revenue	22	347 188 503	335 498 814
Other income		23 337 303	4 918 197
Sundry income	23	23 337 303	4 918 197
Administration expenses	24	(218 545 886)	(191 898 032)
Net operating income		152 019 920	148 518 979
Impairment charge	12	(289 837 303)	(105 092 503)
Loss on disposal of investments	25	–	(15 055 639)
Net income before fair value adjustments		(137 817 383)	28 370 837
Fair value gains/(losses)		251 394 208	(34 353 964)
– Investments in associates	7	(23 685 848)	890 536
– Investments at fair value – day one profit	8.1	–	6 036 343
– Investments held-for-trade – day one profit	13	1 176 852	–
– Investments at fair value – non-associate equity investments	8.1	267 716 592	–
– Investments at fair value – unincorporated equity investments	8.2	(8 998 000)	(31 833 518)
– Investments held-for-trade	13	15 184 612	(9 447 325)
Surplus/(deficit) for the year	30	113 576 825	(5 983 127)

STATEMENT OF CASH FLOW

For the year ended 31 March 2013

	Notes	2013 R	2012 R
Cash flows from operating activities	28	(185 826 901)	(168 220 476)
Cash receipts from other income		23 377 303	4 918 198
Cash paid to suppliers and employees		(209 204 204)	(173 138 674)
Cash flows from investing activities		(327 108 871)	(212 336 930)
Additions to property and equipment	5	(3 127 181)	(2 636 323)
Additions to intangible assets	6	(578 261)	(237 617)
Investment disbursements	29	(703 787 933)	(596 636 976)
Dividends received		84 793 504	75 412 377
Interest receipts		102 039 397	136 780 502
Repayments on originated loans, leases and preference shares		190 502 714	155 460 587
Proceeds from sale of investments		3 048 888	19 520 519
Decrease in cash and cash equivalents		(512 935 772)	(380 557 406)
Cash and cash equivalents at beginning of the year		2 201 997 641	2 582 555 047
Cash and cash equivalents at end of the year	17	1 689 061 869	2 201 997 641

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2013

	Trust capital R	Fair value reserve restated R	Accumulated surplus R	Total R
Balance as at 1 April 2011	2 468 431 472	1 297 193 378	1 514 951 796	5 280 576 646
Trust capital introduced	–	–	–	–
Fair value losses – investments available for sale	–	(15 702 947)	–	(15 702 947)
Deficit for the year	–	–	(5 983 127)	(5 983 127)
Balances as previously reported at 31 March 2012	2 468 431 472	1 281 490 431	1 508 968 669	5 258 890 572
GRAP 104 transfers of fair value reserves	–	(1 281 490 431)	1 281 490 431	–
Restated balances at 31 March 2012	2 468 431 472	–	2 790 459 100	5 258 890 572
Surplus for the year	–	–	113 576 825	113 576 825
Balance at 31 March 2013	2 468 431 472	–	2 904 035 925	5 372 467 397
Notes	18	19		

* The retention of the surplus reported for the year ended 31 March 2011 of R74 828 082 is still subject to National Treasury approval in terms of an application made by the Trust under section 53(3) of the PFMA.

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), which has subsequently been replaced with the adoption of GRAP 104 during the current year. Refer to note 2 of the AFS for further details.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

For the year ended 31 March 2013

	Notes	Approved Final Budget R	Actual R	Variance R
Revenue	30.1	378 361 000	347 188 503	(31 172 497)
Other Income		10 000 000	23 377 303	13 377 303
Sundry income	30.2	10 000 000	23 377 303	13 377 303
Total Income		388 361 000	370 565 806	(17 795 194)
Expenses				
Compensation of Employees		(136 522 000)	(131 396 676)	5 125 324
Use of Goods and Services		(97 589 000)	(87 149 210)	10 439 790
Total Expenses	30.3	(234 111 000)	(218 545 886)	15 565 114
Net Operating Income		154 250 000	152 019 920	(2 230 080)
Impairment charge	30.4	(109 980 000)	(289 837 303)	(179 857 303)
Net Income before fair value adjustments		44 270 000	(137 817 383)	(182 087 383)
Fair value (losses)/gains	30.5	–	251 394 208	251 394 208
Surplus/(Deficit) for the year		44 270 000	113 576 825	69 306 825

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

1.1 Main business and operations

The National Empowerment Fund Trust is a South African public entity (Schedule 3A) 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 and Strategic Projects Fund, which provides funding for venture capital activities in the Industrial Policy Action Plan sectors. In addition, the promotion of investments and savings activities is undertaken by designing and offering retail investment products through the Asset Management Division which are offered for subscription by black investors.

1.2 Accounting policies

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

1.3 Basis of preparation

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

Paragraph 12 of Directive 5: Determining the GRAP reporting framework states that, in the absence of a standard of GRAP dealing with a particular transaction or event, the pronouncements of the following professional organisations should be used, in descending order, to develop an appropriate accounting policy:

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

Applying the guidance in Directive 5 paragraph 12 the accounting framework applied by the Trust has been impacted by the application of the following International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS) in the absence of applicable GRAP Standards:

- IFRS 3 – Business Combinations.
- IAS 19 – Employee Benefits.
- IPSAS 20 – Related Parties.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.4 Consolidation

Investments in associates

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

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

Once an investment in associate is initially designated at fair value through profit and loss it is recognised at fair value. Subsequent measurement will thereafter be in terms of GRAP 7 which allows for an associate to either be held at fair value or at cost. Specifically where the fair value of unquoted associate investments cannot be reliably measured the investment will be measured at cost. The Trust has opted to hold all associate investments at fair value, except for project-related investments initiated by the Strategic Project Fund Division (SPF), where the measurement thereof is dependent on the stage of the project.

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

Interests in joint ventures

GRAP 8 exempts venture capital organisations from equity accounting investments in joint ventures if they, upon initial recognition, decide to designate the investment at fair value through profit and loss. As a venture capital organisation, the Trust has elected to apply this exemption and, accordingly, all such investments are not equity accounted but designated as investments at fair value through profit and loss in terms of GRAP 7.

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 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.

Sundry income comprises bad debts recovered on investments that have been written off and grant income earned through the Enterprise Development Fund Initiative and is recognised when the income is received. With regard to grant income earned through the Enterprise Development Fund Initiative there is no specific conditions relating to the use of funds. Interest earned on these funds is capitalised and accounted for as sundry income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

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 statement of financial performance 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 per annum
Furniture and fittings	16,67%
Motor vehicles	25%
Office equipment	20% to 40%
Leasehold improvements	20%
Audio visual equipment	33,33%
Paintings	2%

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

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 as well as whether there is evidence that may indicate impairment of the asset.

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

Item	Rate per annum
Computer software	33,30%

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.8 Non-current assets held for sale

Non-current assets held for sale comprises collateral assets against investment funding provided, that has been determined to be uncollectable and has been attached by the NEF for recovery of funds provided. Such assets are accounted for in terms of GRAP 100 Non-current Assets Held for Sale and Discontinued Operations. In terms of GRAP 100 Non-current Assets Held for Sale, are defined as non-current assets or disposal groups for which the carrying amount will be recovered primarily through sale rather than through continuing use.

In terms in GRAP 100 the criteria for classification are as follows:

- the asset or disposal group must be available for immediate sale in its present condition; and
- the sale of the asset must be highly probable.

On initial classification such assets are initially measured in terms of the applicable standard and impaired in terms of GRAP 100 were applicable. Depreciation/amortisation is ceased on the non-current assets held for sale were applicable and thereafter the assets are measured at the lower of the carrying amount and the fair value less costs to sell.

1.9 Cash and cash equivalents

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

1.10 Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets at fair value are recognised on trade date, which is the date on which the Trust commits to purchase or sell the asset. Loan and receivable financial assets 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. Differences, on recognition, between the fair value of a financial asset and the purchase price is recognised as a Day 1 profit and loss only where the fair value determined is based on observable market data. Financial assets are derecognised when the right to receive cash flows from the financial assets 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, originated loans and preference shares (GRAP 7 category: Loans and Receivable) and investments held at cost. Management determines the classification of investments at initial recognition.

Originated loans

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

Investments carried at fair value

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.10 Financial assets continued

Investments carried at fair value continued

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

Embedded derivative financial instruments

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

Trade and other receivables

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

Preference shares

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

Subsequent measurement

Investments at fair value are subsequently carried at fair value. Loans and receivables and preference share 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 category are included in the statement of financial performance in the period in which they arise.

Fair value

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

Fair value estimation – day 1 profit

The Trust relies on enterprise value calculations when it evaluates associates fair valued through profit and loss as well as investments available for sale on behalf of funding applications. To some extent there is 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

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.10 Financial assets continued

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.10 Financial assets continued

Impairment of financial assets continued

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 uncollectable, 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) Investments held at cost

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

(c) Renegotiated originated loans

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

Reversals of impairment losses are recognised in profit or loss.

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.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.10 Financial assets continued

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."

1.11 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.

1.12 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 rate 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.

1.13 Employee benefits

(a) Pension obligations

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

(b) Performance awards

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

1.14 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.15 Critical accounting estimates and judgements 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), and investment held at fair value through profit and loss (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 recognised 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; and
- Arrear payments.

Originated loans are individually assessed and impaired utilising management's impairment matrix. For the carrying amount of these investments refer to note 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, amongst 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 carrying amount of these investments refer to note 7.

(c) Fair value on unlisted securities

The Trust establishes the fair value of unlisted securities by enterprise valuation techniques as outlined in note 1.10, financial assets. For the carrying amount of the investments refer to notes 7 and 8.

2. CHANGES IN ACCOUNTING POLICY – INITIAL ADOPTION OF GRAP 104 – FINANCIAL INSTRUMENTS

During the current year the Trust adopted GRAP 104 Financial Instruments. Prior to the adoption of GRAP 104 the accounting policies of the Trust was based on IAS 32 (Financial Instruments: Presentation), IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosure).

The initial adoption of GRAP 104 has been accounted for in terms of the transitional provisions per Directive 2. In terms of Directive 2 all changes resulting from the application of the Standard of GRAP on Financial Instruments shall be accounted for retrospectively, except for those changes specified in paragraphs .117 and .118 which relate to financial instruments previously derecognised and recognised at date of initially adopting GRAP 104.

The impact of the changes as a result of the adoption of GRAP 104 is as follows:

- The Investments available for sale category which is not provided for in GRAP 104 is now categorised as investments held at fair value on the face of the balance sheet and are sub-classified as Non-associate equity investments (previously investments available for sale) in the notes to the annual financial statements.

The cumulative balance of the gains and losses on financial instruments recognised outside of surplus or deficit in previous reporting periods have been adjusted against accumulated surplus or deficit and the related comparative amounts have been restated.

The 2012 comparative disclosures per the annual financial statements have been adjusted as follows:

Financial statement line item	As previously reported R	Restated reporting R
Statement of Financial Position		
Accumulated surplus	1 508 968 669	2 790 459 100
Fair value reserves	1 281 490 431	–
Investment available for sale	1 449 434 153	–
Investment at fair value through profit and loss	1 885 039	–
Investments at fair value	–	1 451 319 192
– Non-associate equity investments	–	1 449 434 153
– Unincorporated equity investments	–	1 885 039
Statement of Financial Performance		
Deficit for the year	–	–

As a result of the adoption of GRAP 104 in the current year fair value gain of R267 716 592, on the previously available for sale investment category has been recognised in the Statement of Financial Performance. Prior to the adoption of GRAP 104 such gains would have been recognised as Non-distributable reserves.

2.2 Restatement of Companies Figures related to Finance Lease Receivable disclosure

The comparative figures have been adjusted to disclose the current portion of the finance lease receivables.

The 2012 comparative disclosures per the Annual Financial Stateents have been adjusted as follows:

	As previously reported R	Restated reporting R
Statement of Financial Position		
Non current assets		
Finance lease receivables	54 886 938	37 733 953
Current assets		
Current portion of originated loans and finance lease receivables	243 700 565	260 913 550

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

3. NEW STANDARDS AND INTERPRETATIONS

3.1 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:

GRAP 21 – Impairment of Non-cash-generating Assets

This standard prescribes the procedures that the NEF will apply to determine whether a non-cash-generating asset is impaired and the related measurement, accounting when impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.

This standard does not apply to the following assets relevant to the Trust:

- Financial assets accounted for under GRAP 104.
- Non-current assets (or disposal groups) classified as held for sale accounted for in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations.
- Associates and Joint ventures of the Trust that are cash-generating assets in nature, where such assets are non-cash-generating in nature then the requirements of GRAP 21 are applicable.

The impact of GRAP 21 has been considered in the accounting policies of the Trust and the disclosures made in notes 5 and 6 to the annual financial statements.

GRAP 23 – Revenue from Non-exchange Transactions (Taxes and Transfers)

This standard prescribes the requirements for the recognition, measurement and financial reporting of revenue from non-exchange (grants and transfer payments transactions).

The impact of GRAP 23 has been considered in the accounting policies of the Trust and the revenue disclosures made in note 22 to the annual financial statements.

GRAP 24 – Presentation of Budget Information in Financial Statements

This standard requires a comparison of budget and actual amounts and an explanation for material differences. The standard is applicable to all entities that are required to or elect to make publicly available their approved budget. For purposes of this Standard, budgets are made publicly available when they have been approved, and made available to the public at large by tabling in Parliament, legislatures or municipal councils.

The impact of GRAP 24 has been considered in the disclosures made in note 25 to the annual financial statements.

GRAP 26 – Impairment of Cash-generating Assets

This standard prescribes the procedures that the NEF will apply to determine whether a non-cash-generating asset is impaired and the related measurement, accounting when impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.

3. NEW STANDARDS AND INTERPRETATIONS continued

3.1 Standards and interpretations effective and adopted in the current year continued

This standard does not apply to the following assets relevant to the Trust:

- Financial assets accounted for under GRAP 104.
- Non-current assets (or disposal groups) classified as held for sale accounted for in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations.
- Associates and Joint Ventures of the Trust that are non-cash-generating assets in nature, where such assets are cash generating in nature then the requirements of GRAP 26 are applicable.
- Asset arising from employee benefits.
- Non-cash-generating items of property, plant and equipment, and Intangible assets.

The impact of GRAP 26 has been considered in the accounting policies of the Trust and the disclosures made in the notes to the annual financial statements.

GRAP 104 – Financial Instruments

This standard establishes principles for prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. In the previous period the Trust applied IAS 32, IAS 39 and IFRS 7 to account for and disclose its financial instruments.

The main difference between GRAP 104 and the International Financial Reporting Standards applied by the Trust in prior periods is the elimination of certain categories of financial assets in GRAP 104, most significantly for the Trust is the Available for Sale category. As per the Directive 2 GRAP 104 has been applied retrospectively, except where indicated otherwise, and applicable comparative amounts and disclosures have been restated.

The impact of GRAP 104 has been considered in the accounting policies of the Trust and the disclosures made in notes 7 to 13 to the annual financial statements.

3.2 Standards and interpretations issued but not yet effective

The Trust has chosen not to early adopt the following standards and interpretations, which have been published but are not mandatory for the Trust's accounting periods beginning on or after 1 April 2012 or later periods:

IFRS 13 – Fair Value Measurement

IFRS 13 sets out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRS's.

The effective date of the standard is for years beginning on or after 1 January 2013. The Trust expects to adopt the standard for the first time in the 2014 annual financial statements. It expected that the guidance provided will impact on the disclosures made by the Trust with regard to financial instruments measured at fair value.

3.3 Standards and interpretations not yet effective or relevant

GRAP 18 – Segment Reporting

This standard establishes principles for reporting financial information by segments.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

3. NEW STANDARDS AND INTERPRETATIONS continued

3.3 Standards and interpretations not yet effective or relevant continued

GRAP 25 – Employee Benefits

This Standard is similar to IAS 19, with the main difference being that GRAP 25 would not require deferral of defined benefit plan surpluses.

The effective date of this standard is 1 April 2013. It is unlikely that the standard will have a material impact on the Trust's annual financial statements. As the Trust is currently on a defined contribution plan.

GRAP 20 – Related Parties Disclosure

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The effective date of the standard is still to be determined by the Minister of Finance. It is unlikely that the standard will have a material impact on the Trust's annual financial statements. For the current period the related party accounting policies and disclosures in note 21 to the annual financial statements have been made on the basis of IPSAS 20.

GRAP 105 – Transfer of Functions of Entities Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

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

GRAP 106 – Transfer of Functions of Entities Not Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

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

GRAP 107 – Mergers

The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.

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

IAS 12 (AC 102) – Income taxes' on deferred tax

The amendment now provides that for investment property measured at fair value, the recovery of the carrying amount is assumed to be through sale, with the result that deferred tax arising on the valuation is measured using the prevailing tax rate for capital gains.

This amendment has had no material impact on the Trust's annual financial statements as the Trust is exempt from Income Tax.

4. RISK MANAGEMENT

4.1 Credit risk

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

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

The risk of default on originated loans is actively managed especially through the fully established Post Investment Unit, responsible for the ongoing performance monitoring of the originated loans portfolio.

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

	Credit ratings	Closing balances 2013 R	Closing balances 2012 R
Standard Bank	AA+	36 233 054	408 382 128
First National Bank	A-2	74 862 648	532 271 330
South Africa Reserve bank	BAA	1 317 655 893	1 013 458 447
Rand Merchant Bank	A-2	260 308 276	247 883 736
Total cash held with banks		1 689 059 871	2 201 995 641

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

The impairment methodology utilised by the Trust results in originated loans that are in excess of 60 days in arrears, i.e. two repayment instalments 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 Unit of the Trust.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

4. RISK MANAGEMENT continued**4.1 Credit risk continued**

Originated loans, finance leases and preference shares are individually impaired. After impairments the originated loans, finance lease and preference shares (note 12) may be analysed as follows:

	2013 R	2012 R
Originated loans		
Normal monitoring and performing loans	1 209 114 103	910 806 247
Close monitoring	123 897 658	133 183 303
Partly/fully impaired	404 887 513	217 964 176
	1 737 899 274	1 261 953 726
Finance leases		
Normal monitoring and performing leases	86 743 052	49 018 947
Close monitoring	3 678 326	–
Partly/fully impaired	14 100 855	9 965 310
	104 522 234	58 984 257
Preference shares		
Normal monitoring and performing preference shares	178 679 665	193 320 058
Close monitoring	3 033 039	–
Partly/fully impaired	71 584 226	29 940 032
	253 296 930	223 260 090

The average loan disbursed is R4 139 917 (2012: R8 493 000), with the minimum being R250 000 (2012: R250 000), and the maximum being R60 000 000 (2012: R49 250 000).

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 fully impaired loan is in breach and is transferred for legal collection, then the Trust considers the values of any nominal collateral available against such collections.

4. RISK MANAGEMENT continued

4.1 Credit risk continued

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

Collateral held in favour of impaired loans	Land and buildings R	Plant and equipment R	Furniture, other equipment and office equipment R	Motor vehicles R	Total R
2013					
Book value	89 015 849	312 728 637	66 198 277	89 866 560	557 809 323
Fair value	62 271 093	104 232 455	20 968 460	29 934 524	217 406 532
2012					
Book value	42 041 166	256 225 365	34 062 554	82 195 930	414 525 015
Fair value	29 428 816	85 399 914	10 344 845	27 395 903	152 569 478

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

4. RISK MANAGEMENT continued

4.2 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.

4.2.1 Interest rate risk

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

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

A significant part (2013: 87%, 2012: 85%) 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 five to eight years.

The Trust individually assesses the effect of interest rate risk in a series of scenario and sensitivity analyses of each individual transaction that the Trust funds. In these scenarios the impact of an interest rate change is assessed against the businesses' ability to meet the increased charge in lending rates out of own cash flows. The decision to grant funding to applying businesses is fundamentally based on these sensitivity analyses. The underlying risk therefore within the range of interest rate changes run in sensitivity analyses is the business risk associated with the approval of loans to applying businesses. This business risk is assessed regularly by the Post Investment Unit of the Trust and is assessed on a risk rating scale as follows performing (low risk deals), impairments (medium risk deals) and workouts (high risk deals). As at 31 March 2013, the portfolio was assessed from this risk rating approach as follows:

Category	2013 % by number	2013 % by value	2012 % by number	2012 % by value
Performing	66	67	72	73
Impairments	26	19	24	10
Workouts	8	13	4	17

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

In the prior year, in response to the effects that the global economic crisis was having on the originated loans portfolio, the Trust approved a 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.

4. RISK MANAGEMENT continued

4.2 Market risk continued

4.2.1 Interest rate risk continued

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

Interest rate risk sensitivity analysis

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

	2013			2012		
	Carrying amount R	Interest earned R	Sensitivity of 1% effective adjustment R	Carrying amount R	Interest earned R	Sensitivity of 1% effective adjustment R
Originated loans	1 387 776 634	115 162 279	13 877 766	1 091 414 293	79 688 523	10 914 143
Cash and cash equivalents	1 689 061 869	102 279 746	16 890 619	2 201 997 641	136 754 681	22 019 976
Total effect on profit/loss	3 076 838 503	217 442 025	30 768 385	3 293 411 934	216 443 204	32 934 119

4.2.2 Foreign exchange risk

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

4. RISK MANAGEMENT continued

4.2 Market risk continued

4.2.3 Price risk

The Trust is exposed to listed equity and debenture 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.

Listed investments	Number of shares at year-end	Share price at year-end R	Market value of listed portfolio at year end R	10% increase in share price R	10% decrease in share price R
AH Vest Limited	7 860 473	0,14	1 100 466	1 210 513	990 420
Hospitality Property Fund A	2 523 165	16,93	42 717 183	46 988 902	38 445 465
Hospitality Property Fund B	1 261 583	6,35	8 011 050	8 812 157	7 209 947
MTN Limited	10 117 785	161,48	1 633 819 922	1 797 201 914	1 470 437 930
Total			1 685 648 621	1 854 213 486	1 517 083 762

4.3 Liquidity risk

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

The cash balances of the Trust are invested in treasury and call accounts of its 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 seven days and current fund management commitments are expected to be due within 30 days of these being approved for investment.

4. RISK MANAGEMENT continued

4.4 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 (2012: R2 297 431 472 – note 18). Historically funding for operations was also advanced by the dti in the form of transfer funds. These were matched against operational expenditure for the year and, to the extent there was some level of operational surplus or deficit, then this was transferred or offset to accumulated surplus once approval is granted in this respect from national treasury.

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

Proceeds raised on asset management retail product subscriptions are transferred to capital through profit and loss upon derecognition of available for sale assets fair valued through non-distributable reserves. This capital is managed separately and utilised for the purposes of re-application into asset management activities and other related investments in consultation with the dti and National Treasury.

Since inception the Trust has been funded out of transfer funds from the dti against presentation and approval of its annual business plan and budget.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - For the year ended 31 March 2013

5. PROPERTY AND EQUIPMENT

	Owned							Total R
	Motor vehicles R	Computer equipment R	Audio visual equipment R	Office equipment R	Furniture and fittings R	Leasehold improvements R	Paintings R	
2013								
Opening balance								
Cost	907 003	5 117 459	573 089	2 798 170	5 050 320	5 304 918	184 902	19 935 861
Accumulated depreciation	(563 817)	(4 054 934)	(298 047)	(2 012 628)	(3 468 845)	(2 442 074)	(30 802)	(12 871 147)
Net book value	343 186	1 062 525	275 042	785 542	1 581 475	2 862 844	154 100	7 064 714
Movement for the year:								
Additions	498 057	1 634 726	136 677	398 345	299 601	159 775	–	3 127 181
Disposals/Derecognition at cost	(113 903)	(1 576 029)	(169 814)	(310 065)	(1 171 317)	376 858	(3 448)	(2 967 718)
Re-classification depreciation on disposed/ derecognised assets	113 903	1 309 697	29 150	238 586	1 012 439	–	178	2 703 953
Depreciation	(192 820)	(1 101 616)	(88 261)	(514 503)	(467 514)	(1 123 503)	(3 627)	(3 491 844)
	305 237	266 778	(92 248)	(187 637)	(326 791)	(586 870)	(6 897)	(628 428)
Closing balance								
Cost	1 291 157	5 176 156	539 952	2 886 450	4 178 604	5 841 551	181 454	20 095 324
Accumulated depreciation	(642 734)	(3 846 853)	(357 158)	(2 288 545)	(2 923 920)	(3 565 577)	(34 251)	(13 659 038)
Net book value	648 423	1 329 303	182 794	597 905	1 254 684	2 275 974	147 203	6 436 286
Gross carrying amount of fully depreciated assets still in use	294 200	1 931 796	173 640	1 917 459	1 425 292	892 814	–	6 635 201

5. PROPERTY AND EQUIPMENT continued

	Owned							
2012	Motor vehicles R	Computer equipment R	Audiovisual equipment R	Office equipment R	Furniture and fittings R	Leasehold improvements R	Paintings R	Total R
Opening balance								
Cost	907 003	4 748 926	706 795	2 655 640	4 329 548	6 908 209	286 304	20 542 425
Accumulated depreciation	(392 941)	(3 226 507)	(672 002)	(1 444 439)	(2 958 347)	(3 824 692)	(46 685)	(12 565 613)
Net book value	514 062	1 522 419	34 793	1 211 201	1 371 201	3 083 517	239 619	7 976 812
Movement for the year:								
Additions	–	640 082	257 427	425 728	987 894	325 192	–	2 636 323
Disposals/derecognition at cost	–	(76 464)	(391 133)	(133 377)	–	(2 449 596)	(101 402)	(3 151 972)
Re-classification	–	(195 085)	–	(149 821)	(267 122)	521 113	–	(90 915)
Depreciation on disposed/ derecognised assets	–	72 264	389 201	132 832	–	2 449 596	22 072	3 065 965
Depreciation	(170 876)	(900 691)	(15 246)	(701 021)	(510 498)	(1 066 978)	(6 189)	(3 371 499)
	(170 876)	(459 894)	240 249	(425 659)	210 274	(220 673)	(85 519)	(912 098)
Closing balance								
Cost	907 003	5 117 459	573 089	2 798 170	5 050 320	5 304 918	184 902	19 935 862
Accumulated depreciation	(563 817)	(4 054 934)	(298 047)	(2 012 628)	(3 468 845)	(2 442 074)	(30 802)	(12 871 147)
Net book value	343 186	1 062 525	275 042	785 542	1 581 475	2 862 844	154 100	7 064 715
Gross carrying amount of fully depreciated assets still in use	408 103	936 563	164 990	49 800	1 124 618	98 439	–	2 782 513

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

	2013 R	2012 R
6. INTANGIBLE ASSETS		
Computer software		
Opening balance		
Cost	13 433 317	13 746 903
Accumulated amortisation	(11 569 094)	(9 593 872)
Net book value	1 864 223	4 153 031
Movement for the year:		
Additions	578 261	237 617
Reclassification	251 489	90 915
Disposals		(642 118)
Accumulated amortisation on disposed asset		642 118
Amortisation	(1 433 360)	(2 617 340)
	(603 610)	(2 288 808)
Closing balance		
Cost	14 263 067	13 433 317
Accumulated amortisation	(13 002 454)	(11 569 094)
Net book value	1 260 613	1 864 223

The intangible assets comprise purchased computer software and software development customised for use in the Trust's operations.

7. INVESTMENTS IN ASSOCIATES

Investments at cost

- Opening balance
- Additions
- Transfers from available for sale investment – SA Metals
- Transfers from investments held at fair value through profit and loss – i3 Africa
- Transfers from originated loans – Middelndrift Dairy
- Transfers from originated loans – Inca
- Write off
- Disposals

Fair value adjustments

- Opening balance

Movements

- Fair value (losses)/gains
- Disposal

Net investment in associates

2013 R	2012 R
260 747 853	178 374 871
178 374 871	55 374 579
66 072 982	107 000 361
–	10 000 000
–	7 000 000
4 500 000	–
11 800 000	–
–	(69)
–	(1 000 000)
(205 405)	23 480 443
23 480 443	47 576 670
(23 685 848)	(24 096 227)
(23 685 848)	890 536
	(24 986 763)
260 542 448	201 855 314

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. The Trust will convert upon conclusion of the Government's evaluation of the taking up a strategic equity stake in SunSpace in order to further the space policy for the country.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

7. INVESTMENTS IN ASSOCIATES continued

The Trust's principal associates are:

Name	Country of incorporation	Principal activity	2013 Interest held (%)	2012 Interest held (%)
Unlisted				
Blue Glamour (Pty) Ltd	South Africa	Manufacturing	32,0	32,0
Inca Concrete Masonry (Pty) Ltd	South Africa	Construction	35,0	35,0
Lak Investment T/A Stone Age (Pty) Ltd	South Africa	Construction	25,0	25,0
Safepak (Pty) Ltd	South Africa	Manufacturing	20,0	20,0
Stutt Brick Company (Pty) Ltd	South Africa	Construction	45,0	45,0
Amajuba Berries (Pty) Ltd*	South Africa	Agro Processing	51,0	51,0
Colliery Dust Control (Pty) Ltd	South Africa	Mining	40,1	40,1
False Bay Bricks (Pty) Ltd	South Africa	Construction	30,0	30,0
Trennplast (Pty) Ltd	South Africa	Manufacturing	26,5	26,5
Middeldrift Dairy (Pty) Ltd	South Africa	Agro Processing	40,0	40,0
White Heat Trading 4 (Pty) Ltd T/A Hollywood Displays	South Africa	Manufacturing	34,5	34,5
Renu Energy (Pty) Ltd	South Africa	Manufacturing	26,0	26,0
Ntsinde Royal Jozini Holdings (Pty) Ltd	South Africa	Tourism and Entertainment	33,4	33,4
Buffalo Bull (Pty) Ltd	South Africa	Agro Processing	30,0	30,0
Busa Holdings (Pty) Ltd	South Africa	Healthcare	49,0	49,0
Africa Rising (Pty) Ltd	South Africa	Financial Services	25,1	25,1
Crowie Holdings (Pty) Ltd	South Africa	Construction	25,1	25,1
Boipelo Piggery (Pty) Ltd	South Africa	Agro Processing	20,0	20,0
Inala Shipping (Pty) Ltd	South Africa	Shipping	30,0	30,0
Pretamix (Pty) Ltd	South Africa	Services	49,0	49,0
Sizovuna Investments Holding (Pty) Ltd	South Africa	Property	49,0	49,0
Basfour (Pty) Ltd	South Africa	Engineering	49,0	49,0
IM Capital (Pty) Ltd	South Africa	Engineering	49,0	49,0
SA Metals (Pty) Ltd	South Africa	Mining	29,0	29,0
i3 Africa (Pty) Ltd	South Africa	Telecommunication	30,0	30,0
Business Venture Investments (Pty) Ltd	South Africa	Agro Processing	30,0	30,0
Karbochem Co-generation (Pty) Ltd	South Africa	Energy	30,0	30,0
Imbaza Mussel (Pty) Ltd	South Africa	Agro Processing	30,0	30,0
Value Cement (Pty) Ltd	South Africa	Construction	31,0	31,0
Kenako (Pty) Ltd	South Africa	Pharmaceuticals	49,0	–
Petrocom (Pty) Ltd	South Africa	Energy	30,0	–
Zastrovect (Pty) Ltd	South Africa	Retail	25,1	–
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	South Africa	Construction	30,0	–
Mohale (Pty) Ltd	South Africa	Agro Processing	45,0	–
Mopadi Molamu (Pty) Ltd	South Africa	Agro Processing	20,0	–
Willowvale (Pty) Ltd	South Africa	Property	45,0	–
Ndalo (Pty) Ltd	South Africa	Retail	20,0	–
Global Wheel (Pty) Ltd	South Africa	Manufacturing	32,0	–

* 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.

7. INVESTMENTS IN ASSOCIATES continued

Name	Voting power 2013 (%)	Voting power 2012 (%)	Equity at fair values 2013 R	Equity at fair values 2012 R
Unlisted				
Blue Glamour (Pty) Ltd	32,0	32,0	6 086 454	11 036 387
Inca Concrete Masonry (Pty) Ltd	35,0	35,0	11 800 350	350
Lak Investment T/A Stone Age (Pty) Ltd	25,0	25,0	25	2,05
Safepak (Pty) Ltd	20,0	20,0	20	20
Stutt Brick Company (Pty) Ltd	45,0	45,0	45	45,0
Amajuba Berries (Pty) Ltd*	31,0	31,0	1 352 255	12 928 895
Colliery Dust Control (Pty) Ltd	40,1	40,1	18 239 752	16 637 549
False Bay Bricks (Pty) Ltd	30,0	30,0	300	300
Trennplast (Pty) Ltd	26,5	26,5	265	2 247 349
Middeldrift Dairy (Pty) Ltd	40,0	40,0	4 500 040	40
Renu Energy (Pty) Ltd	26,0	26,0	-	-
White Heat Trading 4 (Pty) Ltd T/A Hollywood Displays	34,5	34,5	300	300
Ntsinde Royal Jozini Holdings (Pty) Ltd**	33,4	33,4	334	334
Buffalo Bull (Pty) Ltd	30,0	30,0	38	38
Busa Holdings (Pty) Ltd***	49,0	49,0	110 000 000	50 000 000
Africa Rising (Pty) Ltd	25,1	25,1	2 510	2 510
Crowie Holdings (Pty) Ltd	25,1	25,1	18 485 606	25 000 000
Boipelo Piggery (Pty) Ltd	20,0	20,0	200	200
Inala Shipping (Pty) Ltd	30,0	30,0	30	30
Pretamix (Pty) Ltd	49,0	49,0	240	240
Sizovuna Investments Holding (Pty) Ltd	49,0	49,0	49	49
Basfour (Pty) Ltd	49,0	49,0	146	146
IM Capital (Pty) Ltd	49,0	49,0	146	146
SA Metals (Pty) Ltd***	29,0	29,0	40 000 000	40 000 000
i3 Africa (Pty) Ltd***	30,0	30,0	32 000 000	32 000 000
Business Venture Investments (Pty) Ltd	30,0	30,0	30	30
Karbochem Co-generation (Pty) Ltd	30,0	30,0	12 000 000	12 000 000
Imbaza Mussel (Pty) Ltd	30,0	30,0	300	300
Value Cement (Pty) Ltd	31,0	31,0	31	31
Kenako (Pty) Ltd	49,0	-	6 071 189	-
Petrocom (Pty) Ltd	30,0	-	30	-
Zastrovect (Pty) Ltd	25,1	-	251	-
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	30,0	-	300	-
Mohale (Pty) Ltd	45,0	-	450	-
Mopadi Molamu (Pty) Ltd	20,0	-	200	-
Willowvale (Pty) Ltd	45,0	-	450	-
Ndalo (Pty) Ltd	20,0	-	80	-
Global Wheel (Pty) Ltd	32,0	-	32	-
			260 542 448	201 855 314

* 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 this investment, hence the classification as an associate.

** Warehoused shares of Mayborn (Royal Jozini) is 16,7% held in favour of the Jozini Community Trust.

*** These investments are measured at cost less accumulated impairments in terms of GRAP 104, due to the significant variance with regard to the possible range of fair values. These investments have reached bankable feasibility stage and have not yet reached financial closure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

8. INVESTMENTS AT FAIR VALUE**8.1 Non-associate equity investments**

Non-associate equity investments at fair value through profit and loss

Movements

MTN shares – fair value adjustments

On Time Digital Media (Pty) Ltd – impairment

Fuel Logistics Group (Pty) Ltd – write-off

Additions

On Time Digital Media (Pty) Ltd

Kenako Medical (Pty) Ltd (equity options)

Janitone (Pty) Ltd

Nyonende (Pty) Ltd

Transfer to associates

Additions – cost

– Day 1 profit on purchase of MTN shares*

Fair value balance at end of the year

Non-associate investments include:

Listed securities

– Equity securities: RSA (MTN Shares)

Unlisted securities

Securities not traded on an active market

Intaba Technologies (Pty) Ltd

Inkwali Fabrication (Pty) Ltd

Janitone (Pty) Ltd

Gidani (Pty) Ltd

Thin Film (Pty) Ltd

Connex (Pty) Ltd

Nyonende (Pty) Ltd

Vuwa Pharmaceuticals (Pty) Ltd

Kenako Medical (Pty) Ltd (equity options)

On Time Digital Media (Pty) Ltd

	2013 R	2012 R
	1 449 434 153	1 490 214 567
	193 792 335	(40 702 948)
	267 716 592	(15 702 947)
	(96 343 331)	(25 000 000)
	–	(1)
	21 333 333	–
	1 085 411	–
	180	–
	150	–
	–	(10 000 000)
	–	3 886 191
	–	6 036 343
	1 643 226 488	1 449 434 153
	1 633 819 922	1 366 103 329
	9 406 566	83 330 824
	1	1
	1	1
	180	–
	100	100
	5 313 211	5 313 211
	3 007 500	3 007 500
	150	–
	11	11
	1 085 411	–
	1	75 010 000
	1 643 226 488	1 449 434 153

* Day 1 profit represents the difference between fair value and purchase price on recognition of shares purchased. In terms of the accounting policy adopted, such gains/losses are recognised only when the fair value determined is based on market observable data.

8. INVESTMENTS AT FAIR VALUE continued**8.2 Unincorporated equity investments**

Unincorporated equity investment fair value through profit and loss

Opening balance

Disbursements

Cost of exited transactions

Transfer to associates

Fair value adjustments

– Balance brought forward from prior year

– Fair value loss

– Fair value gain on exited transactions

Net investment in fair value through profit and loss financial assets

Total investments held at fair value through profit and loss

2013 R	2012 R
86 789 947	79 789 947
79 789 947	47 700 000
9 000 000	41 589 947
(2 000 000)	(2 500 000)
–	(7 000 000)
(86 774 947)	(77 904 908)
(77 904 908)	(47 690 000)
(8 998 000)	(31 833 518)
127 961	1 618 610
15 000	1 885 039
1 643 241 488	1 451 319 192

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

Investment	Investment at cost R	Fair value R	Interest in project/ joint venture (%)	Effective voting on Joint Steering Committee (%)
2013				
Inkomazi Chemicals (Pty) Ltd	1 000 000	1 000	50	50
Rare Metals Industries (Pty) Ltd*	13 500 000	1 000	30	27
Manhize – Coking Coal	6 000 000	2 000	75	50
African Silica Investments (Pty) Ltd	7 000 000	1 000	50	50
Organic Coconut Beverage Co.	5 000 000	1 000	49	50
Kimocode – Hluhluwe Wind Farm	2 200 000	1 000	40	50
Comprecom (Pty) Ltd T/A Waste Tyre Energy	8 000 000	1 000	47	50
Milk for Life	2 000 000	1 000	50	50
Maluti Trans Frontier Tourism Route T/A PKX	3 000 000	1 000	50	50
Municipal Waste T/A Lanele Resources	10 000 000	1 000	49	50
Underground Venture Capital	3 089 947	1 000	50	50
First in Spec	10 000 000	1 000	30	50
MIBT	15 000 000	1 000	50	50
Fuel Budgeting Solutions	1 000 000	1 000	50	50
	86 789 947	15 000		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - For the year ended 31 March 2013

8. INVESTMENTS AT FAIR VALUE continued

8.2 Unincorporated equity investments continued

Investment	Investment at cost R	Fair value R	Interest in project/ joint venture (%)	Effective voting on Joint Steering Committee (%)
2012				
Tourvest - Sky Tower	2 000 000	1 872 039	25	50
Inkomazi Chemicals (Pty) Ltd	1 000 000	1 000	50	50
Rare Metals Industries (Pty) Ltd*	13 500 000	1 000	30	27
Manhize - Coking Coal	3 000 000	1 000	75	50
African Silica Investments (Pty) Ltd	7 000 000	1 000	50	50
Organic Coconut Beverage Co.	5 000 000	1 000	49	50
Kimocode - Hluhluwe Wind Farm	2 200 000	1 000	40	50
Comprecom (Pty) Ltd T/A Waste Tyre Energy	8 000 000	1 000	47	50
Milk for Life	2 000 000	1 000	50	50
Maluti Trans Frontier Tourism Route T/A PKX	3 000 000	1 000	50	50
Municipal Waste T/A Lanele Resources	10 000 000	1 000	49	50
Underground Venture Capital	3 089 947	1 000	50	50
First in Spec	10 000 000	1 000	30	50
MIBT	10 000 000	1 000	50	50
	79 789 947	1 885 039		

* The Trust does not have any shareholding in the project as the company has not yet been incorporated but due to the composition of the project steering committee and the voting powers that the Trust holds in the project the investment is an associate. The investment has however been accounted for at fair value due to the strategic nature of the investment.

9. ORIGINATED LOANS**Opening balance**

Net movement for the year

Loans disbursed

Facility fee income

Interest capitalised

Loan repayments

Write-offs

Settlement write-offs

Transfer to preference share – Inca

Transfer to associates – Inca

Loans re-classified to other investment categories

Transfer to non-current assets held for sale

Transfer from preference share – Incoso Foods

Restructure – Middeltdrift write-off

Closing balance

Provision for impairment

– Opening balance

– Impairments for the year

– Write-offs

Net originated loan balance

Current portion

Long-term portion

	2013 R	2012 R
Opening balance	1 261 953 726	1 036 751 003
Net movement for the year	475 945 548	225 202 723
Loans disbursed	546 443 224	393 454 018
Facility fee income	2 500	–
Interest capitalised	115 162 279	79 688 523
Loan repayments	(165 163 353)	(130 556 622)
Write-offs	–	(109 283 196)
Settlement write-offs	(72 307)	–
Transfer to preference share – Inca	(3 000 000)	–
Transfer to associates – Inca	(11 800 000)	–
Loans re-classified to other investment categories	(4 500 000)	–
Transfer to non-current assets held for sale	–	(8 100 000)
Transfer from preference share – Incoso Foods	924 000	–
Restructure – Middeltdrift write-off	(2 050 795)	–
Closing balance	1 737 899 274	1 261 953 726
Provision for impairment	(350 122 640)	(170 539 433)
– Opening balance	(170 539 433)	(199 730 126)
– Impairments for the year	(181 711 667)	(80 092 503)
– Write-offs	2 128 460	109 283 196
Net originated loan balance	1 387 776 634	1 091 414 293
Current portion	383 652 347	243 760 565
Long-term portion	1 004 124 287	847 653 728

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

	2013 R	2012 R
10. PREFERENCE SHARES		
Opening balance	223 260 090	205 452 832
Net movement for the year	30 036 840	17 807 258
Additions	6 000 000	15 090 000
Loans re-classified to other investment categories	(924 000)	–
Interest capitalised	35 159 115	27 965 009
Repayments	(12 941 025)	(7 664 850)
Write-off due to restructure	(257 250)	–
Loans re-classified from other investment categories	3 000 000	–
Disposal	–	(17 582 901)
Closing balance	253 296 930	223 260 090
Provision for impairment	(36 946 057)	(24 815 032)
– Opening balance	(24 815 032)	(34 689 987)
– Impairments for the year	(12 388 275)	–
– Disposals/write-offs	257 250	9 874 955
Net preference shares balance	216 350 873	198 445 058

Some loans are secured by general notarial bonds over movable property, cession of receivables, cession of bank accounts, personal sureties, second mortgage bonds and insurance policies, refer to note 4.1 for more details.

11. FINANCE LEASE RECEIVABLES

	2013 R	2012 R
Opening balance	58 984 256	43 478 332
Net movement for the year	45 537 979	15 505 923
Additions	53 852 983	35 616 091
Interest capitalised	5 226 658	4 588 116
Repayments	(12 398 337)	(17 206 453)
Disposals/Write-offs	(1 143 325)	(7 491 833)
Closing balance	104 522 235	58 984 256
Provision for impairment	(2 348 025)	(4 097 320)
– Opening balance	(4 097 320)	(11 589 152)
– Impairment for the year	605 970	–
– Disposals/Write-offs	1 143 325	7 491 833
Net finance lease receivables balance	102 174 210	54 886 936
Gross investment in leases due	125 345 884	70 033 238
– within one year	38 024 529	21 520 659
– in second to fifth year inclusive	70 082 824	43 604 957
– after five years	17 238 531	4 907 622
Less: Unearned finance income	(20 823 650)	(11 048 981)
Present value of minimum lease payments receivable	104 522 234	58 984 257
Less: Allowance for uncollectable minimum lease payments	(2 348 024)	(4 097 319)
Present value	102 174 210	54 886 938
Present value of minimum lease payments due		
– within one year	31 028 162	17 152 985
– In second to fifth year inclusive	57 946 314	37 581 085
– after 5 years	15 547 758	4 250 187
Less: Allowance for uncollectable minimum lease payments	(2 348 024)	(4 097 319)
Carrying amount of minimum lease payments	102 174 210	54 886 938
Net finance lease receivable balance	102 174 210	54 886 938
Current Portion	31 028 162	17 152 985
Long term portion	71 146 048	37 733 953

The average lease term is 5 years (2012: 2-5 years) and the average effective lending rate is 7% (2012: 7%)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

	2013 R	2012 R
12. IMPAIRMENT CHARGE TO THE STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR		
Originated loans – movement in provision	181 711 667	80 092 503
Preference shares – movement in provision	12 388 275	–
Finance lease receivable – movement in provision	(605 970)	–
Non-associate equity investments	96 343 331	25 000 000
Impairment for the year	289 837 303	105 092 503
13. INVESTMENTS HELD-FOR-TRADE		
Fair value balance at beginning of year	36 644 087	46 091 412
Additions	1 176 852	–
Disposals	(1 176 852)	–
	36 644 087	46 091 412
Fair value gains/(losses)	15 184 612	(9 447 325)
Fair value balance at end of year	51 828 699	36 644 087
Investments held-for-trade include:		
Listed securities		
AH Vest/All Joy	1 100 466	1 572 093
Hospitality Fund A	42 717 183	30 025 662
Hospitality Fund B	8 011 050	5 046 332
	51 828 699	36 644 087
The fair value gains on the Held-for-Trade investments as per the Statement of Financial Performance is made up of the fair value gains of R15 184 612 for the year as well as the Day 1 profit recognised on the Hospitality Fund rights issue of R1 176 852.		

14. NON-CURRENT ASSET HELD FOR SALE

Opening balance
Transfer from originated loans
Closing balance

2013 R	2012 R
8 100 000	–
–	8 100 000
8 100 000	8 100 000
874 249	877 650
42 757	22 879
52 686 555	48 119 354
1 316 540	477 592
54 920 101	49 497 475

Non-current asset held for sale represents collateral assets against loan defaults that have been attached by the NEF for resale. These assets are expected to be disposed of within twelve months of attachment and sale is considered to be highly probable.

15. TRADE AND OTHER RECEIVABLES

Deposits
Interest receivable – cash and cash equivalents
Dividend receivable
Other receivables

The Trustees consider that the carrying amount of trade and other receivables approximates its fair value.

16. FINANCIAL ASSETS**Loans and receivables**

- Originated loans
- Preference shares
- Finance leases
- Trade and other receivables

Investments held at fair value

- Unlisted non-associate equity investments
- Listed non associate equity investments
- Unincorporated equity investments

Investment in associates**Investments held for trade**

- listed equity

Total

	2013		2012	
	Carrying amount R	Fair value R	Carrying amount R	Fair value R
Loans and receivables	1 761 221 818	1 761 221 818	1 394 243 764	1 394 243 764
– Originated loans	1 387 776 634	1 387 776 634	1 091 414 293	1 091 414 293
– Preference shares	216 350 873	216 350 873	198 445 058	198 445 058
– Finance leases	102 174 210	102 174 210	54 886 938	54 886 938
– Trade and other receivables	54 920 101	54 920 101	49 497 475	49 497 475
Investments held at fair value	1 643 241 488	1 643 241 488	1 451 319 192	1 451 319 192
– Unlisted non-associate equity investments	9 406 566	9 406 566	83 330 824	83 330 824
– Listed non associate equity investments	1 633 819 922	1 633 819 922	1 366 103 329	1 366 103 329
– Unincorporated equity investments	15 000	15 000	1 885 039	1 885 039
Investment in associates	260 542 448	260 542 448	201 855 314	201 855 314
Investments held for trade	51 828 699	51 828 699	36 644 087	36 644 087
– listed equity	51 828 699	51 828 699	36 644 087	36 644 087
Total	3 716 834 453	3 716 834 453	3 084 062 357	3 084 062 357

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - For the year ended 31 March 2013

16. FINANCIAL ASSETS continued**Fair value hierarchy**

The following table details the fair value hierarchy as defined in IFRS 7 for the investments carried at fair value in the financial statements:

	Level 1 R	Level 2 R	Level 3 R	Total R
2013				
Financial assets at fair value through profit and loss	51 828 699	–	260 557 448	312 386 147
Associates	–	–	260 542 448	260 542 448
Unincorporated equity investments	–	–	15 000	15 000
Investments held for trade	51 828 699	–	–	51 828 699
Non-associate equity investments	1 633 819 922	–	9 406 566	1 643 226 488
Listed equities	1 633 819 922	–	–	1 633 819 922
Unlisted equities	–	–	9 406 566	9 406 566
Total	1 685 648 621	–	269 964 014	1 955 612 635
2012				
Financial assets at fair value through profit and loss	36 644 087	–	203 740 353	240 384 440
Associates	–	–	201 855 314	201 855 314
Unincorporated equity investments	–	–	1 885 039	1 885 039
Investments held for trade	36 644 087	–	–	36 644 087
Non-associate equity investments	1 366 103 329	–	83 330 824	1 449 434 153
Listed equities	1 366 103 329	–	–	1 366 103 329
Unlisted equities	–	–	83 330 824	83 330 824
Total	1 402 747 416	–	287 071 177	1 689 818 593

16. FINANCIAL ASSETS continued

2013

Reconciliation of financial assets held at fair value:

Opening balance for the year

Purchases

– Cost

– Day 1 profit

Sales/transfers

Impairment of financial assets recognised

Total fair value adjustments recognised:

– In profit and loss

Closing balance

2012

Opening balance for the year

Purchases

– Cost

– Day 1 profit

Sales/transfers

Impairment of financial assets recognised

Total fair value adjustments recognised:

– In profit and loss

Closing balance

	Level 1 R	Level 2 R	Level 3 R	Total R
1 402 747 416		–	287 071 177	1 689 818 593
			97 492 056	97 492 056
			–	–
			14 427 961	14 427 961
			(96 343 331)	(96 343 331)
282 901 204			(32 683 848)	250 217 356
1 685 648 620		–	269 964 015	1 955 612 635
1 417 975 166		–	221 292 063	1 639 267 229
3 886 191			158 590 319	162 476 510
6 036 343				6 036 343
–			(36 868 222)	(36 868 222)
–			(25 000 001)	(25 000 001)
(25 150 284)			(30 942 982)	(56 093 266)
1 402 747 416		–	287 071 177	1 689 818 593

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

16. FINANCIAL ASSETS continued

Valuations based on observable inputs

Valuations based on observable inputs include:

Level 1

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

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

This category comprises active listed equities.

Level 2

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

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

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

Level 3

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

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

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

(i) Future earnings and marketability discounts

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

(ii) Comparator multiples

Comparator multiples and point of difference applied to chosen multiples are key inputs in the valuation of certain private equity investments. Price earnings multiples and point of difference applied to chosen multiples are unobservable for some investments.

(iii) Discount rates

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

17. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flow, the cash and cash equivalents comprise the following:

Bank balances

- Current accounts
- Short-term bank deposits
- Cash on hand

The effective interest rate on short-term deposits was 5,5% (2012: 6,5%).

18. TRUST CAPITAL

Investment in listed shares

At cost

Cash funds received from the dti

- Opening balance
- Funds received during the year

Closing balance

19. FAIR VALUE RESERVES RESTATED

Balance at beginning of the year

Net decrease

Revaluation of investments available for sale

Grap 104 transfer of fair value reserves to retained earnings

Balance at end of the year

	2013 R	2012 R
	26 483 920	41 861 284
	1 662 575 951	2 160 134 357
	1 998	2 000
	1 689 061 869	2 201 997 641
	171 000 000	171 000 000
	2 297 431 472	2 297 431 472
	2 297 431 472	2 297 431 472
	–	–
	2 468 431 472	2 468 431 472
	–	1 297 193 378
	–	(1 297 193 378)
	–	(15 702 947)
	–	(1 281 490 431)
	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

	2013 R	2012 R
20. TRADE AND OTHER PAYABLES		
Trade payables	5 574 890	5 617 380
Lease accrual	1 943 083	1 495 347
Unallocated receipts generated by Asonge	427 791	427 791
Accruals	41 280 060	36 657 846
– Performance awards	30 315 236	27 282 772
– Supplier accruals	5 449 640	4 248 379
– Leave pay	5 515 184	5 126 695
	49 225 824	44 198 364

The carrying amount of Trade and Other Payables approximate fair values and are payable within 30 days.

21. RELATED PARTY TRANSACTIONS

Executive authority Department of Trade and Industry
Other related parties Board of Trustees, investments in associates

		Loans receivable before impairment		Investments at cost	
	% Holdings 2013	2013 R	2012 R	2013 R	2012 R
Related party balances					
Blue Glamour (Pty) Ltd	32	–	27 339 961	20	20
Inca Concrete Masonry (Pty) Ltd	35	4 728 893	21 515 654	11 800 350	350
Lak Investment T/A Stone Age (Pty) Ltd	25	38 115 780	36 588 918	25	25
Safepak (Pty) Ltd	20	34 541 361	30 446 376	20	20
Stutt Brick Company (Pty) Ltd	45	29 506 572	27 339 961	45	45
Amajuba Berries (Pty) Ltd*	51	10 880 360	6 752 024	19 369 051	19 369 051
Colliery Dust Control (Pty) Ltd	40	12 502 100	19 436 118	401	401
False Bay Bricks (Pty) Ltd	30	74 487 854	69 927 320	300	300
Trennplast (Pty) Ltd	27	55 915 391	64 333 868	265	265
Middeldrift Dairy (Pty) Ltd	40	6 303 312	12 532 439	4 500 040	40
White Heat Trading 4 (Pty) Ltd T/A Hollywood Displays	35	59 633 569	58 977 795	300	300
Ntsinde Royal Jozini Holdings (Pty) Ltd**	33	21 358 337	31 782 979	334	334
Buffalo Bull (Pty) Ltd	30	12 156 155	11 390 668	38	38
Busa Holdings (Pty) Ltd	49	–	–	110 000 000	50 000 000
Africa Rising (Pty) Ltd	25	–	6 646 197	2 510	2 510
Crowie Holdings (Pty) Ltd	25	–	–	25 000 000	25 000 000
Boipelo Piggery (Pty) Ltd	20	699 372	3 721 599	200	200
Inala Shipping (Pty) Ltd	30	301 163	273 562	30	30
Pretamix (Pty) Ltd	49	–	18 651 098	240	240
Sizovuna Investments Holding (Pty) Ltd	49	62 647 427	55 596 437	49	49
Basfour (Pty) Ltd	49	73 294 246	–	146	146
IM Capital (Pty) Ltd	49	–	–	146	146
SA Metals (Pty) Ltd	29	–	–	40 000 000	40 000 000
i3 Africa (Pty) Ltd	30	71 838 330	18 022 192	32 000 000	32 000 000
Business Venture Investments (Pty) Ltd	30	3 551 296	3 339 974	30	30
Karbochem Co-generation (Pty) Ltd	30	39 642 954	36 009 863	12 000 000	12 000 000
Imbaza Mussel (Pty) Ltd	30	9 113 531	6 136 585	300	300
Value Cement (Pty) Ltd	31	12 395 344	30 072 603	31	31
Kenako (Pty) Ltd	49	–	–	6 071 189	–
Petrocom (Pty) Ltd	30	1 895 825	–	30	–
Zastrovect (Pty) Ltd	25	53 282 633	–	251	–
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	30	7 542 937	–	300	–
Mohale (Pty) Ltd	45	14 195 695	–	450	–
Mopadi Molamu (Pty) Ltd	20	11 350 305	–	200	–
Willowvale (Pty) Ltd	45	5 448 119	–	450	–
Ndalo (Pty) Ltd	20	24 297 336	–	80	–
Global Wheel (Pty) Ltd	32	50 960 961	–	32	–
		802 587 158	596 834 191	260 747 853	178 374 871

Interest has been earned on the above balances at an average rate of 7% (2012: 7%).

* 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 Jozini Community Trust.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - For the year ended 31 March 2013

	Note	2013 R	2012 R
22. REVENUE			
Interest – cash		102 059 275	136 022 591
Interest – preference shares		35 159 115	27 965 009
Interest – originated loans		115 162 279	79 688 523
Interest –finance leases		5 226 658	4 618 268
Interest – other		220 471	732 090
Dividends		89 360 705	86 472 333
		347 188 503	335 498 814
23. SUNDRY INCOME			
Bad debts recovered		2 555 192	1 610 802
Transfers – dti		2 789 857	–
Enterprise development funding	26.4	18 032 254	3 307 395
		23 377 303	4 918 197

	Notes	2013 R	2012 R
24. ADMINISTRATION EXPENDITURE BY NATURE			
Net operating income is arrived at after taking into account:			
Auditors' remuneration		2 917 613	2 821 778
– For external audit fees		1 527 205	2 452 190
– Internal audit – outsourced fees		1 390 408	369 588
Professional fees		10 199 891	12 330 306
– Human resources		232 136	219 000
– Information technology		1 578 238	1 704 714
– Legal fees		4 925 624	5 327 023
– Administration		–	227 761
– Finance		171 000	144 980
– Risk management		677 814	1 444 067
– Specialist consulting		2 615 079	3 262 761
Depreciation	5	3 491 844	3 371 499
– Motor vehicles		192 820	170 876
– Computer equipment		1 101 616	900 691
– Audiovisual equipment		88 261	15 246
– Office equipment		514 503	701 021
– Furniture and fittings		467 514	510 498
– Other assets		3 627	6 189
– Leasehold improvements		1 123 503	1 066 978
Trustees and senior management emoluments	27	15 033 718	14 737 503
Amortisation of intangible assets	6	1 433 360	2 617 340
(included in line item administration expenses)			
Operating lease rentals		8 147 376	7 947 461
– Property rental		7 896 024	7 924 672
– Equipment rental		251 352	22 789
Total staff costs		131 396 676	108 634 370
– Salaries and other benefits		121 305 390	100 349 478
– Provident fund contributions		10 091 286	8 284 892
Number of employees at year-end		168	157

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

25. LOSS ON DISPOSAL OF INVESTMENTS

The net loss on disposal of investments of R15 055 639 (2012: R 600 976) is made up as follows:

- Loss on disposal of associate – Dense Media Separation Powders (Pty) Ltd
- Profit on disposal held for trade investment – Enaleni Limited
- Loss on disposal held for trade investment – Hospitality Fund Limited

2013 R	2012 R
–	(15 055 639)
–	–
–	–
–	(15 055 639)

	2013 R	2012 R
26. COMMITMENTS		
26.1 Operating lease commitments – property rentals		
The future minimum lease payments on office premises rental under non-cancellable operating leases are as follows:		
Not later than one year	8 641 300	7 300 885
Later than one year but not later than five years	15 885 224	22 200 821
	24 526 524	29 501 706
Operating lease payments represent rentals payable by the Trust for office properties. Leases are negotiated for an average term of between three to five years, with an average escalation of 9% per annum.		
26.2 Undrawn investments		
Not later than one year	492 000 000	300 913 434
Payment will be met out of cash reserves.		
26.3 Investments approved and committed but not contracted for		
Not later than one year	631 938 825	879 850 410
Payment will be met out of cash reserves.		
26.4 Enterprise development fund contributions		
Balance brought forward	2 055 692	–
Total income	18 032 255	3 307 395
– Contributions received	17 873 889	3 238 939
– Interest earned on contributions received	158 366	68 456
Investment disbursements	(1 258 834)	(1 251 703)
Contributions available for investment	18 829 113	2 055 692

Approvals for the current year amounted to R8 527 960 (2012: R3 198 955) whilst disbursements for the year amounted to R1 258 834 (2012: R1 251 703). As at 31 March 2013 undrawn commitments to be disbursed in 2013/2014 amounts to R9 173 774.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - For the year ended 31 March 2013

27. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

Year ended 31 March 2013	Basic R	Bonuses and performance payments R	Long-term bonus payments contributions R	Provident fund contributions Total R	Other contributions R	Fees to non- executive trustees R	Total R
Executive trustees							
P Mthethwa (CEO)	2 424 825	1 518 643	–	484 965	84 366	–	4 512 799
A Wright (CFO) (resigned 30/6/2012)	471 457	–	–	49 161	57 015	–	577 633
I Pule (CFO) (appointed 24/9/2012)	699 903	267 743	–	81 112	33 698	–	1 082 456
	3 596 185	1 786 386	–	615 238	175 079	–	6 172 888
Senior management							
S Molepo (Divisional executive)	1 619 913	794 784	–	233 087	76 558	–	2 724 342
H Makhathini (Divisional executive)	1 182 712	549 014	–	168 407	160 070	–	2 060 203
B Lombard (Corporate services executive)	1 305 358	524 177	–	195 804	129 831	–	2 155 169
	4 107 983	1 867 975	–	597 298	366 459	–	6 939 714
Non-executive trustees							
T Mhlambiso (Chairman) appointed 23/10/2012)	–	–	–	–	–	224 839	224 839
Z Ntlangula (acting Chairman) (1/11/2011 to 22/10/2012)	–	–	–	–	–	223 396	223 396
N Mosala	–	–	–	–	–	352 205	352 205
A Makwetla	–	–	–	–	–	274 040	274 040
A Raiz	–	–	–	–	–	228 453	228 453
R Garach	–	–	–	–	–	368 615	368 615
T Tlelai (retired 22/10/2012)	–	–	–	–	–	188 379	188 379
J Williams (appointed 23/10/2012)	–	–	–	–	–	61 189	61 189
	–	–	–	–	–	1 921 116	1 921 116
Total	7 704 168	3 654 361	–	1 212 536	541 538	1 921 116	15 003 718

27. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS continued

Year ended 31 March 2012	Basic R	Bonuses and performance payments R	Long-term bonus payments contributions R	Provident fund contributions Total R	Other contributions R	Fees to non- executive trustees R	Total R
Executive trustees							
P Mthethwa (CEO)	2 449 212	1 315 559	–	441 643	109 424	–	4 315 838
A Wright (CFO) (resigned 30/6/2012)	1 569 472	548 188	–	197 286	114 781	–	2 429 727
	4 018 684	1 863 747	–	638 929	224 205	–	6 745 565
Senior management							
S Molepo (Divisional executive appointed 1/4/2011)	1 486 870	765 000	–	213 130	194 143	–	2 659 143
H Makhathini (Divisional executive appointed 1/4/2011)	973 717	487 080	–	145 307	117 851	–	1 723 955
B Lombard (Corporate services executive)	1 197 971	648 702	–	179 695	111 012	–	2 137 380
	3 658 558	1 900 782	–	538 132	423 006	–	6 520 478
Non-executive trustees							
R Ntuli – Chairman (resigned 31 October 2011)	–	–	–	–	5 073	81 551	86 624
N Mosala	–	–	–	–	–	279 612	279 612
A Makwetla	–	–	–	–	–	132 279	132 279
Z Ntlangula (acting Chairman)	–	–	–	–	–	284 782	284 782
A Raiz	–	–	–	–	–	181 152	181 152
R Garach	–	–	–	–	–	318 516	318 516
N Fakude (retired 31 May 2011)	–	–	–	–	–	–	–
T Tlelai	–	–	–	–	–	188 495	188 495
	–	–	–	–	5 073	1 466 387	1 471 460
Total	7 677 242	3 764 529	–	1 177 061	652 284	1 466 387	14 737 503

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2013

	2013 R	2012 R
28. NOTES TO THE STATEMENT OF CASH FLOW		
Reconciliation of net surplus to cash utilised in operations:		
Surplus/(deficit) for the year	113 576 825	(5 983 127)
Adjustment for	(303 595 639)	(174 921 919)
Depreciation and amortisation	4 925 204	5 988 839
Interest received on cash and cash equivalents	(102 059 275)	(136 754 681)
Interest accrued on investments	(155 548 052)	(112 271 800)
Non-cash facility fee income	(2 500)	–
Loss on disposal of fixed assets	6 594	85 951
Loss on disposal of investment	–	15 055 581
Dividends received	(89 360 705)	(86 472 333)
Impairment of investments	289 837 303	105 092 560
Fair value adjustments	(251 394 208)	34 353 964
Operating deficit before working capital changes	(190 018 814)	(180 905 046)
Working capital changes	4 191 913	12 684 570
(Increase)/decrease in trade and other receivables	(835 547)	3 769 197
Decrease in trade and other payables	5 027 460	8 915 373
Cash utilised in operations	(185 826 901)	(168 220 476)
29. ADDITIONAL INVESTMENT IN CORE ACTIVITIES		
Originated loans	546 443 224	393 454 018
Preference shares	6 000 000	15 090 000
Investments in associates	66 072 982	107 000 361
Non-associate equity investments	22 418 744	3 886 280
Unincorporated equity investments	9 000 000	41 589 947
Finance leases	53 852 983	35 616 370
Total disbursements	703 787 933	596 636 976

30. RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE TO BUDGET

30.1 Revenue

The decrease in revenue earned is as a result of interest income on loans being earned at rate lower than budgeted. Budgeted interest income was projected at a rate of 10% whilst the actual interest income was earned at an average rate of 8.5%. Further a significant portion of disbursements took place during the last 2 quarters of the year in contrast to the projected evenly spread disbursement activity in the budget.

30.2 Other Income

The increase in other income earned is due to the additional Enterprise Development Fund contributions received in the period. Refer to note 26.4 of the Annual Financial Statements for additional disclosure relating to Enterprise Development Fund contributions.

30.3 Total Expenses

The decrease in total expenses is due to the temporary moratorium placed on head count as well as other cost saving initiatives implemented during year.

30.4 Impairments

The increase in the impairment charge is partly a result of additional provisioning that had to be raised as a result of the increase in the number of distressed businesses that have been impacted by the tough economic times. Specific to this are the investments that have been restructured the current year. A significant portion of these investments are in the construction sector.

The provision has been further impacted by R96m provision raised on a single investment in the Media Sector. The resuscitation of this business was finalised after year end and it is expected that the additional impairment charges raised in the year will be reversed going forward.

30.5 Fair-value (losses) and gains

Fair-value gains and losses is made up of the net fair value movements for the year on the various equity investment classes. A significant portion of the movement for the year is made up of the positive market to market adjustment of R267.7m on the listed MTN share portfolio.

The balance of the movement for the year is made up of a positive R16.4m movement of the Held for Trade listed portfolio and a net loss of R18.7m on the unlisted equity investments held. These gains and losses are not budgeted for by the Trust as such gains and losses will only be realised on disposal of the equity investments.

31. FRUITLESS AND WASTEFUL EXPENDITURE

No incidents occurred during the current financial year.

32. UNAUTHORISED, IRREGULAR EXPENDITURE

No incidents occurred during the current financial year.

33. INCOME TAX EXEMPTION

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

34. NEFCORP SOC 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.

35. CONTINGENT LIABILITY

The Trust's application under section 53(3) of the PFMA to retain surpluses reported for the financial year ended 31 March 2011 (R74 828 082) has been submitted. 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 be significant to the cash balances of the Trust.

INVESTEE STORIES – IMBEWU FUND

PROJECT 1



Finesse Energy (Pty) Ltd (R15 million)

Project summary

Finesse Energy (Pty) Ltd is an existing business in Zebediela, Limpopo that specialises in the supply of fuel. It holds a fuel wholesale licence from Department of Minerals and Energy (DME). Finesse Energy is 100% black-owned, including founding members Mr Malose Leolo and Mr Gerald Seloana who jointly hold 85% of the business. The balance (15%) is owned by Mr Martin Phoshoko.

Finesse Energy has been operational since 2010. The company services smaller private businesses in Limpopo. With the approval of its EIA (Environmental Impact Assessment), Finesse Energy plans to erect a diesel depot in Zebediela.

Sector	Petroleum
Core business	The entity holds a fuel wholesale license from DME and specialises in the supply of fuel
Competitive advantage	100% black ownership, with 85% youth-owned
Strategic drive number 1	This business empowers three black entrepreneurs
Strategic drive number 2	With approval of its EIA, the business plans to erect a diesel depot in Zebediela
Project location	Zebediela, Limpopo
Investment opportunity	R15 million
New jobs	Job creation: two jobs will be maintained

PROJECT 2



Jack's Tyres (R15 million)

Project summary

Jacks Family Trust, t/a Jack's Tyres, is a family trust which has been involved in the tyre business for 26 years. Over its years in operation, Jack's Tyres has grown into a preferred supplier of all brands of passenger, SUV, truck and earthmover tyres in Durban and the surrounding areas. Jack's Tyres products include shocks, suspension parts, mag wheels and rims. Their services include wheel alignment, suspension repairs, tyre fitment, puncture repairs and auto shop.

Sector	Auto assembly
Core business	Tyre fitment
Competitive advantage	This business empowers black entrepreneurs and is located in KwaZulu-Natal
Strategic drive number 1	Increasing black participation in the white-dominated industry
Strategic drive number 2	Creating 64 new black permanent jobs
Project location	KwaZulu-Natal
Investment opportunity	R15 million
New jobs	64 new jobs, 120 current jobs maintained

“Our purpose is to help grow sustainable businesses.”

Mr Nathan Nadasan, NEF Post Investment Manager

PROJECT 3



Khwezi Lakusasa (R1.4 million)

Project summary

Khwezi Lakusasa Trading is a registered CC, owned equally by Ms Sethu Pearl Mkhathswa and Ms Nqobile Priscilla Zitha. The business's main activity is providing maintenance, refuelling and installation of generators for base stations owned by telecommunications companies to equip them in case of power outages.

Sector	Telecommunications
Core business	<p>Khwezi Lakusasa's services include:</p> <ul style="list-style-type: none"> • remote site power provision pending utility connection • refuelling and installation of generators at the base stations • full remote monitoring of clients' generators • automatic refuelling of clients' generators, including 4x4 delivery vehicles
Competitive advantage	Khwezi Lakusasa's location in Nelspruit will enable it to provide prompt, 24-hour service to Vodacom base stations in the area. Other service providers are not based in Nelspruit, affecting their response times

Strategic drive number 1	This business empowers women and is 100% owned by women
Strategic drive number 2	<p>The company has signed an MOU with Vodacom to provide them with generators for base stations during power outages</p> <p>The region Khwezi Lakusasa is intending to buy 10 new mobile units which will be deployed to the sub-regions. The decision on how many will be deployed, and where, is driven by the power problems in the various locations</p>
Project location	The Generators are stationed at Malelane, Mpumalanga
Investment opportunity	There are numerous base stations in the area. In response to increasing demand for the services they render to Vodacom, the entrepreneurs want to expand by purchasing additional mobile generators to be used in current work assignments and other expected projects
New jobs	Seven new jobs, three current jobs to be maintained

“Nothing makes us sadder than to decline an application but we accept that as a publicly-funded institution we have a responsibility to be prudent by supporting businesses that have the potential to succeed, and thus make a contribution towards inclusive growth.”

Ms Paballo Vilakazi, Pre Investment Manager



INVESTEE STORIES – IMBEWU FUND (continued)

PROJECT 4



Conlic Electrical cc. (R5.9 million)

Project summary

Established in 2010, Conlic Electrical cc. is owned by Mr Marageni Duncan (30%) and Ms Mathole Mmamose Rosinah (70%). The business specialises in the supply and installation of electricity meters for residential use.

Sector	Energy
Core business	The supply and installation of electricity meters for residential use
Competitive advantage	70% woman ownership and operational involvement
Strategic drive number 1	This business empowers women and is 70% owned by women
Project location	Gauteng
Investment opportunity	R5.9 million
New jobs	Six new jobs, two current jobs to be maintained

PROJECT 5



Nomageba Trading (R2.2 million)

Project summary

Nomageba Trading was founded in 2005 by Ms Noma Zulu with the intention to take up opportunities offered to black African women. The business specialises in the supply and distribution of perishables such as frozen meat, processed meat and frozen vegetables. It operates from two offices, in KwaZulu-Natal and Gauteng, and services contracts in other provinces including Free State, Mpumalanga and Limpopo.

Sector	Retail and trade
Core business	Supplier of perishable goods
Competitive advantage	This business empowers women and is 100% women-owned
Strategic drive number 1	The business has its own refrigerated trucks
Strategic drive number 2	The business has its own meat-cutting plant
Project location	Gauteng
Investment opportunity	R2.2 million
New jobs	Eight new jobs, three current jobs to be maintained

“The relationship with the NEF has been excellent. Not only did they fund us as a business, but they were also willing to assist us with facilitating access to market our business. I would consider the NEF if I needed further funding.”

Ms Nancy Modiselle – Reakgona Commercial & Industrial Services

PROJECT 6



Mike's Kitchen (R3.4 million)

Project summary

Mike's Kitchen Bryanston is a new edition to the Mike's Kitchen restaurant network. The property is 4 046 m² in extent and is located on Main Road Bryanston Ext 1, Sandton, Johannesburg. It will also host Mike's Kitchen's head office and training centre. The building seats 180 persons inside and 260 outside.

Sector	Restaurant franchise
Core business	Food retail
Competitive advantage	The business is black-owned and empowers black individuals
Strategic drive number 1	Enabling a black entrepreneur to own and manage a well-established franchise
Strategic drive number 2	Introducing 42 new jobs into the South African economy
Project location	Bryanston, Gauteng
Investment opportunity	R3.4 million
New jobs	42

PROJECT 7



Kazzi Corporate Wear (Pty) Ltd (R8.5 million)

Project summary

Kazzi Corporate Wear (Kazzi Clothing) is 100% black-owned. The company is in the business of manufacturing of corporate clothing and uniforms. Kazzi Clothing was registered in 2002 but started trading in July 2011. It is owned equally by Mr Jeremiah and Mrs Doreen Vilakazi.

Sector	Clothing and textiles
Core business	Manufacturing of textiles and clothing for retailers
Competitive advantage	Kazzi is known for excellence in design and manufacturing in the clothing industry, as well as superior logistical and distribution capability
Strategic drive number 1	Kazzi is 100% black-owned, with 50% woman ownership and operational involvement
Strategic drive number 2	Supplier of quality fashion merchandise, offering value for money, impeccable design and styling, manufacturing excellence and superior customer service
Project location	Newcastle, KwaZulu-Natal
Investment opportunity	R8.5 million
New jobs	150

INVESTEE STORIES – IMBEWU FUND (continued)

PROJECT 8



KFC Laudium (R5 million)

Project summary

QSR Investments (Pty) Ltd will be a 24-hour drive-thru KFC outlet in Laudium, Pretoria. The business is owned by Mr Mohamed Amin Mayet, who has been a KFC franchisee for over 31 years. He is currently operating two KFC outlets in Lenasia and has now approached NEF for funding to establish a third KFC outlet.

Sector	Restaurant franchise
Core business	Food retail
Competitive advantage	The application promotes job creation and meaningful participation by black people in the food chain industry
Project location	Laudium, Pretoria
Investment opportunity	R5 million
New jobs	35 new permanent jobs

“The NEF is a high performing organisation that prides itself in its commitment to excellence.”

Ms Tsholofelo Motloung, Organisational Development and Design Specialist

PROJECT 9



SPAR Kildare (R12.3 million)

Project summary

SPAR Kildare is a new supermarket in Kildare scheduled for construction in Bushbuckridge, Limpopo by owner Mr Rex Machabi.

The proposed development will save residents between 50km and 60km of travelling distance to the nearby town, and thereby reduce transport costs.

Characteristics of the area include a newly-built clinic, schools, subsistence farming, and tourism influx to the Kruger Park.

Sector	Retail franchise
Core business	Supermarket
Competitive advantage	SPAR is one of the most readily recognised brands in South Africa and a prominent and trusted one in Mpumalanga. A key advantage of the store is its size. It will be stocked with quality products exposing locals to a quality shopping experience. The store will be the preferred one-stop shop for residents in and around Kildare
Strategic drive number 1	The location is the main node of activity in Kildare. It is earmarked as a Proposed Community Nodal Area and has been identified as a future expansion area. Currently, the node has limited services

Strategic drive number 2	A study conducted by Fernridge Consulting has established that increasing demand for retail space has created a need for a shopping centre in the Kildare area that is at least 1 741 m ² in size. The retail demand in the area is a function of the disposable income per product category and the number of households within the catchment area. All of these are an indication of potential future growth in the next three years
Project location	Hazyview
Investment opportunity	The SPAR will be located in an area that is poised for economic growth.
New jobs	55

PROJECT 10



Build It (R4.2 million)

Project summary

Rodger Ian Carter Technical Services cc was founded in early 2008 by Mr Rodger Ian Carter and his wife Monique. The company started with refrigeration, mechanical and electrical services as their main business, in addition to building maintenance and kitchen interior designs.

The company has since introduced a panelling division, which supplies, manufactures and fits pre-fabricated chromadek panels. The panelling division involves the building of mobile classrooms, cold and freezer rooms, insulated doors and strip curtains.

Sector	Engineering
Core business	Refrigeration; mechanical; electrical services and manufacturing; supply and fitting of pre-fabricated chromadek panels that can be used as classrooms; cold and freezer rooms
Competitive advantage	RIC's competitive edge over its major competitors is that it is a 100% black- and 50% women-owned company that offers a turnkey operation for mobile classroom units. All the steel works and small parts are done in-house by the company's engineers whilst their competitors outsource this function
Strategic drive number 1	50% women-owned company in the engineering sector
Strategic drive number 2	All 88 staff members are black
Project location	Cape Town harbour, Western Cape
Investment opportunity	R4.2 million
New jobs	None, but 88 jobs were maintained

“Every new deal approved is a step towards advancing the economic citizenship of black people.”

Mr Eric Zwane, Rural and Community Development Fund Manager

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INVESTEE STORIES – RURAL AND COMMUNITY DEVELOPMENT FUND

PROJECT 1



Molam's Farming (R13.2 million)

Project summary

The Molam's Farming project is a start-up primary agricultural enterprise, focusing on grain (maize and sunflower), groundnuts and soybeans production. The promoter in the business is Mr Mopadi Molamu, a 30% shareholder. Other shareholders are Bakolobeng clan (30%), Deelplan Community (20%), and the NEF (20%). As part of this investment, a technical partner (Lantek SA) has been secured to provide technical assistance for a 3-year period. NWK (a major grain and soybeans buyer) and the New Nut Company (largest groundnut buyer in South Africa) will uplift 100% of the production based on a signed off-take agreement. This investment provides food security and reduces import dependency.

Sector	Agro-processing
Core business	Grain, soybeans and groundnut production
Competitive advantage	The company has already secured contracts with key buyers in the industry
Strategic drive number 1	The deal supports food security and reduces reliance on imported grain
Strategic drive number 2	This project will help resuscitate the restituted land and stimulate the immediate economy
Project location	Deelpan, North West

Investment opportunity	This a first-time entrepreneur who owns a business that has a R5 million-per-annum revenue potential
New jobs	40
Present visual elements	There is a warehousing structure, plus tractors and equipment. There would be unharvested maize and sunflower

PROJECT 2



Nyonende Poultry Project (R9.7 million)

Project summary

Nyonende Farming Co-operative is 100% black-owned and 40% women-owned. All co-operative members are involved in the daily operations and management of the business.

Sector	Agro-processing
Core business	Hatchery
Competitive advantage	The company has secured contracts with the biggest supplier of one-day-old chicks, National Chicks (Pty) Ltd
Strategic drive number 1	The company is run efficiently and productively, with adequate output capacity

Strategic drive number 2	
Project location	Wartburg, KwaZulu-Natal
Investment opportunity	Nyonende has secured a renewable hatchery contract with National Chicks Ltd, the largest independent producer of day-old-chicks in South Africa
New jobs	This business has supported 17 permanent jobs and 10 jobs downstream, of which 40% will be occupied by women
Present visual elements	Hatchery facility (eggs in trays); potential to see some eggs being hatched and day-old chicks

PROJECT 3



Mohale Agricultural Co-operative (R13.7 million)

Project summary

Mohale Agricultural Co-operative is 100% black-owned and 33% women-owned.

The co-operative focuses on vegetable farming, together with a broiler production unit, on 497 ha. The land offers great prospects for further growth, and the company serves the local informal market.

Mohale Agricultural Co-operative owns 55%, while the NEF is warehousing 45% for the workers' trust.

Sector	Agro-processing
Core business	Vegetable farming and a broiler production unit
Competitive advantage	The co-operative has 497 ha of arable land with a high yield and allows for growth
Strategic drive number 1	The company is run efficiently and productively, with adequate output capacity
Project location	Soekmekaar, Limpopo
Investment opportunity	The co-operative is making a meaningful contribution to the South African poultry sector value chain
New jobs	Growth prospects of the land will yield 15 additional jobs while saving the current 30 permanent jobs
Present visual elements	Chicken broilers, unharvested product (cabbages planted on 30 ha of land). There is also an opportunity to see informal-market buyers purchasing products from the investees. Additionally, the owners of the farm, who are the workers, can be seen harvesting the product themselves: co-op members in action

“We are grateful to the NEF for believing in the business proposition and national significance of POWER FM. The team that worked on the transaction was committed, diligent and a pleasure to work with. The demand for financial support amongst black owned businesses is quite high and requires a sufficiently capacitated NEF. Thank you to the “funder with a soul” for giving our people a voice, “Now we’re talking.”

Mr Given Mkhari Founder and Chairman POWER FM

INVESTEE STORIES – RURAL AND COMMUNITY DEVELOPMENT FUND (continued)

PROJECT 4



Qumbu Shopping Centre (R39 million)

Project summary

The project is a 100% black-owned start-up retail property development.

The shopping centre measures 4 800 m² in building size and the gross available space for letting is 4 737 m². The centre will consist of 15 shops and 72 parking bays.

Among the key anchors are: Rhino Cash and Carry, Price & Pride, Pep Stores, Barnnett's, Lewis, Capitec Bank and Dunns.

The entrepreneurs are Mr HM Mduzulwane, Dr D Tyamzashe and Dr TDM Malinga.

The NEF is warehousing 19%, with Qumbu Trust holding 37% and Aduma Trading (Pty) Ltd holding 44%.

This investment will expand businesses and create sustainable revenues for the municipality.

Sector	Retail construction
Core business	Shopping centre
Competitive advantage	The first shopping centre of this scale in the area
Strategic drive number 1	100% of the property already leased, with 96% being national tenants and 4% local independents
Project location	Qumbu, Eastern Cape

Investment opportunity	R34 million is to be used for the establishment of a new mall
New jobs	99 permanent jobs, 151 during construction phase
Present visual elements	Newly-built physical structure

PROJECT 5



Berlin Beef (R26.8 million)

Project summary

Berlin Beef is the first black-owned feedlot in the Eastern Cape.

The company is structured as follows: the Ndlazi Family Trust holds 30%, the technical partner, Bruce and Glen Family Trust, jointly owns 45% and the Workers' Trust 10%. The project cost is R40.6 million; NEF's contribution to the investment is R26.8 million senior debt.

Sector	Agro-processing
Core business	Beef production and feedlot
Competitive advantage	Berlin Beef has off-take agreements with Claremont Abattoir, which supplies chain stores and exports throughout the SADC region

Strategic drive number 1	The investment has strong community involvement as shareholders
Strategic drive number 2	
Project location	Berlin, Eastern Cape
Investment opportunity	The funds are used to acquire the farm, build necessary infrastructure for the feedlot operation, acquire stock (6 000 cattle and feed), and as working capital in the first cycle
New jobs	The investment supports 195 permanent jobs and provides an opportunity for shareholding for disadvantaged communities and individuals
Present visual elements	Preparation of land and feedlot. In September the feedlot will be in operation with actual stock

PROJECT 6



Nkumbuleni Community Trust (R13.3 million)

Project summary

Nkumbuleni Community Trust is a 100% community-owned game reserve. The reserve covers 2 092 ha and is situated between Durban and Pietermaritzburg. It is accessible through Camperdown on the N3.

The community trust includes 260 households, which fall under the tribal authority of iNkosi Mkhize.

As many as 380 bird species occur in the reserve, with big game that includes hippo, giraffe, rhino, and the rare sable antelope.

The Community acquired the land through the regional Land Claim Commission in KwaZulu-Natal. The Nkumbuleni Trust has a 70% shareholding, with 30% warehoused by the NEF.

The project will contribute towards food security in the area.

Sector	Tourism
Core business	Game farm
Competitive advantage	The first 100% black-owned game farm
Strategic drive number 1	Workers at the game farm are shareholders and the investment results in 100 permanent jobs
Project location	Camperdown, KwaZulu-Natal
Investment opportunity	R13.3 million was to be used for the purpose of upgrading the facilities to a four star level, as well as working capital. The funds were used to acquire new furniture and fittings as well as working capital.
New jobs	The project has created 100 permanent jobs, and the workers will benefit through shareholding.
Present visual elements	Game reserve: chalets, wildlife and related scenic attractions

INVESTEE STORIES – RURAL AND COMMUNITY DEVELOPMENT FUND (continued)

PROJECT 7



Rhino Lodge (R23.7 million)

Project summary

Rhino Lodge is a 44-bed 4-star Safari Lodge located within the Mpembeni Game Reserve.

Attractions in the reserve include the Big 5, game drives and walks, bird watching and spa treatments.

The shareholders are the Mpembeni Community Trust (33.3%), promoters Henri and Gerhardus Frencken (33.3%) and the NEF (33.3%). The Mpembeni Community Trust represents the interests of approximately 600 households who fall under the tribal authority of iNkosi Hlabisa and the Empembeni Tribal Council.

The project has been endorsed by Ezemvelo KwaZulu-Natal Wildlife, the KwaZulu-Natal Tourism Authority and the office of the MEC for Economic Development and Tourism.

Sector	Tourism
Core business	Accommodation and game drives
Competitive advantage	The establishment is supported by Ezemvelo KwaZulu-Natal Wildlife and the KwaZulu-Natal Tourism Authority. The region is experiencing general growth in the tourism industry
Strategic drive number 1	The facility will support 34 permanent jobs, with a further 60 during construction
Project location	Mpembeni, Northern KwaZulu-Natal
Investment opportunity	R20,5 million to be used for the construction of the four star lodge, with a spa treatment facility
New jobs	The establishment supports 34 permanent jobs with another 60 in the construction phase
Present visual elements	Conversion of vacant land into a physical structure

“It was all a passion-driven dream about cars, performance and mechanics. Little did I know that there was a funder willing to take a risk with me and my partners to start a Bosch dealership in Soweto. This dream has been realised with funding from the NEF.”

Mr Themba Mazibuko, Bosch dealership in Soweto

INVESTEE STORIES – STRATEGIC PROJECT FUND

PROJECT 1



Busamed (Pty) Ltd (R1.2 billion)

Project summary

South Africa's healthcare sector is dominated primarily by three large groups who control more than 75% of total market share, while the balance is largely fragmented. Busamed will be the first black-owned hospital group to compete with the big three. The vision is to be a consolidator of the fragmented healthcare market. This will be kick-started with the commercialisation of four hospital licenses for 580 hospital beds, spread over three provinces: Gauteng, Western Cape and the Free State. The first hospital, in the Western Cape, will be a world-class cardiology centre of excellence. The aim is to develop centres of excellence which will provide world-class services.

Sectors	Infrastructure
Competitive advantage	Centres of excellence with national coverage
Strategic drive number 1	Increasing pressure on healthcare services, with public hospitals not coping with demand for healthcare provision
Strategic drive number 2	Increasing access or affordability for quality healthcare and supporting the proposed National Health Insurance scheme
Strategic drive number 3	Medical technology advancement and lowering cost of treatment

Project location	National (South Africa), with Longlake (Gauteng: 250-bed hospital), Strand (Western Cape: 100-bed), Bloemfontein and Harrismith (Free State: both 230-bed) coming on stream in the next four years
Investment opportunity	R1.2 billion
New jobs	1 200 jobs (nursing, doctors and general staff)

PROJECT 2



SA Metals (Pty) Ltd (R1.9 billion)

Project summary

The SA Metals (Pty) Ltd ("SAME") project is for the potential establishment of a USD200 million (R1.9 billion) pig iron production plant in North West or Mpumalanga, South Africa, producing approximately 500 000 metric tons per annum of pig iron, with titanium and vanadium slags as by-products.

Sector	Mineral beneficiation
Core business	Production of pig iron from waste dumps generated from historical mining activities, using the AusIron™ technology

INVESTEE STORIES – STRATEGIC PROJECT FUND (continued)

Competitive advantage	Environmental rehabilitation of waste dumps; increasing industrial capacity in the country; increasing BEE participation in mineral beneficiation; and local manufacturing of steel within the country
Strategic drive number 1	Production of pig iron
Strategic drive number 2	Industrialisation
Strategic drive number 3	Environmental rehabilitation
Project location	Two options are being investigated, one in Witbank (Emalahleni) and the other in Rustenburg
Investment opportunity	USD200 million (R1.9 billion)
New jobs	592 direct jobs

PROJECT 3



MiBT SA (Pty) Ltd (R25 million)

Project summary

MiBT is constructing a 400 panels-per-shift (two shifts per day) full-scale manufacturing plant in Lyttleton, Pretoria, which will produce modular innovative (Mi) panels used in the construction of energy-efficient and environmentally friendly "green" buildings. The project is currently at pilot phase, with the plant operating at up to 50% capacity and sourcing off-take agreements. MiBT will pioneer the "green" building materials manufacturing industry in Southern Africa. MiBT has the highest Agrément-certified system

in Africa, validated with nine applications for construction in terms of SANS 10 400 and the capability for the construction of buildings of up to four floors high, with the nearest competitors going to only two floors. MiBT is black-controlled and has attracted strong interest from potential customers in the construction industry in the SADC region.

Sector	Construction (Alternative building technology)
Core business	Manufacturing of energy-efficient panels for construction instead of conventional brick and mortar
Competitive advantage	Light-weight panel which can be used by anyone, is quick to use, and environmentally friendly
Strategic drive number 1	Pioneering the Southern Africa alternative construction industry
Strategic drive number 2	Supporting a BEE project promoter (SME to industrialist advancement)
Strategic drive number 3	Advancing South Africa's "green" initiative
Project location	Pretoria, Gauteng
Investment opportunity	R25 million
New jobs	188 jobs (60 direct jobs, 128 indirect jobs)

“Our business is a prime example of broad based black economic empowerment with a significant percentage of directors and management being female.”

Mr Jabulani Cekwana, Managing Director, Value Cement

PROJECT 4



Thin Film Solar Technology (Pty) Ltd (R1.1 billion)

Project summary

TFST aims to commercialise South Africa's first thin film solar technology. The project aims to build and commission a 70 MWp thin film solar panel manufacturing plant, to be based in Paarl, in the Western Cape.

Sector	Renewable energy (solar)
Core business	Manufacturing of CIGS-based thin film solar panels, measured at equivalent annual installed power capacity of 70 MWp
Competitive advantage	Locally developed and proven CIGS technology
Strategic drive number 1	Technology efficiency greater than 14% and better long-term value than silicon-based technologies
Strategic drive number 2	Technology of composite materials in copper, indium, gallium and sulphur selenide cheaper than silicon-based composites
Strategic drive number 3	South Africa's drive to increase power generation from cleaner energy sources
Project location	Paarl, Western Cape
Investment opportunity	R1.1 billion
New jobs	550 jobs (150 direct jobs, 150 construction, 250 indirect)

PROJECT 5



KC Energy (Pty) Ltd (R150 million)

Project summary

This co-generation project aims to develop a combined heat and power (CHP) plant producing steam (60 tph) and electrical power (6 MWp) for process plant usage, and will be based in Newcastle, KwaZulu-Natal. The plant is currently under construction and is expected to come on line in September/October 2013.

Sector	Renewable energy/(cogeneration)
Core business	Steam (60 tph) and electrical power (6 MWp) co-generation via a combined heat and power (CHP) plant
Competitive advantage	Reduction of carbon emissions
Strategic drive number 1	Reduction of strain on South Africa's national electricity grid for increased industrial production capacity
Strategic drive number 2	Pioneering and advancing South Africa's co-generation technology and technical expertise
Strategic drive number 3	Environmentally friendly technology and closed-loop production processes, resulting in zero waste

INVESTEE STORIES – STRATEGIC PROJECT FUND (continued)

Project location	Newcastle, KwaZulu-Natal
Investment opportunity	R150 million
New jobs	321 jobs (47 direct jobs, 174 construction, 100 indirect)

PROJECT 6



Link Africa (Pty) Ltd (R900 million)

Project summary

The project aims to deploy last-mile optic fibre cables across the national landscape of South Africa. The Optic fibre infrastructure (licensed and patented technology), which utilises existing sewer systems, can be deployed four times faster relative to conventional methods and at less than half the cost. An initial capital investment of R300 million will lead to the establishment of a South African last-mile Optic fibre infrastructure company, i3 Africa. The project will increase broadband access, thus having a huge impact on the liberalisation of broadband access in South Africa.

Sector	Infrastructure (Telecommunications and Broadband)
Core business	Deployment of last-mile broadband Optic fibre network (Currently working on 700 km in KwaZulu-Natal)
Competitive advantage	Cost of fibre deployment 50% cheaper and four times faster than conventional fibre deployment technology

Strategic drive number 1	Deployment of technology using existing sewer and storm-water networks instead of wayleaves or road-digging/damaging and disruption of traffic
Strategic drive number 2	Lagging last-mile deployment increasing pressure to connect broadband infrastructure in South Africa with the first-world backbone infrastructure
Strategic drive number 3	Liberalisation of the telecommunications industry and transition to the Electronic Communications Acts (ECA)
Project location	National (South Africa)
Investment opportunity	R900 million
New jobs	> 200 jobs

PROJECT 7



Tyre Energy Extraction (Pty) Ltd (R35 million)

Project summary

Conceptualisation of the project was based on a good indication that the waste tyre regulatory environment was in the process of changing. Comprehensive research that was undertaken to determine what could be manufactured from "end of life cycle" tyres and rubber indicated the possibility for beneficiation of this material using pyrolysis. TEE will establish a processing plant which will operate from the Coega Industrial Development Zone (IDZ) in Port Elizabeth. The proposed plant will pyrolyse waste tyres to produce boiler fuel, carbon char and steel, which will be sold to local industrial consumers.

Sector	Renewable energy (waste tyre recycling)
Core business	To produce boiler fuel, carbon char and steel from pyrolysis of waste tyres, to be sold to local industrial consumers
Competitive advantage	
Strategic drive number	Pioneering the South African tyre recycling industry
Strategic drive number 2	Development of the Coega Industrial Development Zone
Strategic drive number 3	Supporting BEE (minimum of 51% BEE participation) in industrial advancement
Project location	Coega Industrial Development Zone (Port Elizabeth)
Investment opportunity	R35 million
New jobs	37 full-time employees

“Our vision is to become the preferred sales and distribution company in Durban, delivering this in a socially responsible manner by empowering and growing our people with sustainable business opportunities.”

Mr Jairajh – Sticks and Licks

PROJECT 8



Manhize Reductants (R1.4 billion)

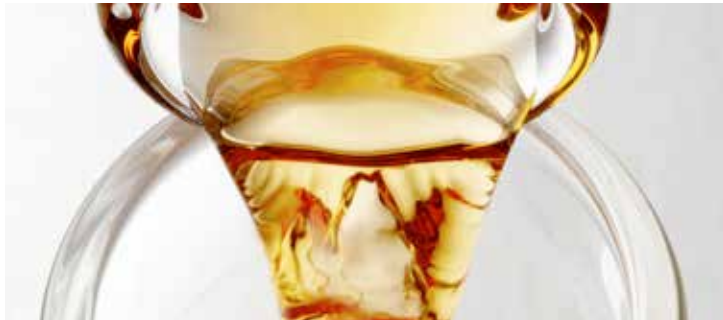
Project summary

The project aims to establish a 360 000 tpa coking coal plant to convert metallurgical coal to coking coal (carbon reductant) for the ferroalloy industry. This will be a first for South Africa and for any black-owned company. The Scoping Study was completed in 2011 and prompted the initiation of a Pre-feasibility Study in 2013.

Sector	Mineral beneficiation
Core business	Producing coking coal (carbon reductant) from metallurgical coal
Competitive advantage	This will be the first coking coal facility in the country that will service the ferroalloy industry. This is a competitive advantage against imports that are currently being utilised.
Strategic drive number 1	Production of coking coal
Strategic drive number 2	Industrialisation
Strategic drive number 3	Local manufacturing
Project location	Northern Limpopo (North of Polokwane)
Investment opportunity	R1.4 billion
New jobs	700 direct jobs

INVESTEE STORIES – STRATEGIC PROJECT FUND (continued)

PROJECT 9



Lanele Resources (Pty) Ltd (R2 billion)

Project summary

The objective of the project is to construct a facility that will produce bio-ethanol from municipal solid waste (MSW) found in landfills. The MSW to bio-fuel process is seen as both a waste management solution and a clean fuels process. The bio-ethanol produced from this facility will initially be used to produce transportation fuel and consideration will be given to producing high-grade ethanol for the pharmaceutical and solvents industry. The project is currently at the Pre-feasibility Stage, which should be completed by December 2013.

Sector	Renewable energy (bio-fuels)
Core business	Conversion of municipal solid waste to bio-ethanol
Competitive advantage	The feedstock is readily available, giving this process a cost-competitive edge in having cheap production input
Strategic drive number 1	Meeting South African Government's renewable fuel mandates, while reducing disposed waste
Strategic drive number 2	Elimination of fugitive methane emissions from landfills
Project location	Site scanning and selection is ongoing, subject to conclusion of the Pre-feasibility study
Investment opportunity	R2 billion (NEF's contribution R10 million)
New jobs	2 000 direct and indirect jobs

PROJECT 10



Hluhluwe (Pty) Ltd (R1.2 billion)

Project summary

Eskom, the South African power utility company responsible for national electricity generation and distribution, is intent on procuring power from Independent Power Producers (IPPs) in accordance with the Department of Energy's Integrated Resource Plan. In response, this project is developing a 40 MW wind farm in Hluhluwe, KwaZulu-Natal, to produce clean electrical energy.

Sector	Renewable energy (wind)
Core business	Power generation via a 40 MW wind farm
Competitive advantage	Generation of electricity at a wind resource rich location
Strategic drive number 1	Reduction of strain on SA national electricity grid
Strategic drive number 2	Pioneering and advancing SA's renewable energy technology and expertise
Strategic drive number 3	Support of South African Government's Integrated Resource Plan (IRP)
Project location	Hluhluwe, KwaZulu-Natal
Investment opportunity	R1.2 billion (NEF's contribution R2.3 million)
New jobs	224 jobs (18 direct jobs, 156 construction, 50 indirect)

INVESTEE STORIES – UMNOTHO FUND

PROJECT 1



Sticks & Licks (R15 million)

Project summary

Sticks & Licks is a concessionaire with exclusive distribution agreement with Ola SA (Division of Unilever) for the Durban North Area. The company began its operations in 2007. The NEF is supporting a strong entrepreneur with 18 years' industry experience. R15 million to expand operations in line with Ola SA's growth strategy of 850 people per cabinet to 126 people per cabinet. Funding to build a warehouse and cold rooms to accommodate growth from current 180 pallets to 600 pallets. Lude Projects to undertake the nine months' project in Ballito, Durban, KZN. Sticks & Licks has a low risk profile due to its 5-year exclusive distribution agreement with Ola SA and history of solid performance and winning awards – Concessionaire of the year award.

Sector	Distribution and Logistics
Core business	The entity holds exclusive rights to distribute Ola Ice Cream throughout Durban North area
Competitive advantage	100% black and youth ownership
Project location	KZN Durban
Investment opportunity	R15 million
New jobs	Job creation: 46 permanent Jobs

PROJECT 2



Ndalo Luxury Ventures (Pty) Ltd (R34.1 million)

Project summary

Ndalo Luxury Ventures (Pty) Ltd ("NLV")

NLV will manufactures its own private label (Luminance) –

as a percentage of sales:

- 50% volume
- 30% value

Luminance will also an import luxury brands and Lifestyle brands which are influenced by international trends for the African market.

The brand caters to the affluent, ambitious and educated women who are brand conscious and looking for exclusivity and quality garments.

The Luminance store will be located at the Hyde Park Corner shopping centre in Hyde Park.

Sector	Retail and Clothing
Core business	Clothing store
Competitive advantage	Luminance will establish of a local luxury brand of international appeal
Strategic drive number 1	Increasing black participation in the white-dominated retail industry

INVESTEE STORIES – UMNOTHO FUND (continued)

PROJECT 3



Petrocom (Pty) Ltd (R15million)

Project summary

Petrocom (Pty) Ltd is in the business of fuel distribution, fuel depot design, fuel depot management and the eventual supply of bulk fuel to commercial clients at wholesale prices. Its current targeted bulk fuel consumers are the taxi associations.

Sector	Fuel and logistics
Competitive advantage	Petrocom (Pty) Ltd's innovative product offering to the taxi industry is the designing, constructing fuel depots, the management of such depots and the supply of fuel to the associations at wholesale price is the first of its kind in South Africa. There is no company that offers such bundle of services to the industry
Project location	The depots will be located in the Pretoria CBD and in the Soshanguve townships
Investment opportunity	Petrocom (Pty) Ltd has contracted with the relevant associations for the purposes of providing such services which guarantees revenue generation over such contracted period
New jobs	82 new jobs

PROJECT 4



Reshebile Aviation and Protection Services (Pty) Ltd (R10 million)

Project summary

Reshebile Aviation and Protection Services (Pty) Ltd is a security company that specialises in aviation security services with its clientele base being airport companies, cargo operators and airlines.

Sector	Airport security
Competitive advantage	Reshebile Aviation and Protection Services (Pty) has been in the industry for the past 10 years and is the only 100% black owned aviation security company in South Africa. It is affiliated to the main regulatory bodies being IATA, SACCA, NKP, etc
Project location	The operations are located through the major South African airports
Investment opportunity	The security services that are provided are on the back of contracts
New jobs	773 new jobs

“Ultimately, the objective of B-BBEE is to help graduate black SMEs into industrialists that perform on a global scale.”

Mr Zweli Sapula, Manager: Strategic Projects Fund

PROJECT 5

**M-Care Group (R75 million)****Project summary**

M-Care Group, is a sub-acute healthcare services group operating through three entities. Sub-acute hospitals are medium-care healthcare facilities that provide a cost effective alternative to traditional private healthcare, resulting from using targeted technological and professional resources. A typical patient profile of a sub-acute healthcare service is a stable patient, who requires hospitalisation and dedicated nursing care, but does not require intensive or high-care, and hence high technological equipment.

Sector	Healthcare
Core business	Sub-acute healthcare services
Competitive advantage	M-Care is an established player in the sub-acute sector, with a solid track record in managing a number of sub-acute hospitals. Having operated in this space for more than 15 years. M-Care Group has an effective 65% Broad-Based BEE shareholding, with 50% participation at management level
Project location	Nationally
Investment opportunity	R75 million
New jobs	6 000 temporary and 1 400 permanent jobs

PROJECT 6

**POWER 98,7FM (36.2 million)****Project summary**

POWER 97.7 FM is Majority owned by MSG Afrika Media, a subsidiary of MSG Afrika Investments Holdings led by Mr Given Mkhari, Ndalo Media, African Women Chartered Accounts, with management holding minority interests. The talk station is available on the frequency dial 98.7 FM. POWER broadcasts 24 hours a day, broadcasts in English, 70% Talk and 30% music. During weekdays, POWER 98.7 FM broadcasts talk content from 05am to midnight, with music broadcast from midnight till 05am. On weekends POWER 98.7 FM will broadcast timeless hits around the clock, with talk elements at various intervals. The station's programming is mainly personality driven.

Sector	Media and Entertainment
Core business	Talk Radio
Competitive advantage	Power 98,7Fm listeners have a genuine interest in the socio-economic developments of the province and country. The station is relevant to its listeners' experiences, informed by their history and inspired by a South Africa we all hope for The majority of South Africans feel that the local discourse, media, public debate, academia, economy and even politics are still dominated by an Eurocentric paradigm or perspective. POWER 98.7 offers the listener an alternative platform
Project location	Gauteng
Investment opportunity	R36,2 million
New jobs	84 new jobs

INVESTEE STORIES – UMNOTHO FUND (continued)

Strategic drive number 2	Creating 64 new black permanent jobs
Project location	Hyde Park in Gauteng
Investment opportunity	R40 million
New jobs	50

PROJECT 7



Hazard Bonako (Pty) Ltd (R14.6 million)

Project summary

Hazard designs, develops, manufactures, supplies and installs warning equipment (devices), lights and sirens for emergency, law enforcement and related vehicles with their partners, Fastback Properties Limited as the property-owning entity.

Hazard is the market leader in the industry, with products that are highly regarded good quality and durable. The industry practitioners generally refers to industry equipment as Hazard lights or Hazard sirens, including those of their competitors, that speak to the brand equity and the track record that they have built over the years in the sector.

Sector	Manufacturing
Competitive advantage	Hazard has been operating in the industry for the last 40 years. There are very few players with strong BEE credentials operating in the same space as Hazard (Pty) Ltd. The investment will enable Hazards (Pty) Ltd to create new jobs
Project location	Hazards operates from Lindbro Park
New jobs	55 jobs with three new jobs

“Forestry remains an industry barred for black entrepreneurs participation, the NEF Funding gave us an opportunity to pioneer transformation in an industry that is still lagging behind in the drive towards an equitable economy.”

Themba Ntuli, Badplaas

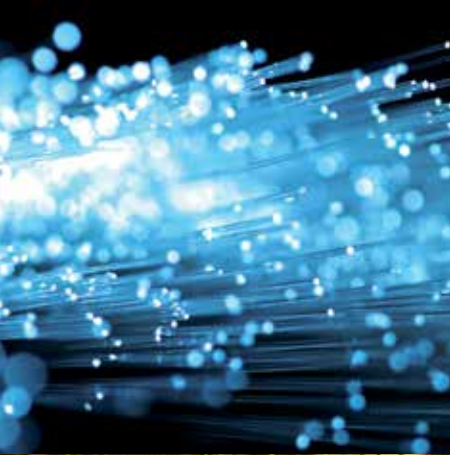
EMPOWERING THROUGH FRANCHISING

The NEF has a range of funding products. One of these is franchising, which is designed for black entrepreneurs who have been pre-approved by franchisors. Below are some of the franchises that the NEF has funded to date.



ADMINISTRATION

REGISTRATION NUMBER	IT10145/00
TRUSTEES	<p>Mr T Mhlambiso (Chairman) (Appointed 23/10/2012)</p> <p>Ms Z Ntlangula (Acting Chairman) (1/11/2011 to 22/10/2012)</p> <p>Ms P Mthethwa (CEO)</p> <p>Mr A Wright (CFO) (Resigned 29/06/2012)</p> <p>Ms I Pule (CFO) (Appointed 25/09/2012)</p> <p>Mr R Garach</p> <p>Ms A Halstead</p> <p>Ms A Makwetla</p> <p>Ms J Molisane</p> <p>Ms N Mosala</p> <p>Mr A Raiz</p> <p>Mr K Thaver (Retired 22/10/2012)</p> <p>Mr T Tlelai (Retired 22/10/2012)</p> <p>Ms J Williams (Appointed 23/10/2012)</p> <p>Mr S Zikode (Appointed 23/10/2012)</p>
BANKERS	<p>Standard Bank Limited</p> <p>First National Bank Limited</p> <p>Rand Merchant Bank</p> <p>South African Reserve Bank</p>
AUDITORS	SizweNtsalubaGobodo Inc.
BUSINESS ADDRESS	<p>West Block</p> <p>187 Rivonia Road</p> <p>Morningside</p> <p>2057</p>
POSTAL ADDRESS	<p>PO Box 31</p> <p>Melrose Arch</p> <p>Melrose North</p> <p>2076</p>
REGISTERED ADDRESS	<p>West Block</p> <p>187 Rivonia Road</p> <p>Morningside</p> <p>2057</p>



ABBREVIATIONS

AMD	Asset Management Division
Approved	Final committee approval obtained, legal agreements not signed
B-BBEE	Broad-Based Black Economic Empowerment
BFS	Bankable Feasibility Study
CP	Construction Phase
CPs	Conditions Precedent
DFI	Development Finance Institution
Disbursement Facilities	Legal agreements signed, all Conditions Precedent met
Drawdown	Advance made against disbursed facilities
dti	Department of Trade and Industry
EC	Eastern Cape
EIA	Environmental Impact Assessments
ETF	Exchange Traded Funds
FC	Financial Closure
FMD	Fund Management Division
FS	Free State
GDP	Gross Domestic Product
GP	Gauteng Province
IDC	Industrial Development Corporation
IPAP	Industrial Policy Action Plan
IPF	Industrial Policy Framework
IRR	Internal Rate of Return
KZN	KwaZulu-Natal
KPI	Key Performance Indicator
LP	Limpopo Province
MBO	Management Buy-Out
MOU	Memorandum of Understanding
MP	Mpumalanga
NC	Northern Cape
NCOP	National Council of Provinces
NEF	National Empowerment Fund
NIPF	National Industrial Policy Framework
NW	North West
PFMA	Public Finance Management Act
PFS	Pre-feasibility study
PIU	Pre Investment Business Support Unit
POIU	Post Investment Business Support Unit
RPMC	Risk and Portfolio Management Committee
ROI	Return on Investment
SAI	State-Allocated Investment
SME	Small and Medium Enterprise
SOCE	State Owned Commercial Enterprise
SPF	Strategic Projects Fund
TC	Technical Completion
WC	Western Cape

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or email nef@tip-offs.com

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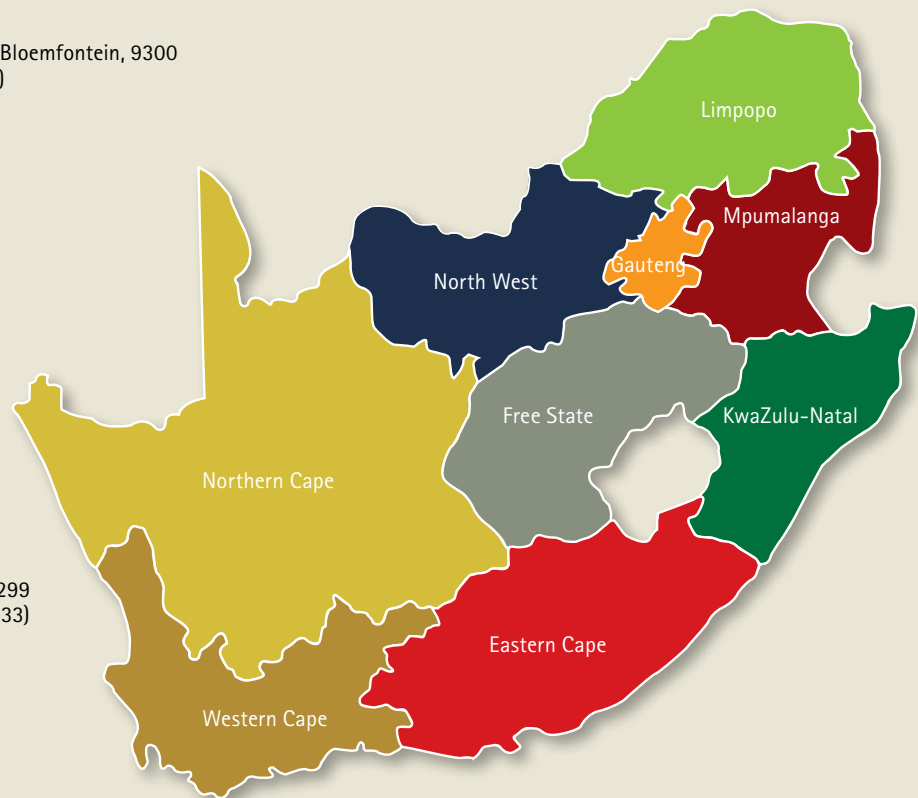
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Disclaimer:

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