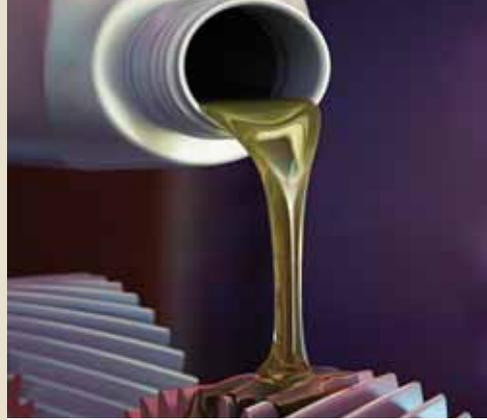


 **NATIONAL
EMPOWERMENT
FUND**
Growing Black Economic Participation

SCULPTING BLACK INDUSTRIALISTS

NATIONAL EMPOWERMENT FUND ANNUAL REPORT 2014



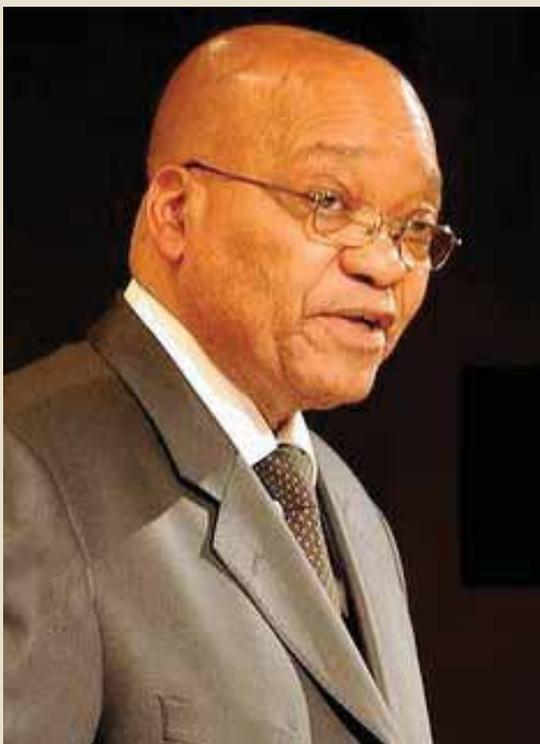
SCULPTING BLACK INDUSTRIALISTS

The image on the cover of this **Annual Report 2014** presents the NEF as the source and the force of motion for the advancement of black entrepreneurs. The orange blocks represent the multitudes of beneficiaries, inclusive of past, present and future investees and employees in the funded businesses, whose progress derives energy from the funding and mentorship made possible by South Africa's freedom and democracy. The NEF provides the pieces and building blocks that are needed for black entrepreneurs and the economy to grow, and is at the heart of national development and transformation. The NEF is symbolised as the source of energy and impetus behind the growth of emerging entrepreneurs and black industrialists, and is a provider of innovative transformation solutions. Once all the orange blocks slot into place, only then can it be said that black people are truly part of the economic mainstream. In the universe of opportunity, in the solar system of hope, the NEF propels the progressive impact necessary to bring about equitable and inclusive growth in South Africa.

“Fellow South Africans, we have to work more intensively to develop emerging or black industrialists. Many of the aspirant black industrialists complain about the difficulties they experience in obtaining industrial finance, supplier and retail markets, and technical production support.

The National Empowerment Fund, the Industrial Development Corporation and the Small Enterprise Finance Agency will continue to provide finance to viable black-owned businesses to promote industrialisation”.

His Excellency President Jacob Zuma on the occasion of the Joint Sitting of Parliament, Cape Town, February 2014



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

CONTENTS

Foreword by the Hon. Minister of Trade and Industry	1
Foreword by the Hon. Deputy Minister of Trade and Industry	2
Introducing the NEF	3
NEF Pledge	4
How does the NEF fit within the DFI and Financing Space	9
How the NEF Creates Value	11
Forms of Capital Deployed by the NEF	14
Stakeholder Engagement	15
Key Risks and Material Issues	20
Overview of the Economic Environment	22
Report of the Acting Chairman of the Board of Trustees	23
Report of the Chief Executive Officer	26
Report of the Chief Financial Officer	33
Performance Review	40
Enterprise-Wide Risk Management	50
Investing in Human Capital	53
Governance	59
Assurance	66
Social, Environmental and Entrepreneurial Support	67
Profiles of Board of Trustees	73
Profiles of the Executive Committee	78
Annual Financial Statements	80
Audit Committee Report	136
Investee Stories	138
Administration	146



FOREWORD BY THE HON. MINISTER OF TRADE AND INDUSTRY

NEF ANNUAL REPORT 2014

While progress has been recorded in undoing the legacy of the past, the extent to which this economic success has been shared by all of our people is still grossly inadequate for the requirements of a stable and prosperous society.

It is for this reason that Broad-Based Black Economic Empowerment (B-BBEE) remains a necessary Government intervention to address the systematic exclusion of the majority of South Africans from full participation in the economy. The National Empowerment Fund is a key Government agency mandated to bridge this economic divide, and the leading instrument in the quest for inclusive growth.

In emphasising Government's commitment to facilitating broad-based economic participation, **the dti** will work actively towards refinancing the NEF so that it is well positioned to advance its mandate.

We congratulate the NEF for recently re-opening funding for black-owned and managed businesses requiring financial support for start-up, expansion and equity transformation purposes, using existing reserves and anticipated new capital.

The dti is proudly aware that since operational inception 10 years ago to date, the NEF has approved 549 transactions worth more than R5.47 billion for black empowered businesses across the country, and these are in virtually all sectors of the economy. By value, 21% of the businesses funded are owned and managed by black women, and this is expected to increase with the planned launch later this year of the NEF Women's Empowerment Fund.

Recognising the need to grow black industrialists, the NEF, together with a range of local and international investors, has developed a total of 21 strategic and industrial projects worth R32 billion, with the potential to



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

support over 80 000 jobs once the projects are commercialised. This accords very well with Government's intention to speed up radical economic development.

In this regard the NEF remains a key pillar through which Government will continue to bridge the economic divide and to drive radical transformation. 

The Hon. Dr Rob Davies, MP
Minister of Trade and Industry
Government of the Republic of South Africa



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

FOREWORD BY THE HON. DEPUTY MINISTER OF TRADE AND INDUSTRY NEF ANNUAL REPORT 2014

When President Jacob Zuma called for radical socio-economic transformation, he called on all South Africans to build an inclusive economy anchored by a large and growing industrial sector underpinned by Broad-Based Black Economic Empowerment.

The work required to fulfil this imperatives has been done in terms of a wide range of policy frameworks. These include the Broad-Based Black Economic Empowerment Act 53 of 2003 which was enacted to advance economic transformation and the active participation of black people in the economy; the Black Economic Empowerment Codes of Good Practice; the National Industrial Policy Framework; IPAP and the National Empowerment Fund (NEF) Act 105 of 1988. The BEE Act and its codes were amended last year to close a number of loopholes and to better align our B-BBEE imperative with the need to promote the industrialisation of the South African economy.

However, 20 years of freedom has also allowed us to analyse the extent to which real BEE has been achieved; the extent to which black people are not just minority shareholders with little board influence and strategic oversight; the extent to which black people have direct executive responsibility for major enterprises in manufacturing, agriculture, mining and services.

Our sense is that although progress on the whole has been significant, we need to be more ambitious. The entrepreneurial, executive and management talents of black people have not yet been fully unlocked and indeed in some sectors established firms continue to create barriers to entry for new, black-owned enterprises.

It is for this reason that the NEF, which is integral to this strategic imperative, has to be fully resourced and enabled to continue discharging and intensifying the mandate to bring down these barriers and in their place to build businesses that will help our economy become a true industrial giant.



Hon. Mr Mzwandile Masina, MP
Deputy Minister of Trade and Industry

One of the yardsticks that must be used to measure the impact of the work of **the dti** in transforming the economy as well as broadening participation is the extent to which black people are meaningfully participating in the economy. As demonstrated in the content of this report, the NEF is a worthy and important partner in that quest.

A handwritten signature in black ink, appearing to be 'Mzwandile Masina'.

The Hon. Mr Mzwandile Masina, MP
Deputy Minister of Trade and Industry
Government of the Republic of South Africa



the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

INTRODUCING THE NATIONAL EMPOWERMENT FUND

Vision

The National Empowerment Fund's (NEF) 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.

Mandate of the NEF

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

Policy and Regulatory Environment

The NEF's strategy and operations are informed by various government policies, and especially by the NEF Act. Other policies to which the NEF's strategy and operations are aligned include the various policies and legislation directing macro-economy and governance. These include:

- The National Development Plan
- Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003, and the B-BBEE Codes of Good Practice
- Industrial Policy Action Plan
- Public Finance Management Act, No. 1 of 1999 (PFMA), including National Treasury regulations
- King Report on Governance for South Africa 2009 (King III)
- Protocol on Corporate Governance in the Public Sector, 2002
- Preferential Procurement Policy Framework Act No. 5, 2000

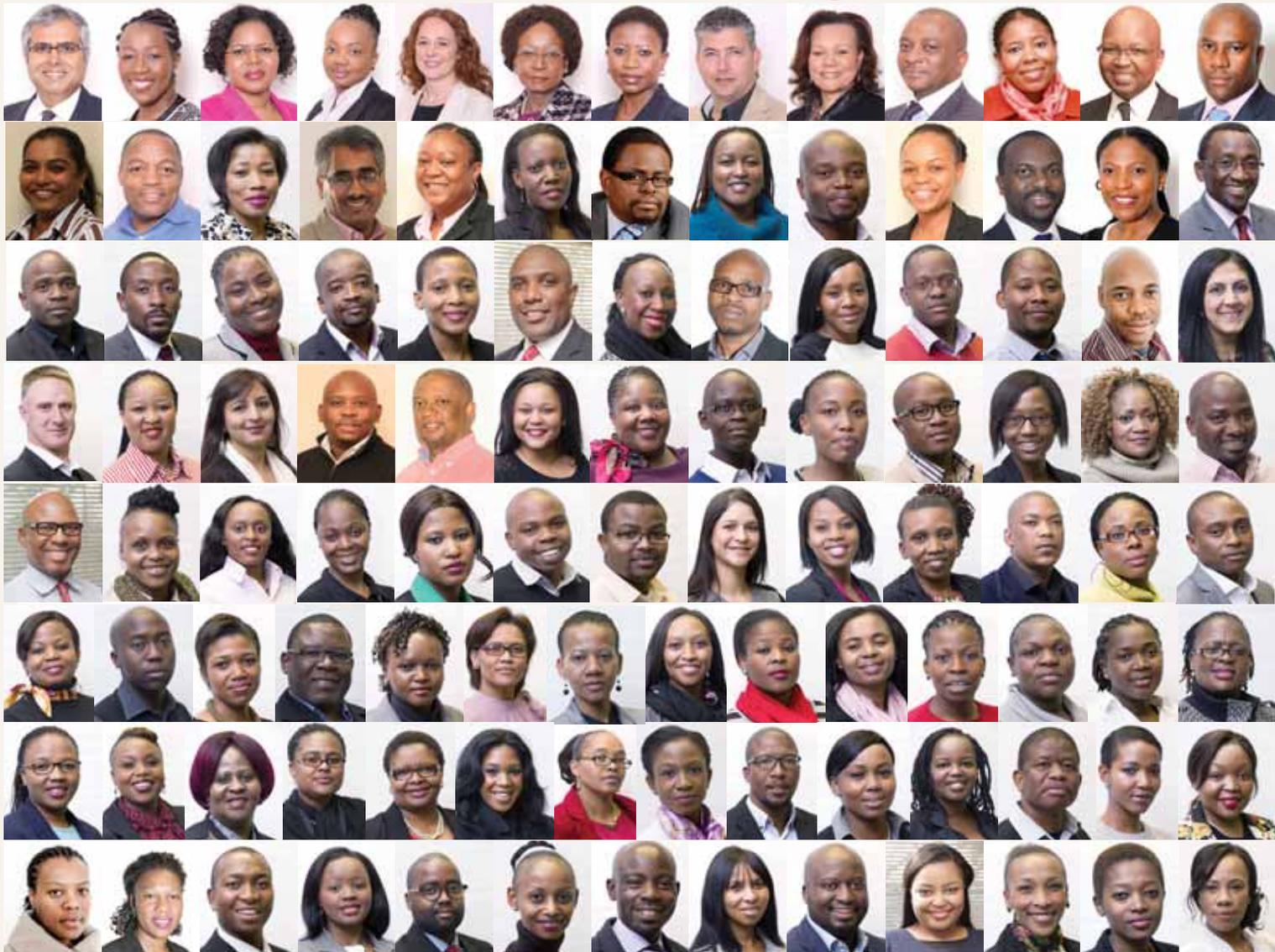
In order to ensure the NEF's ability to deliver a social and economic impact as broadly outlined in the NEF Act, the Executive and Board of Trustees have translated these policy objectives into strategic objectives which represent the NEF's priorities for the future. The strategic objectives are used to monitor and review the performance of the NEF.

E_{THICS} **M**_{OTIVATION} **P**_{ERFORMANCE} **O**_{WNSHIP} **W**_{ORTHY} **E**_{XCELLENCE} **R**_{ESPECT}

“The guiding framework for the achievement of our goals is in place and it is supported by our strong values of Ethics, Motivation, Performance, Ownership, Worthy, Excellence, and Respect, which are represented by the acronym EMPOWER. The Board also expressed its utmost confidence in the ability of management to run the organisation as a high-performing establishment that conducts its activities with integrity and diligence.”

Report of the Acting Chairman of the Board of Trustees, Annual Report 2014

Our Pledge to the People



“We, members of the NEF family, hereby solemnly pledge to remain faithful to the values and ethos of the NEF, because as instruments in the quest for inclusive growth, we recognise that the economic dreams and aspirations of black people depend on our willingness to serve with truth in our hearts. In taking the hopes of black economic freedom to greater heights, and growth itself to the skies, we hereby undertake that as patriots we will perform our call to duty with integrity and honour, with empathy and dedication to excellence, inspired by the vision of a growing and inclusive economy. United in our resolve, this is our oath, our vocation, our contract with the nation.”

Board, Management and Staff of the NEF

The following table outlines the link between the policy objectives as defined by Government policies and Acts, and their relation to the strategic objectives used for performance monitoring purposes.

NEF Strategic Objectives and Key Performance Indicators	Alignment with the NEF Act	Alignment with Government Priorities, Policies and Plans	NEF Activities
ADVANCING B-BBEE			
<p>1. Provide finance to business ventures established and managed by black people.</p> <p>1.1 Value of deals approved by the NEF (R million)</p> <p>1.2 Value of new Disbursements (R million)</p> <p>1.3 Number of new Enterprise Development contributors secured.</p>	<p>Promote and support business ventures pioneered and run by black people.</p> <p>Promote the universal understanding of equity ownership among black people.</p>	<p>Supports the following Government Priorities:</p> <ul style="list-style-type: none"> • Creating decent jobs • Rural development <p>Supports the NDP objective to broaden ownership of assets to historically disadvantaged groups.</p> <p>Supports the dti's strategic outcomes-oriented goals to:</p> <ul style="list-style-type: none"> • Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation. • Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth. <p>Supports the IPAP by investing in industry and priority sectors.</p> <p>Supports the B-BBEE Codes by promoting all elements (ownership, management control, skills development, enterprise and supplier development, and socio-economic development).</p>	<p>Through its funding activities, the NEF actively seeks to promote transformation, broad-based black participation, industrialisation, and SME development. The performance of investees' businesses against the elements of the B-BBEE Codes is assessed as part of the merit of funding all transactions.</p> <p>The promotion of industrial development in particular is achieved via the NEF's Strategic Projects Fund, which has as its core function, the provision of Seed Venture Capital Finance aimed at developing industrial capacity within the priority sectors identified in the IPAP. These include green industries, agro-processing, automotives, biofuels, the film industry, and clothing and textiles.</p> <p>The promotion of rural development is achieved via the NEF's Rural and Community Development Fund, which is responsible for financing enterprises in the rural economy.</p>

“We need to sharpen the implementation of the amended Broad-based Black Economic Empowerment Act and the Employment Equity Act, in order to transform the ownership, management and control of the economy”

President Jacob Zuma at his Inauguration as the fifth President of the Republic of South Africa, May 2014

NEF Strategic Objectives and Key Performance Indicators	Alignment with the NEF Act	Alignment with Government Priorities, Policies and Plans	NEF Activities
MAXIMISING THE EMPOWERMENT DIVIDEND			
<p>2. Invest in black empowered businesses that have high employment creating opportunities</p> <p>2.1 Number of jobs expected to be supported or created</p>	<p>Contribute to the creation of employment opportunities</p>	<p>This is aligned with Government's priority to create decent jobs</p> <p>Supports the NDP objective to reduce the unemployment rate</p> <p>Supports the dti's strategic outcomes- oriented goals to:</p> <ul style="list-style-type: none"> • Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation • Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth 	<p>Through its funding activities, the NEF actively seeks to promote transformation, broad-based participation, industrialisation, and SME development.</p> <p>Employment creation is assessed as part of the merit and impact of funding transactions.</p>
<p>3. Support the participation of black women in the economy</p> <p>3.1 Percentage of portfolio owned by black women</p>	<p>Not specifically defined as a policy objective but is considered to be part of the broader objective of transforming the economy</p>	<p>Supports the dti's objective to facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth</p>	<p>The NEF sets a specific target to support black women-owned businesses. Participation by black women is assessed as part of the merit of funding all transactions. The Women's Empowerment Fund has been introduced to directly address the participation of black women in NEF funded transactions going forward.</p>
<p>4. Facilitate investment across all provinces in South Africa</p> <p>4.1 Maintain/increase percentage of portfolio by value invested in the eight provinces outside Gauteng</p>	<p>Not specifically defined as a policy objective but is considered to be part of the broader objective of transforming the economy</p>	<p>Supports the dti's objective to facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth</p>	<p>The NEF seeks to balance the geographic spread of its investments and contributions towards increased economic activity across all provinces, particularly in economically disadvantaged regions. Targets are set in relation to geographic spread. These attempt to match the respective provinces' contribution to GDP and aim to surpass this in areas of regional economic disadvantage.</p>

NEF Strategic Objectives and Key Performance Indicators	Alignment with the NEF Act	Alignment with Government Priorities, Policies and Plans	NEF Activities
OPTIMISING NON-FINANCIAL SUPPORT			
<p>5. Encourage and promote savings, investment and meaningful economic participation by black people</p>	<p>Encourage and promote savings, investment and meaningful economic participation by black people</p>	<p>Supports the NDP objective to broaden ownership of assets to historically disadvantaged groups by promoting savings and investment.</p>	<p>The NEF runs an investor education campaign and provides entrepreneurship development training and incubation.</p>
<p>5.1 Number of Investor Education seminars held across the country</p>	<p>Encourage the development of a competitive and effective equities market inclusive of all persons in the Republic</p>	<p>Supports the dti's objective to facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth.</p>	
	<p>Provide black people with the opportunity of acquiring shares / interest in State Owned Commercial Enterprises (SOCE's) that are being restructured or in private business enterprises</p>	<p>Supports the dti's objective to facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth.</p>	<p>The NEF achieved this goal with the Asonge share scheme. The possibility of equity allocations of Government's shareholding in non-strategic entities is currently being explored as part of the NEF's recapitalisation. This policy objective can only be addressed in line with Government's broader policy for SOCE's.</p>
<p>6. Black economic empowerment is advanced through commercially sustainable enterprise</p>	<p>Generally employing such schemes, businesses and enterprises as may be necessary to achieve the objective of the Act</p>	<p>Supports the NDP objective to broaden ownership of assets to historically disadvantaged groups by investing in skills development and by promoting sustainable entrepreneurship.</p>	<p>Non-financial support activities including:</p> <ul style="list-style-type: none"> • Mentorship • Entrepreneurial assessments • Incubation
<p>6.1 Value of mentorship interventions</p>		<p>Supports both the dti's objectives to:</p>	<ul style="list-style-type: none"> • Business Today entrepreneurship training
<p>6.2 Percentage of new deals referred to the funds on which the entrepreneurial assessment tool has been applied</p>		<ul style="list-style-type: none"> • Facilitate transformation of the economy to promote industrial development, investment, competitiveness and employment creation 	<ul style="list-style-type: none"> • Portfolio monitoring activities
<p>6.3 Number of Business Today Training sessions provided</p>		<ul style="list-style-type: none"> • Facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth 	
<p>6.4 Number of entrepreneurs referred for business incubation</p>			

NEF Strategic Objectives and Key Performance Indicators	Alignment with the NEF Act	Alignment with Government Priorities, Policies and Plans	NEF Activities
<p>7. Establish the NEF in the South African economy as a credible and meaningful development finance institution</p> <p>7.1 Brand audit survey findings</p>	<p>Not specifically defined as a policy objective but is considered to be part of the broader objective of transforming the economy</p>	<p>Supports the NDP objective to broaden ownership of assets to historically disadvantaged groups</p> <p>Supports the dti's objective to facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth</p>	<p>This is achieved via marketing and communication activities which increase awareness, and ultimately utilisation of the NEF's products and services. A broader impact is achieved when funds are disbursed.</p>
FINANCIAL EFFICIENCY and SUSTAINABILITY			
<p>8. Establish the NEF as a sustainable DFI</p> <p>8.1 Percentage of portfolio impaired</p> <p>8.2 Target ROI before impairments</p> <p>8.3 Collections ratios</p> <p>8.4 Manage portfolio risk</p>	<p>Not specifically defined as a policy objective but is considered to be part of the broader objective of transforming the economy</p>	<p>Supports the dti's objective to facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth</p>	<p>This is achieved by ensuring that we invest in transactions which have economic merit, through active financial management of the NEF itself as well as through portfolio monitoring and support activities.</p>



HOW DOES THE NEF FIT WITHIN THE DFI AND FINANCING SPACE

The NEF is the only DFI exclusively mandated to grow B-BBEE. The Development Bank of Southern Africa (DBSA), Industrial Development Corporation (IDC) and the newly-established **sefa** (formerly Khula and SAMAF) are no longer significant financiers of B-BBEE. The DBSA is focused on delivering developmental infrastructure in South Africa and the SADC region, whereas the IDC is focused on the development of industrial capacity. **sefa**, which is a subsidiary of the IDC, is focused on SMME development.

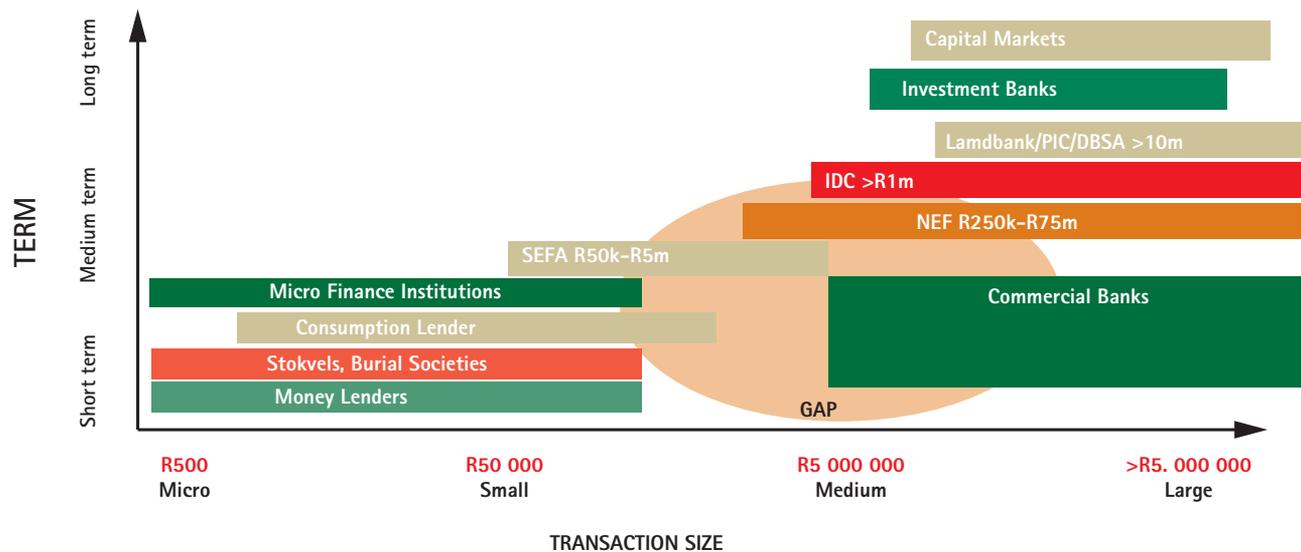
The NEF seeks to address the following market failures specifically in relation to black business participation in the economy:

- Access to finance
- Access to markets

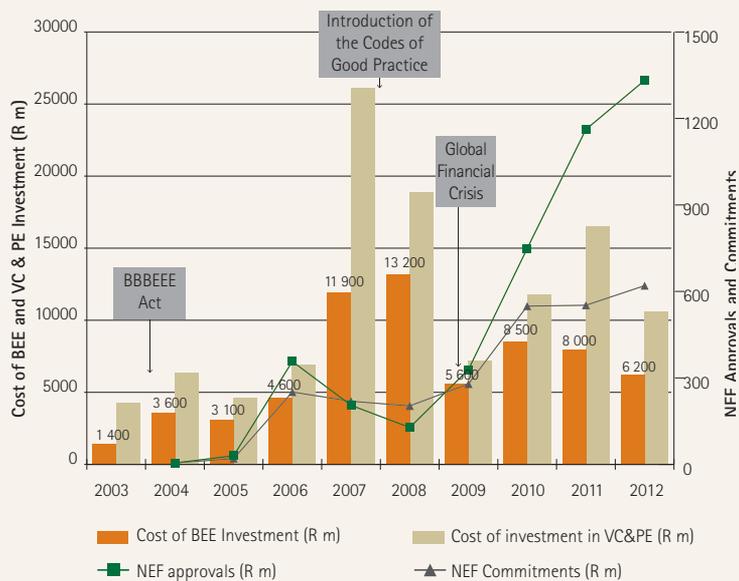
- Insufficient industry knowledge and/or management experience
- Equity contribution
- Low bargaining power with suppliers and customers
- Undercapitalisation and low asset base
- Characterised by lack of accurate and reliable information, and lack of business-planning skills
- Management depth – small, multifunctional and may lack business management skills

sefa provides support for these challenges on a smaller scale, while the IDC focuses on developing industrial capacity. The DBSA focuses on infrastructure development leaving a huge gap for funding of black entrepreneurs at different levels of economic activity.

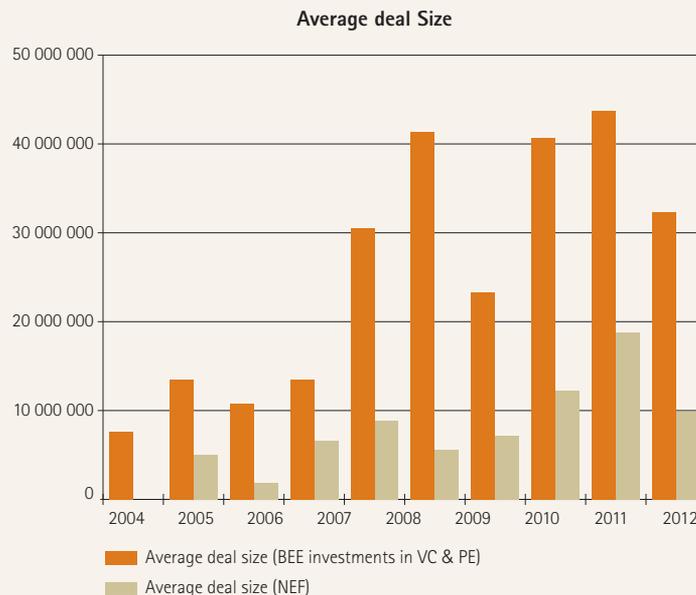
Even though South Africa has a sophisticated financial sector with a wide range of specialised financial intermediaries, we believe that there is a gap in the lower, high risk segment of the market, in which the NEF plays a valuable role.



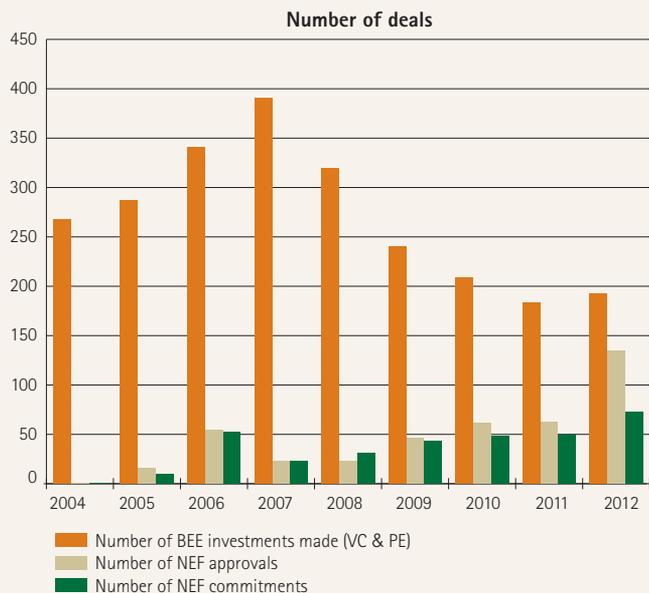
According to the 2012 KPMG/SAVCA Survey, BEE is a significant driver of investment activity in South Africa. BEE investments (investments into black influenced, empowered or black owned companies) represent a significant portion of the total investments made in the venture capital and private equity space (VC & PE). The total value of BEE deals in the VC & PE space has been declining since the peak in 2008. The value of investment activity in the VC & PE space in 2012 was 40% of the value of investments in 2007.



Source: KPMG and SAVCA Venture Capital and Private Equity Industry Performance Survey of South Africa covering the 2012 calendar year, June 2013



Source: KPMG and SAVCA Venture Capital and Private Equity Industry Performance Survey of South Africa covering the 2012 calendar year, June 2013



The number of BEE deals in the VC & PE space has halved between 2007 and 2012. Furthermore, the average size of BEE deals in VC & PE is not consistent and is dependent on the nature of deals being closed.

Although NEF approvals represent a small portion of the total BEE investments, the number of deals approved by the NEF has increased significantly as a result of its activity in the SME space.

In addition, even though the NEF's investments are small in relation to the market, these investments address an important segment. Where other investors have pulled back during the global financial crisis, the NEF has grown the value of its portfolio, thereby serving as a valuable source of finance to black businesses.

HOW THE NEF CREATES VALUE

Financial

As a public entity classified as a Schedule 3A institution by the PFMA, the NEF is restricted from borrowing, issuance of guarantees and other commitments. As a result, we sustain operations from inflows, namely, interest on deposit from the banks, portfolio collections, and dividends from listed / unlisted investments.



“Radical economic transformation must ensure faster inclusive growth combined with much higher levels of employment creation, reduced inequality and the de-racialisation of the economy”

Deputy President Mr Cyril Ramaphosa, at the Black Business Council 2014 Annual General Meeting



Human Capital

Our staff is our most valuable asset. Given the nature of our business, we largely employ professional staff. For further details of how we have created value for our staff, refer to note 23 of the Annual Financial Statements, and the section on Investing in Human Capital in this report.

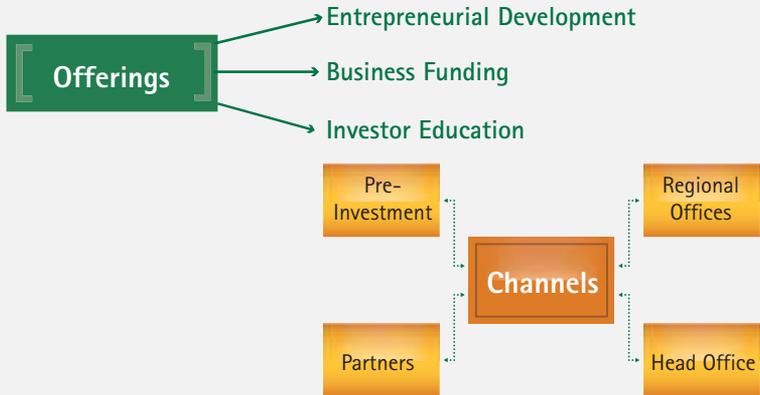
Empowerment Dividend

As a DFI, we are able to look beyond solely financial returns to consider social value when evaluating investments. We have four other equally important elements that we look at. These are:

- **Women empowerment.** Approximately 21% of the NEF's portfolio is owned by women.
- **Geographic spread of the portfolio.** The current portfolio is spread across all provinces with a higher concentration in Gauteng, as outlined in the section on Key Achievements in the Performance Review section of this report.
- **Jobs created/supported.** Since inception, the NEF has supported in excess of 47 000 new and existing jobs as reported by investees at approval stage.
- **Investment in priority growth sectors.** The NEF has invested across a diverse range of sectors as outlined in the section on Key Achievements in the Performance Review section of this report.

NEF's Business Model

VALUE ARCHITECTURE



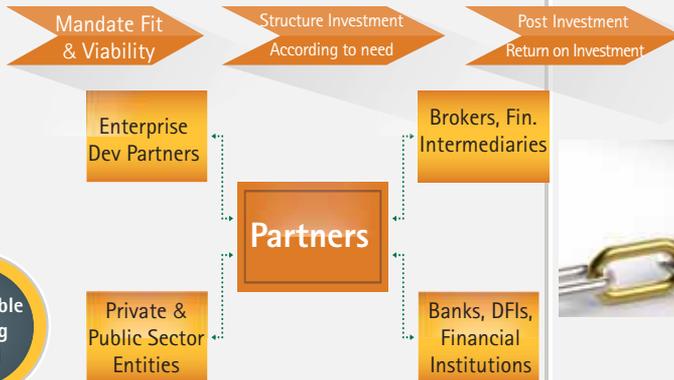
VALUE PROPOSITION/CLIENTS & STAKEHOLDERS



Clients & Stakeholders

- Black entrepreneurs
- Women entrepreneurs
- Communities & Group Investment Schemes
- dti, treasury and other Government departments
- Black business chambers
- Mass Media

Resources/Capabilities



Clients & Stakeholders benefits



- Access to sustainable capital by black entrepreneurs
- Value creation through non-financial support
- Implementation of B-BBEE & Government economic development objectives
- Creation of industrialist

Revenue Model



- Cost to income ratio
- Core to non-core staff ratio
- ROI
- Impairments & Write-offs
- Empowerment Dividend



- Treasury/dti allocations
- Interest income
- Dividend income from listed & unlisted assets
- ED Contributions

Culture & Values



- Transformational
- Visionary
- Pace-setters
- Innovative



- Ethics
- Motivation
- Performance
- Ownership
- Worthy
- Excellence
- Respect

<p>1. Customer Segments</p> <ul style="list-style-type: none"> • Black entrepreneurs • Black-owned and empowered businesses • Communities, targeted groups 	<p>2. Value Propositions</p> <ul style="list-style-type: none"> • Financial and non-financial support • Investor education • Socio-economic development 	<p>3. Channels</p> <ul style="list-style-type: none"> • Own infrastructure • Financial intermediaries • Brokers • Private and government entities • Media
<p>4. Customer Relationships</p> <ul style="list-style-type: none"> • Post-investment support • Client and stakeholder networking 	<p>5. Revenue Streams</p> <ul style="list-style-type: none"> • Treasury / the dti allocations • Investments – interest / dividend income 	<p>6. Key Resources</p> <ul style="list-style-type: none"> • Financial capital • Systems • Human capital • Regional presence and infrastructure

The value architecture depicted above refers to the creation of value for the benefit of NEF clients and stakeholders. Through this process the NEF is able to deliver a service to its target market.

However, certain prerequisites are necessary:

- Our Pre-Investment division with all its product offerings and solutions
- Regional offices
- Head office infrastructure
- Partnerships with key stakeholders

The creation of value is enabled by the resource capabilities that the NEF has at its disposal and these are:

- Technology and systems developed over the years
- Human capital embedded in experienced and qualified staff
- Sustainable business model that caters for different markets and needs within the B-BBEE space

The NEF cannot deliver on its value proposition without leveraging additional resources from partners. The NEF is therefore able to create value for the benefit of its target market and stakeholders as a result of synergies created between its internal resources and partnerships. Our partners are:

- Enterprise development partners
- Brokers and financial intermediaries

- Private and public sector entities
- Banks, other DFIs, and financial institutions

Key financial indicators that characterise the NEF business model are:

- Approvals
- Disbursements
- Cost to income ratio
- ROI
- Impairments
- Write-offs

The sources of capital and revenue resulting from the value architecture are:

- Treasury/**the dti** allocations
- Interest income
- Dividend income from listed and unlisted assets
- ED contributions

The NEF business model is underpinned by a strong culture and values that are integral to the functioning of the organisation. 📡

FORMS OF CAPITAL DEPLOYED BY THE NEF

FORMS OF CAPITAL RELEVANT TO NEF			
	Definition	Relevance to the NEF	How is it utilised
Financial Capital	Financial capital refers to the funds available in the organisation for the provision of goods and services e.g. debt, equity, allocations from government.	Provision of funding to applicants in the form of financial instruments, e.g. equity, debt, mezzanine and preference share	<ul style="list-style-type: none"> • Manage risk through appropriate investments, apply sustainable pricing and the management of the portfolio. • Provision of non-financial support.
Human Capital	Our employees' skill, experience, motivations, and desire to innovate.	Our professionals, whether in deal origination, monitoring or administration are at the core of what we do.	<ul style="list-style-type: none"> • Refer to 'Investing in Human Capital' section.
Social and Relationship Capital	The institutions and relationships established within and between each community, group of stakeholders and other networks to enhance individual and collective well-being. It includes an organisation's social license to operate.	As a DFI, we operate within the context of the Act that established the NEF, community/ societal needs as well as in line with government priorities and policies.	<ul style="list-style-type: none"> • Refer to 'Stakeholder Engagement' section.
Intellectual Capital	Patents and intangibles that provide a competitive advantage.	NEF is the custodian of enforcing the economic transformation of the economy as prescribed through the BEE Codes. This is achieved by building and relying on the intellectual capital of our people.	BEE Funding Model <ul style="list-style-type: none"> • Understanding of BEE Structuring • Community structures model • New industry product offering • Enterprise Development Fund
Natural Capital	Resources and benefits that are essential for human survival and economic activity provided by South Africa's ecosystems. These include agriculture, vegetation, wildlife, fossil fuels and mineral deposits.	Although the NEF places limited reliance on natural capital, some of our investees utilise natural resources to a greater extent. The NEF strives to operate in harmony with the environment and takes care to ensure that investee companies adhere to environmental laws and regulations.	<ul style="list-style-type: none"> • Consciousness of and investment in Green Initiatives
Manufactured Capital	Material goods or fixed assets which contribute to the production process rather than being the output itself, such as buildings, equipment and infrastructure.	Regional presence has facilitated the impact of our reach.	The NEF has offices in eight provinces (excluding the Northern Cape). These have allowed us to spread our portfolio and have an impact in previously impoverished nodes of the country.

STAKEHOLDER ENGAGEMENT

1. INTRODUCTION

Critical to the communications function is the need to aptly identify the gallery of stakeholders which the organisation seeks to engage for reputation-management and brand-building purposes.

Typically, organisations employ this technique by first identifying their widest spectrum of stakeholders, or key influencers, which essentially comprises those individuals, groups and institutions whose actions or inactions, commentary or disengagement, whose endorsement or condemnation, may have causal impact on the image and reputation of the organisation.

In assessing relations with its stakeholders, the NEF has sought to answer the following questions:

- 1.1 What issues are important to this stakeholder(s) in relation to Broad-Based Black Economic Empowerment?
- 1.2 What does this stakeholder expect from the NEF?
- 1.3 What are the things that the NEF needs to do in order to achieve and maintain a favourable disposition from this stakeholder?



A comprehensive stakeholder needs analysis enables us to effectively champion the NEF's diplomatic strategy. The key objective of this strategy is to achieve general public and stakeholder endorsement of the NEF as a leading development financier and promoter of a culture of savings and investment, one which is fulfilling its mandate effectively as an organisation that complies with the universal principles of corporate governance, and which is committed to operational excellence.

Other objectives include enlisting support and goodwill, protecting and maximising the NEF's reputation, mitigating hostility, optimising positive visibility in the market place, entrenching staff ambassadorship and mobilising public preference for the NEF's products and services.

2. BRAND AUDIT

The NEF has commissioned a comprehensive Brand Audit, the purpose of which is to measure Brand Awareness of the NEF among different stakeholders, ascertain their perceptions about the NEF and determine their needs and expectations. Also pertinent is the need to ascertain the stakeholders' preferred medium as a primary source of news and information about the NEF. It is expected that the research, comprising a sample of 900 respondents, will help the NEF refine its brand elements and positioning within the market place, measure brand equity and refine alignment between the NEF, its stakeholder expectations and its products and services.



Below is the Brand Audit sample:

Entity		Sample
1	Staff (all levels and regions)	30
2	NEF Investees (owner or manager)	150
3	National and Provincial Government (Chief Director upwards): <ul style="list-style-type: none"> • The Presidency • the dti, Economic Development & National Treasury • Provincial Government (Department of Economic Development & Tourism) 	40
4	Black entrepreneurs	400
5	SOEs, corporates and multi-nationals (Tourism, Biofuels, Construction, Agro-processing, Financial Services, Manufacturing, Clothing and Textiles, Transport, ICT & Media, Mining services; Franchising, Automotives, Plastics, pharmaceuticals and chemicals, Business process servicing, Green industries)	150
6	Mass Media (Senior Business Journalists Editors in print, radio & TV)	40
7	Civil society and Organised commerce: <ul style="list-style-type: none"> • NAFCOC • Black Business Council • Business Women's Association • Business Unity South Africa • Black Management Forum • ABSIP – Association of Black Securities & Investment Professionals • African Women Chartered Accountants • Free-Market Foundation • National Stokvels Association of South Africa • SABEF – SA Black Entrepreneurs Forum etc 	30
8	Political Parties represented at Parliament	10
9	Parliamentary Committees (National Assembly & NCOP)	5
10	National and Provincial DFIs (9 provincial + IDC, DBSA, sefa & Seda)	15
11	Embassies and High Commissions (BRICS, AU & G20)	30
TOTAL SAMPLE		900

3. STAKEHOLDER MAPPING

The schematic below outlines the broadest range of the NEF's key stakeholders, identified under the following categories:

- a. Beneficiaries,
- b. Employees,
- c. Opinion formers,
- d. Government,
- e. Mass Media, and
- f. International community influencers.



4. STAKEHOLDER ENGAGEMENT

During the year, the NEF engaged with its stakeholders to present its point of view regarding recapitalisation, Ndalo Luxury Ventures, allegations by an anonymous whistleblower, the outcome of an independent forensic investigation and the performance of various investees.

As the torrent raged on, the NEF put in motion a plan to comprehensively brief its stakeholders, including the following:

- National Government
- The Portfolio Committee on Trade & Industry

- Editors of key national media such as Mail & Guardian, Sowetan, City Press, Sunday Times, SABC TV and Radio News, Financial Mail, City Press and The New Age.
- The Press Ombudsman
- The Black Business Council
- African Women Chartered Accountants
- The Association of Black Securities and Investment Professionals

Below are the entities which the NEF engaged with, or at whose events the organisation requested speaking opportunities, in the past financial year:

Quarter 1 engagements	Quarter 2 engagements
1. Minister Rob Davies Business Seminar, Parktonian Hote, Gauteng	1. Strategic Projects Fund, Eskom Academy, Midrand, Gauteng
2. Small Business Day, Diepkloof Soweto, Gauteng	2. the dti Contralessa, Eastern Cape
3. Alexander Access to Finance	3. International Cooperatives Workshop, Ethekewini, KwaZulu-Natal
4. Small Business Incubator, Eastern Cape	4. Gauteng Premier's Office, Wedela, Gauteng
5. Entrepreneur Working Sessions, North West	5. Black Business Conscious Conference, Midrand, Gauteng
6. the dti Youth Entrepreneur Summit, Northern Cape	6. the dti Youth Enterprise, Ixopo, KwaZulu-Natal
7. Gauteng Premier's Office Workshop, Orange Farm, Gauteng	7. the dti outreach campaign, Rustenburg, North West
8. the dti Nigerian State Visit	8. Gauteng Premier's Office, Braamfischer, Gauteng
9. Franchise Association of South Africa, Sandton, Gauteng	9. SOCE's Outreach in Daveyton, Gauteng
10. Tourism Indaba 2013, KwaZulu-Natal	10. Business Opportunities and Franchise Expo 2013, Northgate Mall, Gauteng
11. NCOP Parliamentary Exhibition	11. Ekurhuleni LED Workshop, Gauteng
12. Western Cape Regional Office Launch, Western Cape	12. the dti Workshop, Pretoria, Gauteng
13. the dti Workshop, Emperor's Palace, Gauteng	13. Deputy Minister of Economic Development, Community Agriculture Outreach, Randfontein, Gauteng
14. the dti Youth Entrepreneur, Eastern Cape	14. Gauteng Premier's Office, Boksburg, Gauteng
15. Local Economic Department, Rustenburg	
16. Young Entrepreneurs Workshop, Free State	
17. Gauteng Premier's Office, Swaneville, Gauteng	
18. Black Management Forum Seminar, Gauteng	
19. Zululand Chamber of Commerce, SMME Seminar KwaZulu-Natal	
20. the dti Youth Campaign, Pretoria, Gauteng	
21. Soweto ICT Conference and Exhibition, Kliptown, Gauteng	
22. the dti Youth Entrepreneur, Mpumalanga	
23. Gauteng Premier's Office, Ga-Rankuwa, Gauteng	

KEY RISKS AND MATERIAL ISSUES

Key risks facing the NEF are listed below:

	Risk	NEF Strategic Objective	Mitigating Control
1.	<p>Recapitalisation Risk:</p> <p>The risk that the NEF will not be able to raise sufficient capital to fund the NEF's short to medium-term investment and operating activities.</p>	Provide finance to ventures established and managed by black people	Various initiatives at an Executive and Board level to look at possible options regarding the recapitalisation of the NEF are in progress. These include engagements with stakeholders such as National Treasury and the dti, applying for additional funding via the MTEF process, applying for reclassification of the NEF to enable the NEF to borrow funds as well engagements with other DFI's to lend money to the NEF.
2.	<p>People Risk:</p> <p>The uncertainty due to the recapitalisation process has led to an increase in resignations and an increase in vacancy rates.</p>	Maximise human capital readiness	Various engagements with staff regarding the recapitalisation process and the resumption of funding new transactions have improved staff morale and led to a reduction in resignations. Engagements have been held with the various departments and critical vacancies are in the process of being filled.
3	<p>Sustainability Risk:</p> <p>The risk that the NEF will not be financially sustainable due to erosion of the capital base and the NEF not having adequate capital to fund planned programs and meet medium term cash requirements.</p>	Establish the NEF as a sustainable DFI	Various actions such as close monitoring of the portfolio, re-examining the current funding instruments and increase focus on collections including taking decisive legal action against defaulting clients are being undertaken to improve building the NEF's cash reserves.
4	<p>Reputation Risk:</p> <p>Negative media coverage as well as the uncertainty regarding the NEF's recapitalisation is impacting on the NEF's reputation</p>	Establish the NEF in the South African economy as a credible and meaningful DFI	Various marketing and public relations initiatives such as media engagements, brand awareness surveys and interactions with key stakeholders are implemented to deal with negative perception as a result of negative media coverage.
5	<p>Information Technology Risk:</p> <p>The risk that the IT systems are not meeting users' requirements or the system is not fully utilised</p>	Establish the NEF in the South African economy as a credible and meaningful DFI	Implementation of an IT governance framework with increased oversight over the IT processes within the NEF has led to an increased focus in obtaining value from the NEF's investment in IT infrastructure. The analysis of existing systems to identify possible gaps is currently in progress and relevant interventions will be implemented to address identified gaps.

	Risk	NEF Strategic Objective	Mitigating Control
6	<p>Market Risk:</p> <p>The risk that changes in external market conditions have a negative impact on the viability of funded transactions.</p>	Establish the NEF as a sustainable DFI	Close monitoring of the portfolio to identify businesses that are under strain due to tough market conditions and provide appropriate support to them.
7	<p>Mandate Implementation:</p> <p>The risk of the NEF not being able to meaningfully contribute toward its mandate.</p>	<ul style="list-style-type: none"> • Provide finance and support to ventures established and managed by black people • Invest in black-empowered businesses that have high employment creating opportunities 	Robust recruitment process to ensure that adequately skilled staff are recruited to implement the mandate. The resumption of funding will also assist with implementation of the mandate.
8	<p>Credit Risk:</p> <p>Risk of exposure to high credit risk investments and poor quality of the invested portfolio.</p>	Establish the NEF as a sustainable DFI	Appointment of skilled staff to assess transactions, other processes such as managing the mix of start-ups versus later stage investments, investment policies and procedures, governance structures to approve transactions and monitoring and collection processes.

MTN – Equity Market Price Risk

The NEF received an allocation from the State of a shareholding in MTN. This constitutes approximately 40% of the NEF's invested portfolio. Any significant decline in the market price of MTN will negatively impact on the NEF's balance sheet. This area will need to be closely monitored going forward and a decision may need to be made regarding this strategic investment. 📈

“Various initiatives at an Executive and Board level to look at possible options regarding the recapitalisation of the NEF are in progress.”

NEF Annual Report 2014

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OVERVIEW OF THE ECONOMIC ENVIRONMENT

With recorded GDP growth of 1.9% in 2013, South Africa's growth momentum has been decelerating over the last few years with 3.6% and 2.5% recorded in 2011 and 2012 respectively. The economy continued to be plagued by intense and protracted industrial action, particularly in the platinum mining and the automotive industries, while infrastructure constraints and escalating costs in the electricity sector, as well as in the transport and logistics network constrained production activity in certain industries and/or prevented efficient distribution of products to final markets. On the other hand, the expenditure side saw subdued consumer confidence and spending as a result of excessive indebtedness and stretched household budgets especially in light of inflation pressures.

The IMF forecasts GDP to grow by 1.7% in 2014, while the range of growth as projected by private sector analysts is between 1.6% and 3.2%.

Despite the MPC's 50 basis point hike in the repo rate in January 2014 which was intended at anchoring inflation expectations, the repo rate remains marginally negative in real terms. More hikes (up to 100 bps overall) are however widely anticipated during the course of 2014, the first was seen with a 25 bps hike in July 2014.



Inflation was recorded at 5.9% for 2013, which was still within the target range of 3%-6%. However in line with expectations, the upper band was breached with the recording of inflation of 6.6% in June 2014. It is anticipated to return to the band by the first half of 2015.

According to the Quarterly Labour Force Survey, overall employment in the country increased by 653 000 in 2013, taking the revised unemployment rate in the fourth quarter to 24.1% (down from 24.9% reported in Q4 2012).

B-BBEE, especially with the goal of growing industrialists and rolling out the NDP, remains an imperative for the Government as articulated in the 2014 State of the Nation Address, where President Zuma said "We have to work more intensively to develop emerging or black industrialists."

He noted that many aspirant black industrialists complain about the difficulties they experience in obtaining industrial finance, supplier and retail markets, and technical production support. The NEF, the IDC and sefa would continue to provide finance to viable black-owned businesses to promote industrialisation.

"In addition, we encourage established businesses to support the development of black industrial businesses," he said.

The NEF is acutely aware and ready to continue with the work of ensuring that there is inclusive economic participation and sustainable growth. »

“ We have set a growth target of 5 per cent by 2019. To achieve this, we will embark on various measures and interventions to jump-start the economy. ”

President Jacob Zuma, State of the Nation Address, June 2014

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“The moratorium period also provided us with a much-needed opportunity to introspect. This has yielded positive results which we intend to build on as well as a more efficient deal pipeline which focuses on bankable transactions”

Mr Rakesh Garach
Acting Chairman of the Board of Trustees

LIFE TO DATE HIGHLIGHTS

Approved investments	Approved amount	Jobs supported	SPF jobs projection
549	R5.47 billion	>47 000	80 000

REPORT OF THE ACTING CHAIRMAN OF THE BOARD OF TRUSTEES

A commitment to service and growth

It is my privilege and honour to address all our stakeholders on behalf of the National Empowerment Fund's (NEF) Board of Trustees.

This year South Africa celebrates 20 years of freedom and democracy – an important political milestone in the history of our country which we are immensely proud of. The commemoration also marks two decades since the country commenced with efforts to erase the legacy of apartheid and more

than 300 years of colonialism which marginalised and excluded millions of black South Africans from participating meaningfully in the mainstream economy.

The NEF, as South Africa's only development financier mandated exclusively to drive Broad-Based Black Economic Empowerment, is privileged to be a fundamental part of the journey to making our economy inclusive. Through the provision of tailored financial and non-financial support, we have to date facilitated 549 BEE transactions worth more than R5.47 billion and contributed to the creation of more than 47 000 employment opportunities in a variety of industries across South Africa's rural and urban terrains.

We are pleased with the impact of innovative interventions such as the Strategic Projects Fund (SPF), which provides venture capital to black-owned businesses that aim to develop the country's industrial capacity within Government's identified strategic sectors. The estimated future portfolio size of the investment within SPF is R32 billion with a potential to yield in excess of 80 000 jobs.

Also commendable is the Rural and Community Development Fund, which promotes grassroots economic development in rural areas, primarily through co-operatives, enabled via new ventures finance, business acquisition and expansion capital. Others include uMnotho Fund, which provides finance for expansion purposes, new ventures, capital markets, liquidity and warehousing to black entrepreneurs and black-owned and managed enterprises; and iMbewu Fund, which offers debt, quasi-equity and equity financing of up to R10 million to black entrepreneurs.

A very welcome development is the NEF's plan to establish a Women's Empowerment Fund, which will be directly responsible for backing transactions involving black women and should be operational in the new financial year. This is a significant step in the right direction for the organisation as it seeks to increase the participation of black women in its portfolio to more than 40% in the medium term.

The launch of this fund further demonstrates the NEF's commitment to achieving the goals and objectives outlined in its overarching strategic plan as well as supporting Government's efforts to drive economic transformation across key pillars of the economy.

This development also serves as our way of acknowledging that while there have been gains made in decentralising ownership of the country's economy, these do not provide a reason for us to be complacent. This is why, as the NEF, we are particularly pleased to heed President Jacob Zuma's call for State-Owned Commercial Enterprises and other key stakeholders to drive radical economic transformation. In his 2014 State of the Nation Address, the President announced that South Africa was entering a period of "radical economic transformation", and highlighted the need to do so if the legacy of the past is to be effectively eroded.

For the NEF, it means we will be adopting a much more resolute focus on transformation of ownership and management going forward, supporting only those BEE deals that boast maximum points in those categories as well as in employment equity. We believe driving radical economic transformation has become pertinent now if South Africa is to avert a reversal of the social, political and economic gains made to date.

The Year in Review

2013/14 was a challenging year for South Africa as the country continued to fend off the effects of the global economic and Euro crisis, the depreciating

Rand, and decelerating GDP growth levels. At the time of writing, the South African Reserve Bank predicted that GDP would grow by only 1.7% in 2014.

Internally, the year was also not without its challenges for the NEF.

During the financial year under review, the organisation was compelled by declining resources and unrealised recapitalisation initiatives to declare a temporary moratorium on lending. At the same time, deliberations with our main stakeholder, **the dti** and National Treasury were in motion. We believe that declaring a temporary moratorium on new applications was a prudent decision to make. The move served to curtail the erosion of available resources at a time when the prospects for recapitalisation were uncertain.

We are pleased to report that at the end of the financial year the NEF resolved to lift a moratorium on funding, following the mobilisation of capital to the value of R950 million, through internal reserves. This will allow the NEF to continue supporting emerging entrepreneurs and black industrialists, for the growth of South Africa's economy. This decision reaffirms the importance of the NEF's mandate and allows black entrepreneurs and black-owned businesses to approach a funder which understands and appreciates their needs and challenges. Discussions with **the dti** and National Treasury are continuing regarding the recapitalisation of the NEF for this purpose.



The NEF was also subject to a forensic investigation during the year following allegations by an anonymous whistleblower. Conducted by audit firm Deloitte, the investigation cleared key NEF officials of all allegations.

The NEF emerges from these triumphs a stronger, much more focused and streamlined organisation. We believe the findings of the forensic investigation have served to affirm the integrity of the NEF's corporate governance framework.

The moratorium period also provided us with a much-needed opportunity to do some introspection. This has yielded positive results which we intend to build on, as well as a more efficient deal pipeline which focuses on bankable transactions. We have also strengthened our controls and improved on our collections capacity.

Looking Ahead

As we strive to achieve our vision to become the leading provider of innovative transformation solutions for an economically inclusive South Africa, I have no doubt that the NEF will continue to rise to the occasion in 2014/15.

The guiding framework for the achievement of our goals is in place and it is supported by our strong values of Ethics, Motivation, Performance, Ownership, Worthy, Excellence, and Respect, which are represented by the acronym EMPOWER. The Board also expressed its utmost confidence in the ability of management to run the organisation as a high-performing establishment that conducts its activities with integrity and diligence.

As we intensify the injunction to drive radical economic transformation, we welcome the opportunity to be assessed and measured against our fundamental mandate, key strengths as well as our deliverables. Our ambition remains, and that is to be regarded as a funder with a soul by black entrepreneurs and businesses seeking a financier that deeply understands their needs and challenges.

A Word of Thanks

The NEF is grateful to **the dti** for its support and guidance in the implementation of its mandate.

I would like to take this opportunity to thank the Board of Trustees which in the 2013/14 financial year performed to its highest level of excellence. Their commitment to ensuring that the NEF continues to uphold the deeply entrenched strong corporate governance principles is greatly appreciated. This spirit should continue into the new financial year.

I would like to offer a special word of thanks to the CEO for her strength and leadership in the face of false and unfounded allegations during what was easily the NEF's most trying and painful hour. As a result, the organisation's systems, integrity and values have been vindicated.

Similarly, I would like to thank the management of the NEF for its commitment and hard work. The same goes for our employees who remain our most valuable asset. Each and every member of our staff is vital to the organisation's ability to deliver on its mandate as directed by the NEF Act, the Codes of Good Practice on B-BBEE, and by the Industrial Policy Action Plan.

To our investee companies and beneficiaries of our financial and non-financial support, thank you for trusting the NEF with your dreams and objectives. We hope to continue to serve you in an ever-improving manner as we partner to help the country address its triple challenge of poverty, unemployment, and inequality. We look forward to continuing to facilitate the birth, growth and sustainability of a new generation of groundbreaking and successful entrepreneurs and black industrialists. »



Mr Rakesh Garach
Acting Chairman of the Board of Trustees
National Empowerment Fund

“We are pleased to report that at the end of the financial year the NEF resolved to lift a moratorium on funding, following the mobilisation of capital to the value of R950 million.”

Report of Acting Chairman of the Board of Trustees ”



“The second arm through which Government pursues the quest for economic growth and inclusivity is through the NEF, which provides financial and non-financial support to black enterprises for start-up, expansion and equity transformation purposes.”

Ms Philisiwe Mthethwa
Chief Executive Officer

2014 HIGHLIGHTS

Approved investments	Disbursed amount	Jobs supported	Cash collected	Value of industrial projects
30 transactions worth R418.4 million	R636 million	3 621	84% more than 2013 R351 million	R32 billion

REPORT OF THE CHIEF EXECUTIVE OFFICER

Leading the path for radical transformation

The year under review will go down in living memory as one of the most onerous, yet courageous and optimistic, in the history of the National Empowerment Fund, whose legislative mandate is to grow black economic participation in South Africa.

It had followed what was easily the most profound and triumphant year in the existence of the NEF, when the organisation was at the height of possibility,

when the NEF was at the peak of its performance, having registered the highest value and volume of approvals for black-empowered enterprises in any one year, with the former reaching R1.33 billion and the latter peaking at 135 new investees (2012: 98 transactions worth R1.16 billion).

Historical Overview

In recounting the narrative of this eventful year, we propose to revisit the genesis and the nucleus of South Africa's journey towards inclusive economic growth.

It is a narrative that begins with the advent of colonialism through land dispossession of the black majority, leading up to the forced migration of multitudes from rural areas and their oppressive survival in the urban concentration camps that mushroomed throughout the country under apartheid.

The successive minority governments engineered laws firstly through colonialism, and subsequently throughout the apartheid era, to monopolise the economic resources of the country for the exclusive preserve of white people. Black people were systematically excluded from economic participation, and various destabilisation mechanisms also denied them the right to economic participation, skills, resources and growth.

When the republic attained freedom and democracy in 1994, Government began the process of dismantling this legacy of disempowerment and exclusion of black South Africans from the economic mainstream.

Government created and mandated the NEF through the National Empowerment Fund Act to grow black participation in South Africa's national economy. Subsequently, Parliament passed the Broad-Based Black Economic Empowerment Act in order to guide the process of crafting a growing, inclusive and employment-generating economy.

One of the seminal pillars of transformation became **the dti** Strategy of 2003, which identifies a number of policy objectives, and these are important in order to fully understand the work and ethos of the NEF.

Among other objectives, this document identifies the following:

1. A substantial increase in the number of black people who have ownership and control of existing and new enterprises,
2. A significant increase in the number of new black enterprises, black-empowered enterprises and black-engendered enterprises,
3. A significant increase in the number of black people in executive and senior management of enterprises,
4. An increasing proportion of the ownership and management of economic activities vested in community and broad-based enterprises and co-operatives,
5. Increased ownership of land and other productive assets, improved access to infrastructure, increased acquisition of skills, and increased participation in productive economic activities in under-developed areas,
6. Accelerated and shared economic growth,
7. Increased income levels of black persons and a reduction of income inequalities between and within race groups.

While much that is positive and progressive has happened since then, in March 2014, Who Owns Whom, an independent research organisation, reported that black equity control on the JSE's average market cap of R11.15 trillion (for Listed Companies), stood at 3.9%, or R435 billion, for black South Africans. To "reach 25% of black control it requires an additional 21.1% worth R2.36 trillion at current estimated market cap," added the report. We submit that the continued need for an organisation whose mandate is to bridge this divide is evident and imperative.

Given this history, it follows that only a fully resourced NEF can effectively discharge its historic mandate of bringing black people into the economic mainstream.

Legislative Mandate of the NEF

Government discharges the implementation of B-BBEE through **the dti**, and specifically through its BEE Unit, which drafts and monitors policy and legislation, and provides practical guidelines for the implementation of B-BBEE for industry. The second arm through which Government pursues the quest for economic growth and inclusivity is through the NEF, which provides financial and non-financial support to black enterprises for start-up, expansion and equity transformation purposes. The NEF is also mandated to promote a culture of savings and investment among black people in South Africa.

Section 3 of the NEF Act describes the object of the NEF as "to facilitate the redressing of economic inequality which resulted from the past unfair discrimination against historically disadvantaged persons by:

- a. Providing historically disadvantaged persons with the opportunity of, directly or indirectly, acquiring shares or interest in State Owned Commercial Enterprises that are being restructured or in private business enterprises;
- b. Encouraging and promoting savings, investments and meaningful economic participation by historically disadvantaged persons;
- c. Promoting and supporting business ventures pioneered and run by historically disadvantaged persons;
- d. Promoting the universal understanding of equity ownership among historically disadvantaged persons;
- e. Encouraging the development of a competitive and effective equities market inclusive of all persons in the Republic;

- f. Contributing to the creation of employment opportunities; and
- g. Generally employing such schemes, businesses and enterprises as may be necessary to achieve the objects of this Act".

Since operational inception in 2004, the NEF, as a creature of statute, has remained steadfastly committed to the implementation of this legislative injunction, developing products and services aimed exclusively at facilitating the national strategic outcome envisaged by both Parliament and Government.

Financial Management Integrity

We are pleased to report that the NEF's financial and treasury management systems are solid, characterised by an average 5,5% interest earned from banks by fixing cash balances. For the ninth year running, the NEF has secured unqualified external audit opinions.

Our portfolio shows a 48% skew towards patient investments (ie equity and equity equivalents) that do not allow quick churning of cash invested. The total asset base of the NEF as at March 2014 is R6 billion.



Funding the funder to grow black business and the economy

The critical matter of recapitalising the NEF has been on the table over the past seven years. Following spirited efforts by the executive management, fully supported by successive Boards of Trustees, the NEF was ultimately forced by the need to sustain the enterprise to temporarily suspend approvals of new transactions at the beginning of the 2013/14 financial year. To continue trading

in the midst of uncertainty about recapitalisation would have amounted to reckless corporate behaviour, which is anomalous to NEF tradition.

The NEF was capitalised in 2004 by Government to the value of R2.4 billion, all of which was fully disbursed by 2010 as planned. Since then, the NEF has been self-financed with dividends and interests from its investments as well as proceeds from the sale in 2007 through the Asonge Share Scheme of a portion of the NEF's holding in the MTN Group. Additional capital was generated from loan repayments, which are still being collected in the normal course.

Less than a year after the moratorium was declared, the Board approved management's recommendation for its reversal, after the NEF's cash position had improved from a combination of collections, interest received and dividends earned.

At the end of March 2014, cash immediately available to the NEF for new approvals was R950 million. Since inception to date the NEF has approved over R5.47 billion worth of transactions for 549 black companies, and over the years R1 billion has been repaid and reinvested. Whilst the NEF's cash position as at March 2014 is R1.48 billion, R539 million of that related to undrawn commitments. As a development financier the NEF is a patient capital lender with funding horizons of up to 7 years for some products, and up to 10 years in the case of both rural and industrial development transactions. This means that the NEF's loan portfolio is still in the economy, and will eventually be repaid for reinvestment purposes.

Further, the moratorium was lifted not as a result of new capitalisation having been received, but indeed on the basis of both the cash at hand, active management of standing commitments and confidence in the undertaking by **the dti** and National Treasury to help find a long-term recapitalisation solution.

The NEF appreciates that this funding has not yet materialised because the global economic contagion that began in 2008 presented the country with a range of competing priorities on the social front. As South Africa emerges from a crisis that was imposed by a web of global forces, the country can once again direct resources towards meeting the challenges of propelling inclusive growth.

The funding scenarios which the NEF has explored with Government since 2009 have recently been narrowed down to the following prospects:

1. Financial recapitalisation through the annual Medium-Term Expenditure Framework (MTEF) application to the value of R2,3 billion submitted to National Treasury through **the dti**, and to be resubmitted when the next funding cycle opens up;
2. A loan facility from the DFI sector to the value of R1 billion, which is now imminent following positive discussions with **the dti**, National Treasury and the Department of Economic Development;
3. The possibility of equity allocations of Government's shareholding in non-strategic entities;
4. The NEF has applied to the National Treasury for reclassification from a Schedule 3A to Schedule 2 entity under the Public Finance Management Act (PFMA), which will improve our fund-raising ability. Our current classification is meant for entities that are substantially funded by the National Revenue Fund and restricts us from raising additional capital outside the fiscus, and
5. As a long-term initiative an intergovernmental process is underway to explore structural DFI integration.



Smeared and Cleared

As the year progressed a storm soon whirled in respect of the NEF's approval of funding for Ndalo Luxury Ventures, a transaction that easily ranks as one of our best for its vision, its courage and commercial merit, and one that has since been fully settled by the investee company.

At the height of the thunderstorm, a far greater tornado erupted regarding a range of malicious allegations that were subsequently proven to be unfortunate, untrue and unfounded, following an independent forensic investigation.

Unprecedented growth amid the tumult

It is a tribute to the NEF's resilience that amid this tumult, the organisation remained firmly focused on its mandate, because an organisation that demands sustainability for and from its investees, has to itself be buoyant.

As a result, the NEF is able to report on the following catalogue of achievements for the year under review:

1. Approved 30 transactions worth R418.4 million against a target of 20 transactions worth R175 million. In comparison to previous financial years, when the bar was considerably higher, funding performance targets were reduced because of the moratorium. These new approvals comprised applications that were already in the pipeline and were in the advanced stages of consideration when the temporary moratorium was declared in May 2013.
2. Under these circumstances, the NEF was also successful in committing 38 transactions worth R303 million against a targeted 30 worth R206 million.
3. The NEF also exceeded targets in respect of disbursements, reaching R636 million against a target of R400 million.
4. Because job creation is at the heart of the mandate of the NEF, the organisation supported a total 3 621 jobs, made up of 2 661 new jobs and 960 existing jobs, against a target total of 1 850 jobs.
5. We believe it is a noteworthy milestone that the NEF managed to reduce outstanding commitments by 54% from the time when the moratorium began.
6. One of the major risks the organisation faced was the difficulty in convincing potential contributors to the Enterprise Development Fund (ED Fund). Following the moratorium, we were successful in raising R25.8 million from five measured entities. The NEF ED Fund operates in terms of a 60:40 ratio, and potential contributors were concerned about the NEF's ability to meet its 60% contribution, with many opting instead to consider participation only after recapitalisation.
7. The cash collected in the past year alone amounts to 84% more than 2013 collections, representing the best year ever in terms of actual cash collections, which grew from just under R200 million the year before, to an

unprecedented record of R351 million. Equally pleasing is that the regional offices and the Pre-Investment department together achieved collections of 92%, which sets a new benchmark going forward.

8. The NEF's early-stage venture-capital fund, the Strategic Projects Fund (SPF), is one of the instruments through which the NEF is sculpting black industrialists, having developed a total of 21 strategic and industrial projects worth R32 billion, with the potential to support over 80 000 jobs once the projects are commercialised. These ground-breaking greenfield opportunities cut across various sectors, and include tourism, mining, minerals beneficiation, agri-processing, renewable energy, information and communications technology and infrastructure development.

Together with a range of local and international investors, the NEF has progressed a total of 10 SPF projects to subsequent development stages, as outlined with the selection below:

- a. **BusaMed Hospitals**, which migrated from Pre-Feasibility to Construction. We are particularly proud to be amongst the earliest supporters of BusaMed Hospitals, South Africa's first majority black-owned hospital group and the country's fourth largest. The R1.6 billion project aims to challenge the market dominance of South Africa's three largest private hospital groups.
- b. **Link Africa**, which moved from Bankable Feasibility to Operation. Link Africa deploys last mile fibre optics cables across the country's main metropolitan cities, and these are four times faster at less than half the cost of normal fibre. This will serve to make broadband more accessible, thereby bridging South Africa's digital divide.
- c. **KC Energy**, which progressed from Financial Close to Construction. The cogeneration project aims to develop a Combined Heat and Power (CHP) plant producing steam (60 tph) and electrical power (6MWp) for process plant usage. The plant is expected to come online in September 2014.
- d. **Mabele Fuels**, which advanced from Bankable Feasibility to Financial Close. Identified by Government as a key priority sector, the NEF also invested in the renewable energy sector through Mabele Fuels (Pty) Ltd, South Africa's first biofuels energy company. The project is intended to transform the energy sector, which Government has identified as critical for the country's prosperity. The company is a unique collaboration between black individuals and specialists in the clean energy field, and has the potential to generate more than 15 000 employment opportunities.

Our commitment is ultimately to commercialise the entire SPF portfolio so that the NEF may contribute towards the reindustrialisation, transformation and growth of our national economy, with black people at the centre.

9. The NEF seconded Investment Associates to sefa, who contributed 67% towards total sefa approvals within a 6-month period.
10. The NEF has also progressed well with entrepreneurial development, with 6 Business Today training sessions having been provided, and 64 entrepreneurs referred to our incubation partners.
11. We have established the Turnaround, Workouts and Restructuring Unit, which has been hard at work in seeking to stabilise distressed transactions.
12. We acted to ensure that no report would be published or broadcast without the view or the voices of the NEF being heard. The cumulative result was that the volume of media coverage in 2013/14 was the highest ever, and is valued by an independent media monitoring agency at an extraordinary R124 million. This comprised a total 2 153 news reports across all media platforms, with 85% deemed positive, 10% balanced and 5% classified as negative coverage. Online accounted for the bulk of the coverage at 37%, print at 33% and broadcast at 30%.
13. Meaningful work has also progressed in implementing the IST governance framework.
14. We achieved 44 socio-economic development interventions on behalf of enterprises that are owned and managed by black women, with 17 entity registrations facilitated, and training provided on a wide range of competencies, including corporate governance, technical competence and financial management.
15. The NEF's invested portfolio is spread across all nine provinces. The challenge still remains, however, for the NEF to maximise its investment presence in economically marginalised provinces, so that we can continue to bridge the divide wherever black people live.
16. In order to entrench the reputation of the NEF and to deepen relations with stakeholders we have left no stone unturned to remedy perceptions and to uphold the image and reputation of the organisation, by keeping transformation discourse alive for the benefit of the NEF's target market, and indeed for the country at large.

Fund a Woman, Fund a Nation

Since inception to date, by value, 21% of the businesses funded are owned and managed by black women, and this is expected to increase with the planned launch in the next financial year of the NEF Women's Empowerment Fund. The fund is intended to grow the participation of women to a minimum of 40%. This is our commitment to ensuring that as an organisation we take forward the historic quest to bring about gender parity in the work that we do and that we also contribute to the initiatives aimed at radically transforming society and ending patriarchy.

The Women Empowerment and Gender Equality Bill, which sets a 50% target for women's representation in all decision-making structures, public or private, marks a great shift from the previous bill which focused mainly on sanctions and fines for non-compliance.

This Bill reflects a more collaborative approach to enforcement. It will likely require amendments to practically every Act that touches on empowerment or transformation targets to insert the 50% quota for "progressive realisation". For an organisation that has long held the view that to fund a woman is to fund a nation, we applaud this bold legislative step as one that has the potential to meaningfully advance mainstreaming of gender in all spheres of society, especially the economy.

Lessons Learnt

As a direct consequence of the historical reasons discussed earlier, there is a high element of risk inherent in most of the transactions funded by the NEF. It is for this reason that the impairment provision of the NEF loan book has on average been around 15% between 2009 and 2013. This figure is not uncommon as evidenced in the SARB's Financial Stability review report issued in the last quarter of 2013, which showed that the unsecured lending provisioning levels have surpassed 15%.

In order to manage this, however, the NEF identifies all business-related risks among its investees to implement measures addressing challenges typically associated with start-up businesses.

Through its Post Investment department, which monitors the performance of NEF investees and provides ongoing mentorship support, the organisation maintains a Lessons Learnt Portal that is continuously updated. The portal is a library for all the lessons learnt, both positive and negative, from previous and existing investments of the NEF. These lessons can contribute positively towards improving the quality of the NEF's portfolio.



Below are some of the key lessons that the NEF has learnt from its funding activities over the years, and for which a range of solutions are in place:

- Poor location of businesses,
- Optimistic financial projections and over-reliance on future BEE value-add,
- Funding businesses based on specific contracts and not taking into consideration the viability of the business pre or post the contract,
- Mismanagement and misappropriation of funds by investees,
- Over-valuation of businesses leading to serious cash flow implications, especially in leveraged buy-out transactions,
- Non-operational involvement of BEE partners, passive or silent shareholders,
- Lack of financial processes and systems at implementation stage, and
- Lack of proper governance structures in investee companies.

The Road Ahead

Black economic empowerment remains a national imperative for an inclusive and growing economy. As a driver and thought-leader in promoting and facilitating black economic participation through the provision of financial and non-financial support, the NEF has evolved firmly into a credible and effective development finance institution, one that is managed with integrity and patriotic commitment to the betterment of our society.

In order to deepen this effectiveness, the immediate and long-term recapitalisation of the NEF will remain a critical priority for management, the Board and Government. We are confident that the plans that are on the table, discussed throughout this publication, will soon come to fruition because black entrepreneurs deserve no less.

With the moratorium on funding lifted, the task of rebuilding the investment pipeline will rank highly in the work of the NEF. The organisation has built up strong stakeholder relationships, systems and processes to grow its portfolio, and will be able to continue increasing deal activity once the fund is recapitalised. In doing so, the NEF will continue making a meaningful contribution to the economy.

Black empowered businesses need to be robust and self-sustaining for B-BBEE to succeed. In recognition of this fact, the various structures for monitoring, coaching and supporting the NEF's clients for risk and performance, will go into significant overdrive so that we may optimise their sustainability.

Other priorities for the period ahead will include restoring the human capital lost during the moratorium, commercialising SPF projects, growing the participation of women to 40%, and entrenching the NEF's reputation.

Republic of hope

In this pursuit we will place greater dependence on our indefatigable members of staff, the management and executive teams who, collectively, are the pillars of the empowerment dividend. We thank our Board of Trustees, past and present, for their wise and visionary stewardship of the NEF.

These objectives we will achieve working together with Government, Parliament, the NEF's investee family, the DFI sector, the private sector, the mass media and many fraternal organisations among which we are pleased to count the Black Business Council, NAFCOC, African Women Chartered Accountants, ABSIP, the Business Women's Association, the Black Business Executive Circle, and the many who share our commitment to the republic of hope. »



Ms Philisiwe Mthethwa

Chief Executive Officer
National Empowerment Fund



“Although we are products of our history, we refuse to be its victims. Instead, we are determined to be the agents of our own destiny. Just as we overcame the tyranny of apartheid, so are we determined to overcome the ongoing effects of economic marginalisation.”

Deputy President Mr Cyril Ramaphosa at the Black Business Council 2014 Annual General Meeting





“Interest income on our development activities continues to show a strong growth at 24% year on year, in line with an increasing portfolio.”

Ms Innocentia Pule
Chief Financial Officer

2014 HIGHLIGHTS

Development Assets	Return on investments (before impairments)	Operating surplus	Cost to income	Impairment provision
16% up year on year	Maintained at 8.8%	R53 million	49.2%	19.94%

REPORT OF THE CHIEF FINANCIAL OFFICER

New Developments

This is the first time that the NEF presents Group accounts following the taking over of one of our investees Zastrovect Investment (Pty) Ltd (trading as Goseame Open Market - Goseame). Goseame is involved in the wholesale and retailing of fresh produce, groceries, meat, flowers and all aspects involved therewith. The NEF provided loan financing to Goseame in June 2012 for a period of 7 years. The promoter that was supported through this transaction was however found to be in breach of loan terms which compelled the NEF to temporarily take over 100% of the entity's shareholding effective 6 September 2013 and placing interim management in the business.

With the establishment of the Turnaround, Workouts and Restructures Unit, the NEF is likely to see an increase in temporary control of certain investments.

When such temporary takeovers are made, the NEF will treat the accounting of such entities in terms of GRAP100: *Non-Current Assets Held for Sale and Discontinued Operations* and to account for such entities as disposal groups acquired exclusively with a view to dispose of them once they have been stabilised.

This report will therefore only focus on the performance and financial position of the Trust, and not go into any detail regarding the Group results as the disclosed Group position in the annual financial statements is expected to be of a temporary nature.

Financial Performance Overview of the Trust

Rm	5 year CAGR	5 year average	Annual Growth	2013/14	2012/13	2011/12	2010/11	2009/10
Financial position								
Cash and Cash equivalents	-12%	2 148	-12%	1 480	1 689	2 202	2 583	2 788
Financial markets assets	15%	1 568	34%	2 254	1 686	1 403	1 372	1 125
Investments in development activities	17%	1 654	16%	2 284	1 976	1 640	1 307	1 063
Other assets	-10%	44	-80%	14	71	58	54	24
Total assets	4%	5 415	11%	6 032	5 422	5 303	5 316	5 000
Current liabilities	6%	45	14%	56	49	44	35	41
Trust capital and reserves	4%	5 369	11%	5 976	5 372	5 259	5 281	4 959
Financial performance								
Interest on development activities	13%	136	24%	193	156	112	115	107
Interest on investments	-10%	122	-26%	76	102	137	169	128
Total interest	3%	259	4%	269	258	249	284	234
Dividends from development activities	137%	2	143%	7	3	0	0	0
Dividends from financial market assets	138%	72	26%	109	86	86	75	1
Retails share offer activities	-100%	180						180
Other operating income	-30%	35	-13%	20	24	5	1	123
Fair value gains/(losses)	-337%	146	119%	550	251	-34	-28	-7
(Loss)/Profit on disposal on investments				0	0	-15	-1	-19
Operating expense	-7%	181	-9%	200	219	192	154	143
Impairments	-2%	164	-47%	152	290	105	103	171
Surplus/(deficit) for the year	25%	197	431%	604	114	-6	75	199
Operating surplus/(deficit) for the year				53	-138	28	103	203
Financial Ratios								
Cash and Cash equivalents to total assets		40.3%		24.5%	31.2%	41.5%	48.6%	55.8%
Return on assets		3.5%		10.0%	2.1%	-0.1%	1.4%	4.0%
Return on investments (before impairments)		8.6%		8.8%	8.8%	6.8%	8.8%	10.0%
Return on investments (after impairments)		-2.0%		2.1%	-7.3%	0.4%	0.9%	-6.1%
Operating expenses to income		46.8%		49.2%	59.0%	56.4%	42.7%	26.5%
Impairment charge ratio		10.3%		6.7%	14.7%	6.4%	7.9%	16.1%

The internal focus of the organisation during the financial year, as a result of the temporary moratorium on new applications, has yielded very positive results as can be seen in the results being reported for the year.

Operating surplus (i.e. net surplus before fair value gains) for the year at R53 million is a marked improvement from the R138 million deficit reported in 2013. This resulted mainly from reduced impairment charges, increased dividend and interest income as well as reduced operating expenses year on year.

Fair value gains, which are mainly made up of the mark-to-market (mtm) valuation of the MTN shares (a share price increase from R161.48 at 31 March 2013 to R218.00 at 31 March 2014), represent unrealised net gains in our share holdings. These fair value entries are in compliance with GRAP requirements and are the main contributors to the net reported surplus for the year of R604 million.

Interest income on our development activities continues to show a strong growth at 24% year on year, in line with an increasing portfolio. This increase was mainly influenced by the focus on closing the gap between approvals and disbursements resulting in disbursements being made fairly evenly through the year.

The steady decline in interest income from investments was expected as cash was being disbursed into investments. The overall 4% year on year increase in interest income is a very good result in a year that saw rates held steady until a 50bps hike in January 2014.

The majority of our dividend income continues to flow from the MTN shares, R104.7 million accrued for the year; with the rest flowing from other listed and unlisted investments.

We continue to show good traction in the Enterprise Development initiative with R19.2 million unconditional contributions as well as R6.6 million conditional contributions received during the year. This is a total of R25.8 million raised in the year, compared to R17.9 million raised in 2013. We have approved R13.8 million during the year and disbursed R7.6 million. A good pipeline has been built to ensure that more qualifying businesses are supported going forward.

Operating expenses have reduced by 9% mainly as a result of reduced advertising and other deal origination related spend as a result of the moratorium in place during the year. Cost to income ratio has reduced to 49.2% from 59% reported last year. This is mainly due to both total income increase at 9%, and the

reduction in costs. Based on recent benchmarks, we believe that on an optimal staff complement and full scale operational momentum; this ratio should be maintained between 54% and 58%.

At 69% (60% in 2013), human capital costs continue to be the single largest overhead for the NEF. Despite having lost staff (mainly professional) in the latter part of the year, this ratio is skewed by the reduction in the operating costs as a result of the moratorium. The proportion of support staff to professional staff has been maintained at two professional staff to one support staff member.

Impairment charges have declined from the prior year mainly due to the active management of the portfolio which saw successful early interventions being made in investments that showed signs of distress. The current year's charge is also set off by R30 million in respect of the settlement agreement for the loan to a media entity impaired in the prior years.

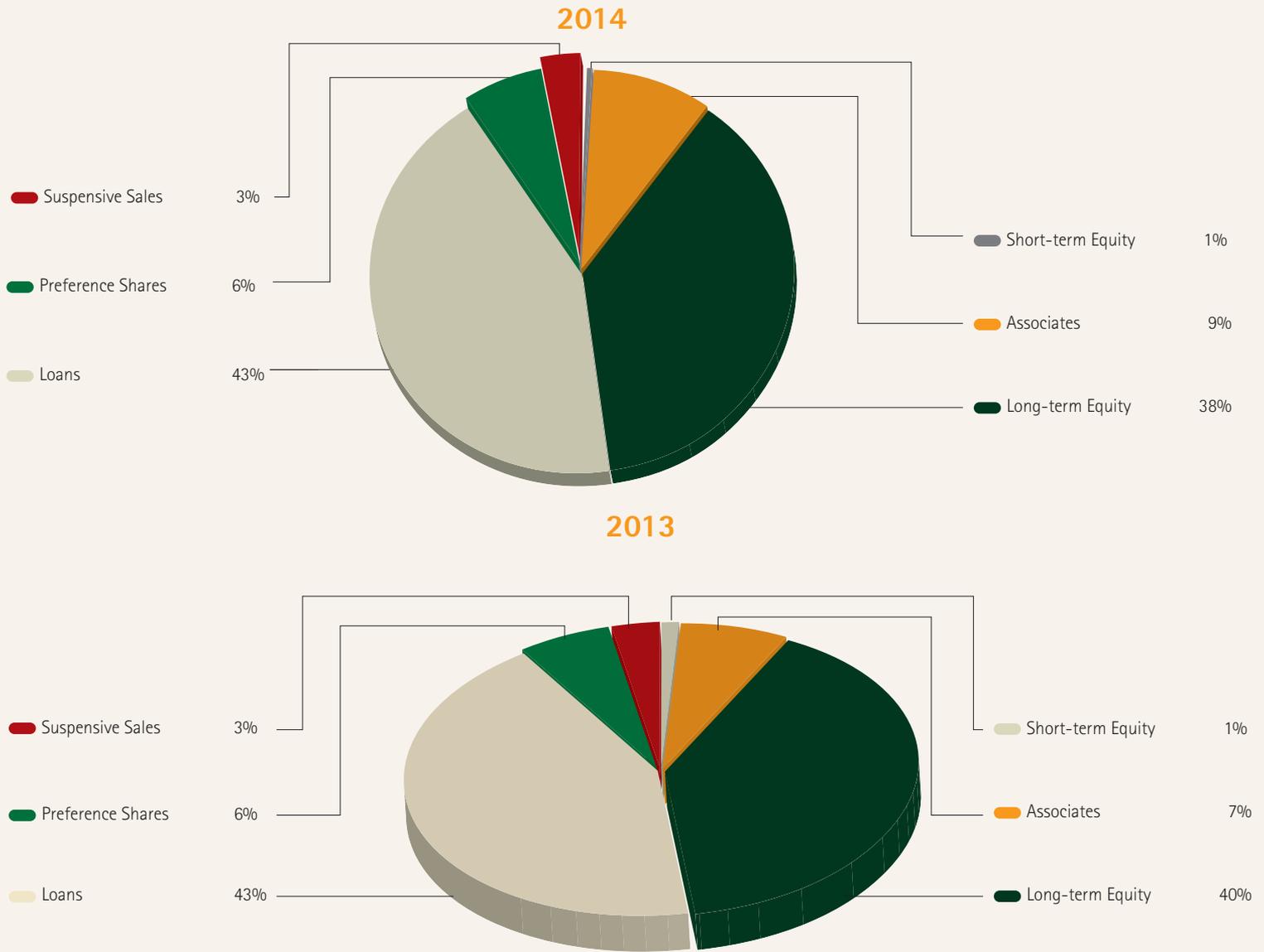
We continue to monitor our portfolio closely in order to identify investments which are showing signs of potential non-performance so that interventions may be taken on time. We further established a Turnaround, Workouts and Restructures Unit that is mandated with assisting struggling investments.

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 (excluding the 2014 mtm impact in respect of the MTN shares) were maintained at 52% since 2013. This bias in favour of non-equity instruments provides the NEF with the required element of predictable cash flows though this must be done in full consideration of the level of loans in moratorium at that 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 R89 million (R63 million in 2013), this indicator accounts for the ability for cash and investments to sustain the operational overheads of the NEF.

Although the collection ratio (measured as receipts as a percentage of instalments raised) at 87% has reduced from the prior year's 98%; our total collections on the portfolio at R351 million is 84% higher than total portfolio collections made in 2013. We have further continued to closely monitor the level of loans in moratorium, which we aim to keep within a range of 35% and 40% of the carrying value of the loan book. We have managed to reduce this ratio to 34% (39% in 2013) as the impact of new disbursements was tapered down by existing loans that came out of moratorium and started paying as scheduled.

Following a rigorous interrogation process, we have implemented the new impairment model that will assist us in regularly monitoring the performance of our growing book. The aim is to have a full review process on the level of impairments on a quarterly basis.

Portfolio impairment provisioning in the year reduced to 19.94% from the prior year's 20.01%. This was mainly as a result of concerted efforts to identify issues early and assist businesses to turn the corner. Write offs of R87.1 million were made in the year (R3.5 million in 2013) following a long process of recovery. Whilst management is currently of the view that the chances of recovery at this point are negligible, the legal processes of bad debt recovery where applicable will continue.

Fair value movements on equity positions (excluding MTN) at a loss of R22.2 million have increased from the prior year's R16.3 million reported loss. This was mainly as a result of the net loss on listed shares held for trade against a net gain recorded in the prior year.

Overall return on investments before impairments for the year is 8.8% (8.8% in 2013) and after the impact of impairments is 2.1% (-7.3% in 2013). Gross return on investments has been maintained year on year in line with the steady rate environment experienced in the year, and has on a net basis improved due to the lower impairment charge in the year.

IT Management

With the formalisation of the IT Governance Framework, an IST Steering Committee was established to:

- provide strategic leadership for IST through the alignment of IST strategic objectives and activities with enterprise strategic objective and processes;
- prioritise IST investment initiatives and deliver final approvals and recommendations on proceeding with proposed IST projects;
- ensure open communication between the IST department and the other functional units of the NEF so as to promote collaborative planning;
- monitor and manage the IT spent and return on investment;
- monitor IST related risks and ensure that the risks are adequately managed within the IT department; and
- ensure effective IT Governance is in place within the department.

It is a sub-committee of the Executive Committee and is chaired by the CFO. Periodic feedback is given to the Executive Committee, the Audit Committee and the Board.

The first sitting of this committee was in July 2013, and good progress has been attained in the three priority projects that the committee prioritised for the year, namely getting an updated printing solution for the organisation, CRM functionality enhancement and CreditEase (a loan management system) version upgrade. An organisation wide printing solution and version upgrade of the loan management systems are expected to be implemented and finalised during the 2014/15 financial year, while the scoping to the CRM functionality enhancement project, following an extensive business analysis process, will determine the timelines for the next phase of this project.



We remain committed to ensuring the stability of our IT systems, with 97.7% system availability attained during the year. Security is maintained through regular penetration testing and annual health checks and constant monitoring of both our IT infrastructure and applications.

We have worked on improving the reliability and efficiency in our networks by installing fibre data lines. Once this is rolled out in the new financial year, we expect to realise cost savings of up to 40% in fixed line voice call charges currently incurred.

Supply Chain Management

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

The NEF issued six (06) public tenders (Request for Proposals - RFP) and one (01) Request for Quotation (RFQ) for Annual Report Design 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 all of the relevant practice notes.

Table 1: Number of Public Tenders issued and considered (RFP)

Tender	Tender Number
HR Recruitment Services	RFP: NEF 01/2013
Cleaning Services	RFP: NEF 02/2013
Security Services	RFP: NEF 03/2013
Travel Management Services	RFP: NEF 04/2013
Rental and Maintenance Printing Solution	RFP: NEF 05/2013
Provision of Conference and Events Management Services	RFP: NEF 06/2013

Table 2: Number of Requests for Quote (RFQ)

Tender	RFQ Number
Provision of Annual Report Design	RFQ: NEF 01/2013

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.

The Procurement Committee is tasked with monitoring progress against B-BBEE procurement targets. For the financial year R31.4 million of our Procurement Spend went to 273 suppliers. In total, 49.83% (52.19% in 2013) of our procurement expenditure went to majority black-owned suppliers; 18.32% (17% in 2013) of which went black women-owned businesses.

It is also important to note that as part of the SME development programme within the Supply Chain Management department, 62.39% of these majority black owned businesses report turnovers that are up to R35 million per annum:

Our supply chain has been able to maintain the highest levels of good governance. No procurement irregularities were identified during the period.



Focus for the year ahead

We are delighted and relieved by the recent lifting of the moratorium on new funding of transactions as announced on 29 April 2014. The introspective work that was done during the moratorium period has yielded positive results and we will continue entrenching the gains made thus far.

We are also energised and working hard at exploring a structural DFI integration. The process is expected to yield mutual synergies and efficiencies that will result in a much stronger entity that will take the aspirations of black business forward.

As you might have noted, the flow and format of this report has materially changed from the style adopted in the past, with the aim of laying a strong foundation for issuing our first integrated report in the 2014/15 financial year. I am very excited by this and other plans in motion to get us there and would like to thank all that have been involved with the project thus far for their invaluable inputs.

Acknowledgements

I would like to express my heartfelt gratitude to the finance department and all support teams for their hard work. I would also like to thank the Executive team and the Board, including the Audit Committee for their continued support. 🙏



Ms Innocentia Pule
Chief Financial Officer
National Empowerment Fund

“We are delighted and relieved by the recent lifting of the moratorium on new funding of transactions as announced on 29 April 2014. The introspective work that was done during the moratorium period has yielded positive results and we will continue entrenching the gains made thus far.”

Report of the Chief Financial Officer

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PERFORMANCE REVIEW

Strategic Objectives

The NEF's key strategic outcome oriented goals against which performance is reported 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. Support the participation of black women in the economy
4. Facilitate investment across all provinces in South Africa
5. Encourage and promote savings, investment and meaningful economic participation by black people
6. Advance black economic empowerment through commercially sustainable enterprises
7. Establish the NEF in the South African economy as a credible and meaningful DFI
8. Establish the NEF as a sustainable DFI

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

Key Achievements

The NEF is proud of the accomplishments listed below, which were achieved under extraordinary circumstances. Whilst good progress was made in prior years, the suspension of new approvals from 1 June 2013 to 29 April 2014 resulted in slow progress against transaction-related performance measures.

The NEF was afforded the opportunity to reset its targets as a result of the moratorium on new loans during the year. It is against these revised targets that performance is presented below. This should be read in conjunction with the table titled "Performance against the Annual Performance Plan."

Provide finance to business ventures established and managed by black people

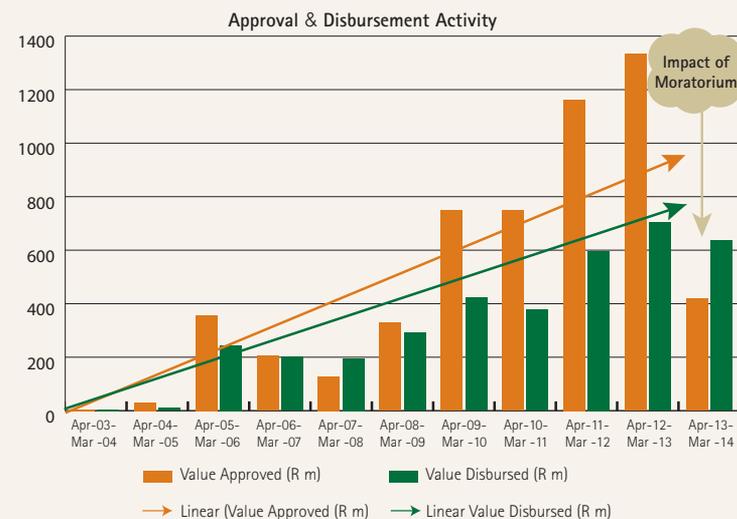
The NEF has continued to advance B-BBEE through its financial support of black business, albeit on a smaller scale than the last four financial years due to the moratorium. Financial support is delivered to black entrepreneurs through the NEF's four funds. These are the uMnotho Fund, Strategic Projects Fund, iMbewu Fund, and Rural and Community Development Fund.

In 2013/14, the NEF has approved 30 new transactions worth a total of R418.4 million, committed to 38 transactions worth R303 million, and disbursed a total of R636 million¹.

The NEF has performed well in terms of approvals and commitments, despite the temporary suspension of new approvals during the year. The lower transaction activity as a result of the temporary suspension has resulted in a significant decline in approvals compared to the previous four years. The disbursement of funds was marginally lower compared to the previous year despite the moratorium, given that R636 million was disbursed during the current year compared to R703 million last year. Disbursements were made against deals approved in the current as well as prior years.

Activity within the NEF ED Fund is progressing well, with annual targets for the number of contributors secured towards the NEF ED Fund being met. A total of five contributors have participated in the fund to the tune of R25.8 million. Given the long lead time to market our services and to secure funding from potential contributors, this is an excellent outcome.

Figure 2: Approval and disbursement activity since inception



¹ Please note that the NEF revised the definitions for deal status for use in operational reporting in alignment with industry practice. The new definitions were effective from 1 April 2013 and are defined in the section titled "Acronyms".

Table 3: Performance Information by Fund

Programme	Value of Transactions Approved (R m)	Value Disbursed* (R m)
uMnotho Fund	153.4	200.5
Strategic Projects Fund	192.7	180.9
iMbewu Fund	60.1	159.3
Rural and Community Development Fund	4.0	95.4
Headroom facilities on existing investments	8.2	Included in disbursed values for Funds above
Total	418.4	636.1

* Distributed for the year included undrawn commitments from the prior year

Table 4: NEF Investment Performance: Approved Deals

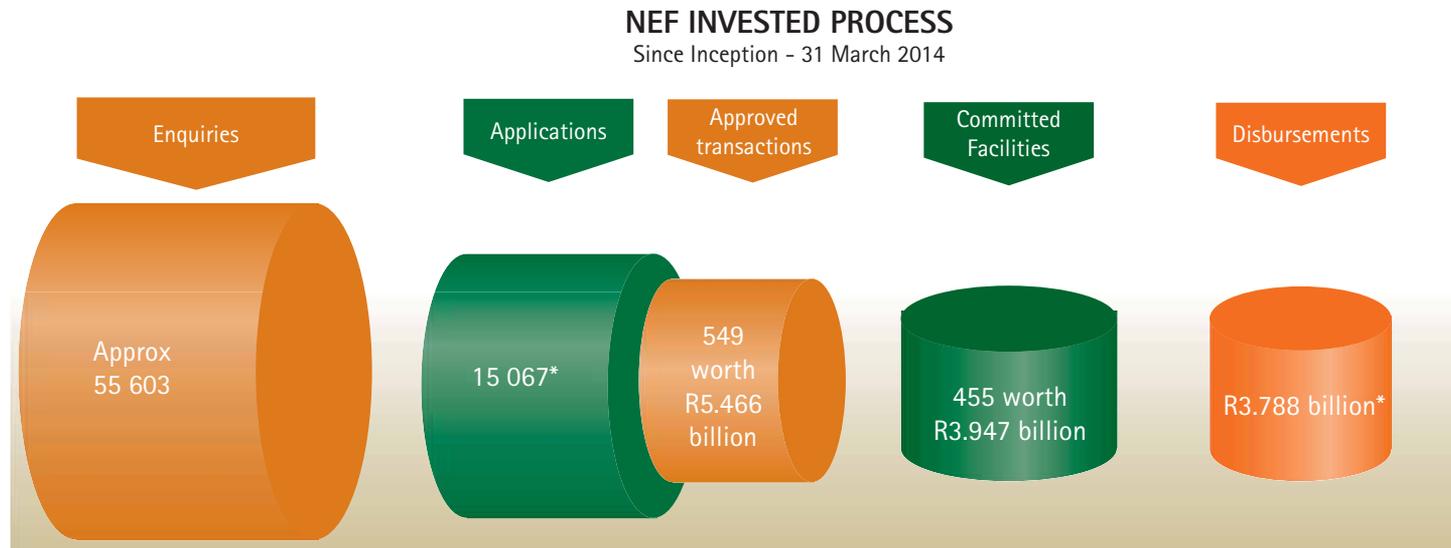
NEF APPROVED DEALS						
Period	Value Approved during the year (R m)	Target Value of Approvals for the year (R m)	Cumulative Value Approved as at relevant date (R m)	Number Approved	Target Number of Approvals for the year	Cumulative Number Approved as at relevant date
Apr-03 - Mar - 04	5		5	1		1
Apr-04 - 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
Apr-13 - Mar-14	418	175	5 466	30	20	549

Table 5: NEF Investment Performance: Committed Deals

NEF COMMITMENTS						
Period	Value Committed during the year (R m)	Target Value of Commitments for the year (R m)	Cumulative Value Commitments as at relevant date (R m)	Number Committed	Target number of Commitments for the year	Cumulative Number Committed 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
Apr 13 - Mar 14	303	206	3 947	38	30	455

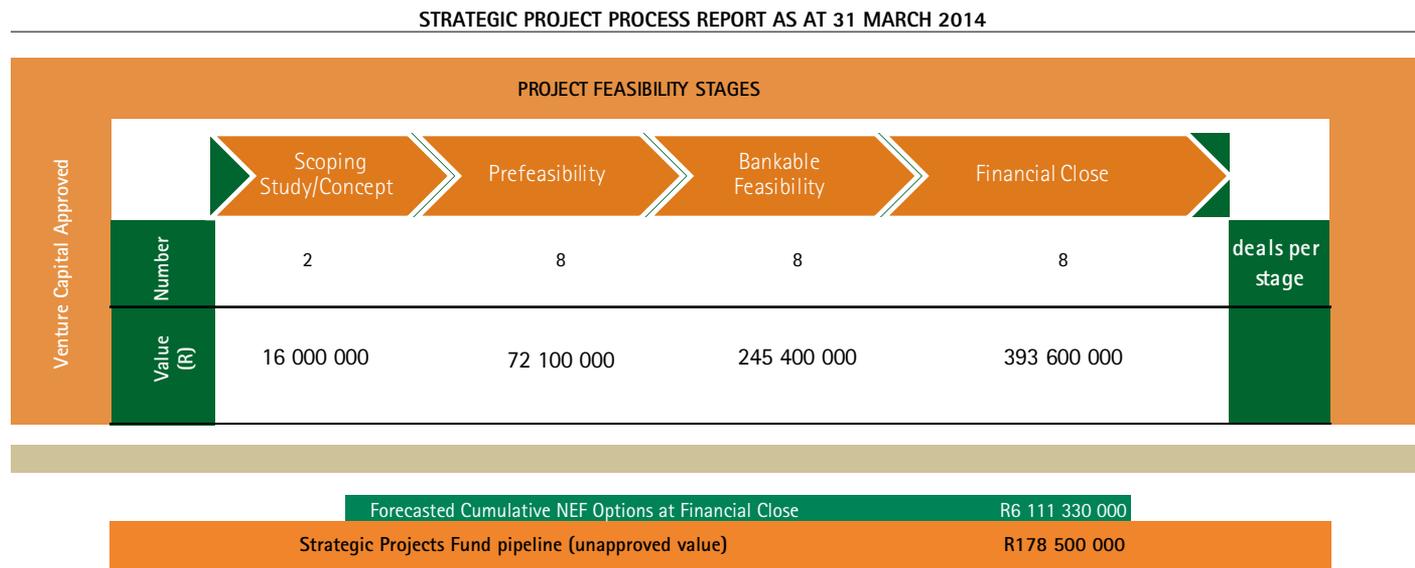


Figure 3: NEF Invested Process Report



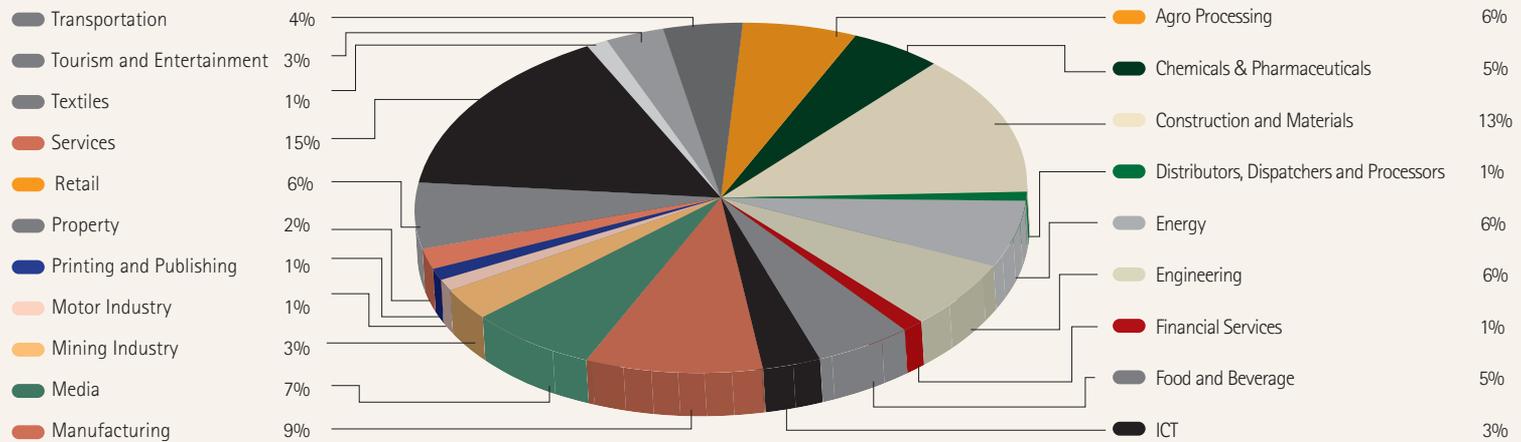
* Please note that applications are not necessarily linked to enquiries

Figure 4: Strategic Projects Fund Process Report



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 the New Growth Path, the NIPF and IPAP. The current invested portfolio as presented in Figure 5 below demonstrates the sectoral spread of the portfolio invested.

Figure 5: NEF Invested Portfolio by Sector



Invest in black empowered businesses that have high employment creating opportunities

Disbursed funds have supported about 3 621 jobs as reported by investees at approval stage. The NEF had set itself the target of supporting at least 1 850 jobs, which is much lower than last year as a result of the suspension of new approvals. The job support ratio achieved this year is R114 247 per job, which is substantially higher than last year's ratio of R60 848. This results from fewer deals being funded as well as the fact that this year's deals supported fewer jobs on average compared to last year.

Support the participation of black women in the economy

The NEF continues to emphasise the empowerment of black women. The portion of the portfolio funded during the year owned by women is about 25%. This is in line with our target. This is a better achievement than last year (21%) and we will continue this trend.

Facilitate investment across all provinces in South Africa

By virtue of the NEF's head office being located in the economic heartland of Gauteng, our invested portfolio is predominantly Gauteng-based. Consequently we strive to balance our portfolio across all provinces, and to contribute towards increased economic activity in historically economically repressed regions. This has improved since the establishment of regional offices since 2010/11 financial year.

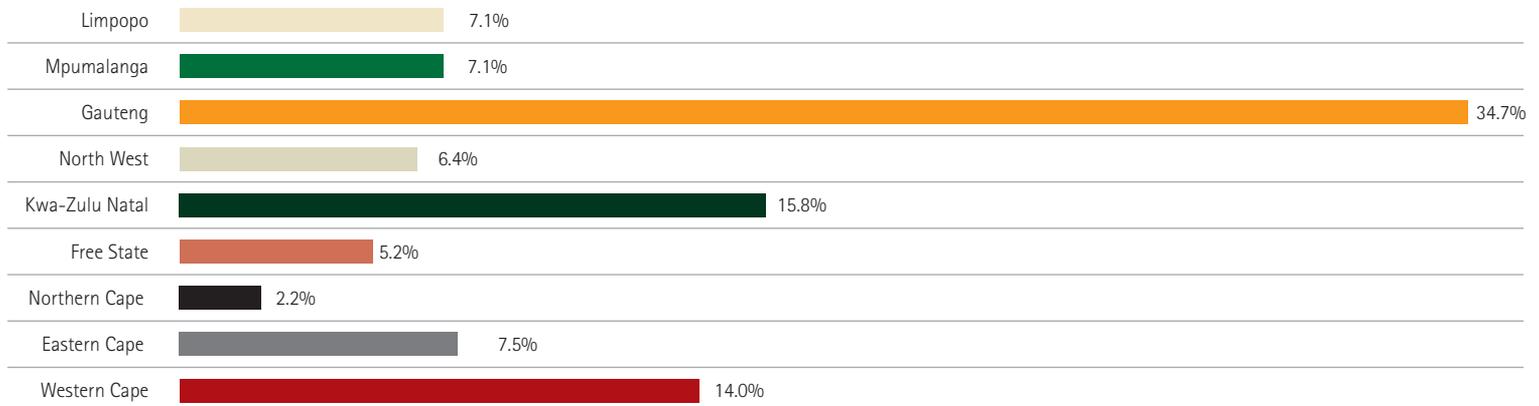
Furthermore, the proportionate value of the portfolio invested in other provinces has increased from 50% to 51%, as a result of new investments in the Eastern Cape, Free State, Northern Cape, Mpumalanga and Limpopo.

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



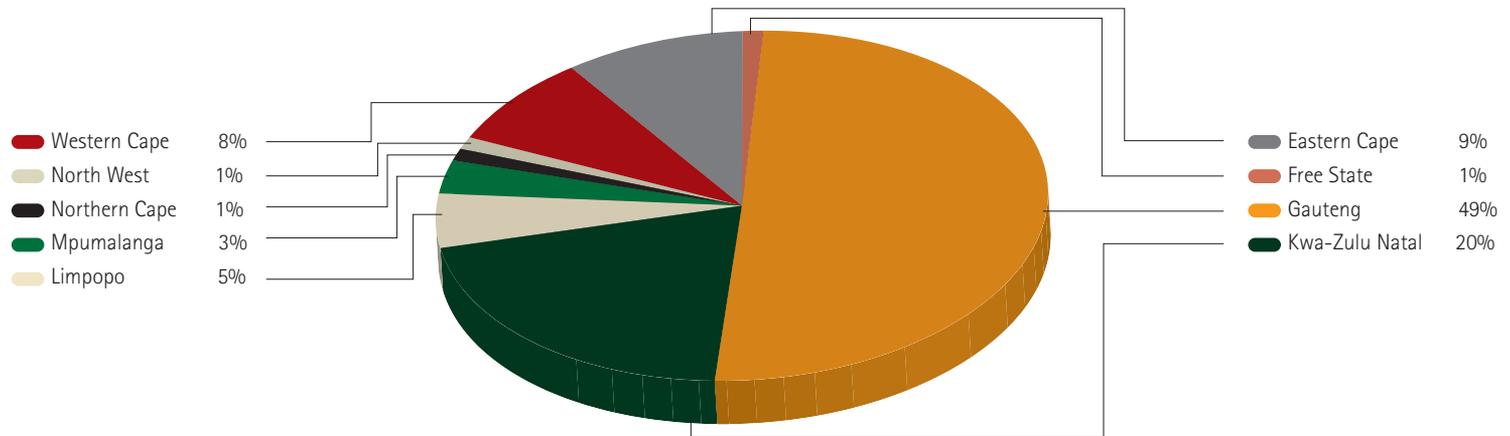
Figure 6: NEF Investment by Province

GDP Contribution by Province



Source: StatsSA (November 2013); Gross Domestic Product, Third quarter 2012 (The GDP contribution by province has been updated with the most recent available statistics from Statistics South Africa, in order to be able to match the performance to the most current available statistics)

NEF Invested Portfolio per Region by Value Since Inception to 31 March 2014



Encourage and promote savings, investment and meaningful economic participation by black people

The NEF continues with its programmes to encourage and promote savings, investment and meaningful economic participation by black people, and to promote the universal understanding of equity ownership through its Investor Education campaign. The seminars are open to the general public and are held in rural towns and community centres in order to reach people who may not be able to access this information through other means. They enable the NEF to reach new audiences for the purpose of encouraging savings and entrepreneurship.

The NEF has not achieved the set target of 32 seminars as a result of the format of the Investor Education campaign being reviewed during the year. The revised campaign programme promotes entrepreneurship in addition to the understanding of savings and investments, which used to be the primary focus of the campaign. We have also collaborated with strategic partners to provide a holistic understanding of the services available with regard to savings and entrepreneurship. These partners include the Companies and Intellectual Property Commission (CIPC), the National Credit Regulator (NCR), the Small Enterprise Development Agency (Seda), the Savings Institute and local economic development departments.

The revised campaign commenced with four seminars in rural Limpopo during February 2014 and was well attended.

Advance black economic empowerment through commercially sustainable enterprise

Not only does the NEF provide financial support to black entrepreneurs, but it also strives to promote sustainable entrepreneurship through the provision of training and development programmes, including incubation services. Mentorship interventions are also provided to investees where required.

The NEF invested R3.1 million in mentorship interventions during the year to investees who needed to improve either their general management or technical skills. This was against a mentorship budget of R3 million for the year. The mentorship programme is managed by the NEF's Post-Investment Unit, which is responsible for monitoring the performance of the invested portfolio.

Six business skills training sessions have been held for potential applicants (against a target of five sessions), and 64 entrepreneurs were referred for incubation during the year (against a target of 60 referrals). The Business Today training and incubation services are aimed at nurturing entrepreneurial ideas into feasible business opportunities.

Establish the NEF in the South African economy as a credible and meaningful development finance institution

In order to increase the utilisation of the NEF's services and financing products, the marketing and communications team aims to improve perceptions about the NEF. This is measured every second year through a Brand Audit survey, which was last performed during 2012/13, is planned to commence in 2014/15.

2013/14 proved to be an extraordinary year for the NEF in terms of the exposure received for the recapitalisation of the NEF, for enquiries around deals funded, as well as enquiries on corruption and fraud charges against the CEO and two Senior Managers. Although this coverage had the potential to impact negatively on the NEF's reputation, the NEF responded proactively to enquiries, and clarified issues raised by the media. There was also a surge in the coverage following the release of the independent forensic investigation report by audit firm Deloitte that cleared the CEO and the Senior Managers of any wrong doing.

The NEF achieved an Advertising Value Equivalent (AVE) of R124 million, which can be attributed to the media interest in the fraud and corruption charges, queries relating to investments made by the NEF, and the profiling of investees. The extent of advertising targeting new applications or call to action was reduced in line with the temporary suspension of new funding approvals, however we have continued to engage various stakeholders and deliver presentations on the mandate, performance as well as the NEF products and services.

Establish the NEF as a sustainable DFI

The health of the NEF's portfolio is important to ensure the sustainability of the fund. Sound financial and portfolio management are critical. Key performance indicators such as impairments, return on investment, collection rates and portfolio risk are monitored on an on-going basis.

The impairment provision is 22.27% on the loans portfolio and 19.94% on the entire disbursed / investment portfolio. This is in line with the target of 21%.

The return on investment for the year was 8.8% on the loans portfolio and 10.1% on the entire portfolio, which meets the target range of 8% to 10%.

Key challenges and proposed solutions

The NEF met 14 of the 15 targets (93%) it had set itself for the year ending 31 March 2014.

The most significant challenge facing the NEF relates to recapitalisation risk. The Board of Trustees' decision to temporarily suspend the funding of new approvals during 2013/14 was taken in order to mitigate this risk. This is discussed at length as part of the key risks for the NEF as well as in the CEO and Chairman's reports.



The NEF experienced delays in the rollout of the Investor Education seminars in 2013/14. This was a result of the change in format of the workshops. Four seminars were successfully held in Limpopo towards the end of the financial year in the new format and with the new partners on board. Planning has begun for the programme rollout in 2014/15 and we do not anticipate any challenges.

Increasing the participation of black women in the economy remains a priority for the NEF. In order to support this objective, the NEF is establishing a Women's Empowerment Fund, which will be directly responsible for funding transactions promoted by and involving black women. Our aim is to increase participation of black women in the NEF's portfolio to more than 40% in the medium term.

The portfolio is actively monitored as it is a key indicator for our sustainability. In order to improve monitoring effectiveness, a Turnaround, Workouts and Restructures Unit has been established. This unit will assist in early interventions for investees showing signs of potential distress.

“Financial support is delivered to black entrepreneurs through the NEF's four funds. These are the uMnotho Fund, Strategic Projects Fund, iMbewu Fund, and Rural and Community Development Fund.”

NEF Annual Report 2014

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Performance against the Annual Performance Plan

The NEF met 14 of the 15 targeted performance indicators, which equates to 93% of the set targets. These are outlined below.

Strategic Objective	Performance Measure or Indicator	Annual Target 2013/14	Achievement 2013/14	Reason for Variance
Advancing B-BBEE				
Provide finance to business ventures established and managed by black people	Value of deals approved by the NEF (R million)	R175 million	R418.4 million	This is influenced by the approval of at least two large transactions which were approved at the discretion of the Board, as well as headroom facilities on deals in the invested portfolio.
	Value of new commitments	R206 million	R303 million	The commitments are based on the new approvals as well as a commitment for a deal that was approved during a prior financial year.
	Number of new Enterprise Development contributors secured	Secure at least five (5) new contributions	Received contributions from five contributors worth R25.8 million	No variance noted
Maximising the empowerment dividend				
Invest in black empowered business that have high employment creating opportunities	Number of jobs expected to be supported or created	Support at least 1 850 new or existing jobs	New disbursements supported 3 621 jobs (2661 new jobs and 960 existing jobs) as reported by investees at approval stage.	The deals funded supported a large number jobs compared to previous years
Support the participation of black women in the economy	Percentage of portfolio owned by black women	25%	25%	No variance noted
Facilitate investment across all provinces in South Africa	Maintain/ increase proportionate value of the portfolio invested outside Gauteng	Maintain/ increase proportionate value of the portfolio invested outside Gauteng	The proportionate value of the portfolio invested in the listed provinces has increased from 50% to 51%, which was driven by new investments in the Eastern Cape, Free State, Northern Cape, Mpumalanga and Limpopo.	No variance noted
Optimising non-financial support				
Encourage and promote savings, investment and meaningful economic participation by black people	Number of seminars held across the country	32 Investor Education seminars per year	Four Investor Education seminars held in Limpopo	The format of these seminars was revised. Final approval of the revised implementation plan was only obtained late in 2013, with the first round of seminars rolled out in early 2014.

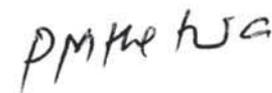
Strategic Objective	Performance Measure or Indicator	Annual Target 2013/14	Achievement 2013/14	Reason for Variance
Black economic empowerment is advanced through commercially sustainable enterprise	Value of mentorship intervention	R3 million	R3.1 million	Mentorship is rolled out as required by investees
	Number of Business Today Training sessions provided	5 training sessions per year	6 training sessions held	The additional training session was held to match the demand for training
	Number of entrepreneurs referred for business incubation	60 referrals for incubation per year	64 referrals for incubation	The demand for incubation was high
Financial efficiency and sustainability				
Establish the NEF as a sustainable DFI	Percentage of portfolio impaired	21%	The impairment provision is 22.27% on the loans portfolio and 19.94% on the entire disbursed/ investment portfolio.	Within target set
	Target ROI before impairments	8-10%	The return on investment for the year is 8.8% on the loans portfolio and 10.1% on the entire portfolio.	No variance noted
	Collections ratios	72.5%	87%	Additional receipts have been received from cash sweeps and payments towards preference shares
	Manage portfolio risk	High risk clients: <35%	Exposure by value to high risk clients is 30%	No variance noted
	Develop capitalisation strategy for the sustainability of the fund	Submit applications for funds from NT, the IDC and any other suitable funders	Various engagements were held with stakeholders including various meetings with the Minister of Trade and Industry.	No variance noted



Mr Rakesh Garach

Acting Chairman of the Board of Trustees

31 July 2014



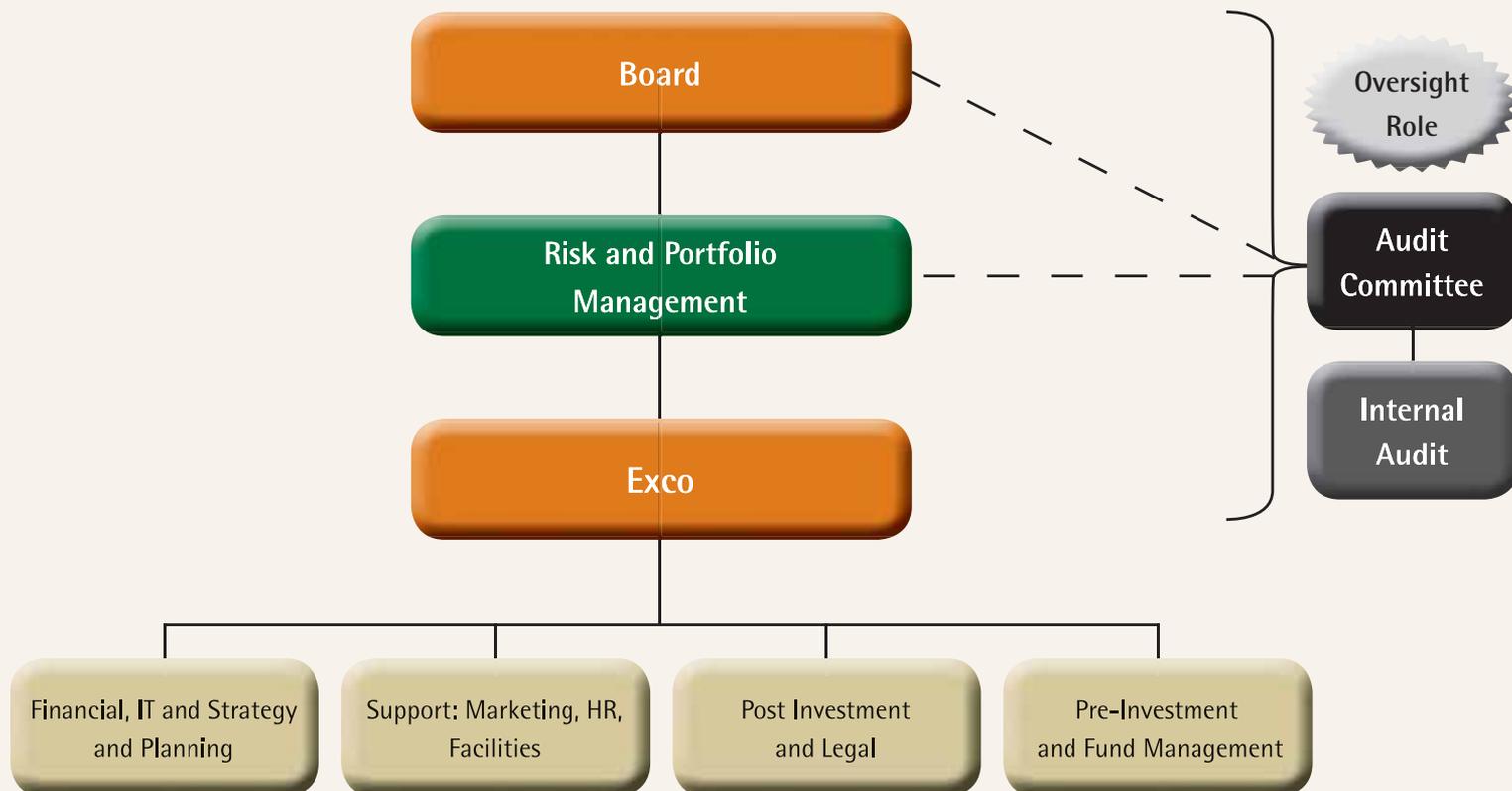
Ms Philisiwe Mthethwa

Chief Executive Officer

ENTERPRISE-WIDE RISK MANAGEMENT

The NEF's mandate requires it to operate in a high risk environment i.e. funding individuals that have minimal own contribution that would normally not qualify for loans from financial institutions. In light of this a strong risk management process is required. We have a strong culture of risk awareness and risk management is the responsibility of all staff. An enterprise-wide approach requires an organisation to cover all risks: strategic, operational, financial, people and reputation risks.

The NEF's Risk Management Structure:



As per the King III report, the Board is responsible for risk governance. It has established a separate Risk and Portfolio Management Committee to review the risk management process, its effectiveness, the key risks facing the organisation and appropriate responses and performance monitoring of the NEF's portfolio.

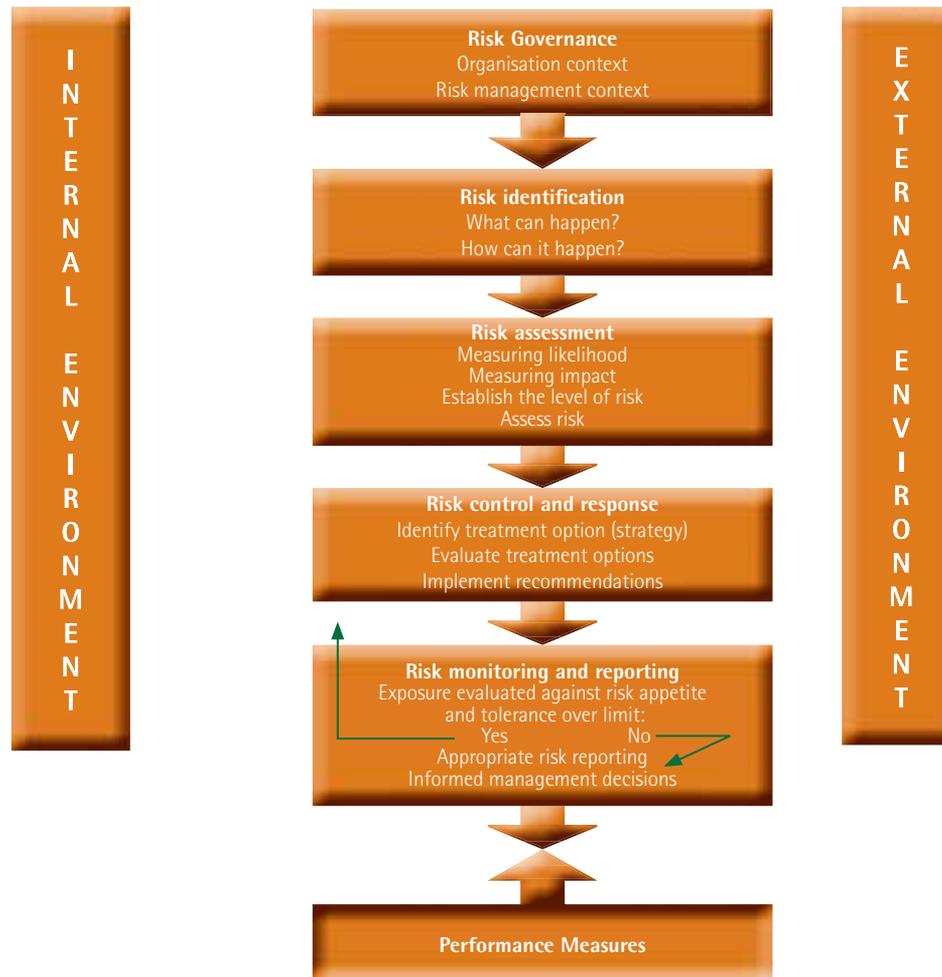
The Audit Committee provides assurance over the risk management process. An independent review by the internal audit function is performed on an annual basis.

Risk Management Framework

The NEF's Risk Management Framework draws from international best practice as well as domestic regulations. These include guidance provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the Institute of Risk Management Standards of South Africa (IRMSA) Code of Practice, the Public Finance Management Act and National Treasury regulations.

The ERM (enterprise-wide risk management) methodology of the NEF consists of the following interrelated components: internal environment, objective setting, risk identification, risk assessment, risk control and response, risk monitoring and reporting, and risk performance measurement. These components are derived from best practice with respect to ERM governance. The diagram below outlines the components of the ERM processes followed.

NEF Risk Management Methodology



The framework is continuously benchmarked against best practice such as the International Standard on Risk Management (ISO 31000) and King III report and where required relevant changes are made to the framework.

NEF Risk Assessment Process

The NEF's risk assessment process is diagrammatically shown below:



The risk assessment process results in the output of the risk universe, allowing key risks to be identified. The risk assessment exercise is completed on an annual basis and the divisional risk registers are updated on a quarterly basis to identify any emerging risks and track progress.



Risk Appetite and Tolerance Process

Defining an effective risk appetite is a necessary pre-requisite for a sound risk management framework. During the period under review a significant amount of time was spent on the NEF's risk appetite. Scenarios were examined by Exco and the relevant Board sub-committees to try and determine the acceptable level of risk that the NEF can tolerate in pursuit of its objectives. The lack of clarity regarding the NEF's future re-capitalisation however made this a challenging exercise. Until finality is established, it will be difficult to determine the level of risk to be taken on. Should future funding come via borrowings the level of risk to be taken on may be less than should funding be provided from grants.

Board's view on effectiveness of the NEF's Risk Management process

At the request of the Audit Committee the outsourced internal auditors, Nkonki performed a review of the NEF's risk management processes. The overall audit received a satisfactory rating. Work is currently in progress to develop an Enterprise-wide risk management maturity model for the NEF in line with the audit recommendations. »

“The NEF's Risk Management Framework draws from international best practice as well as domestic regulations. These include guidance provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), the Institute of Risk Management Standards of South Africa (IRMSA) Code of Practice, the Public Finance Management Act and National Treasury regulations.”

NEF Annual Report 2014

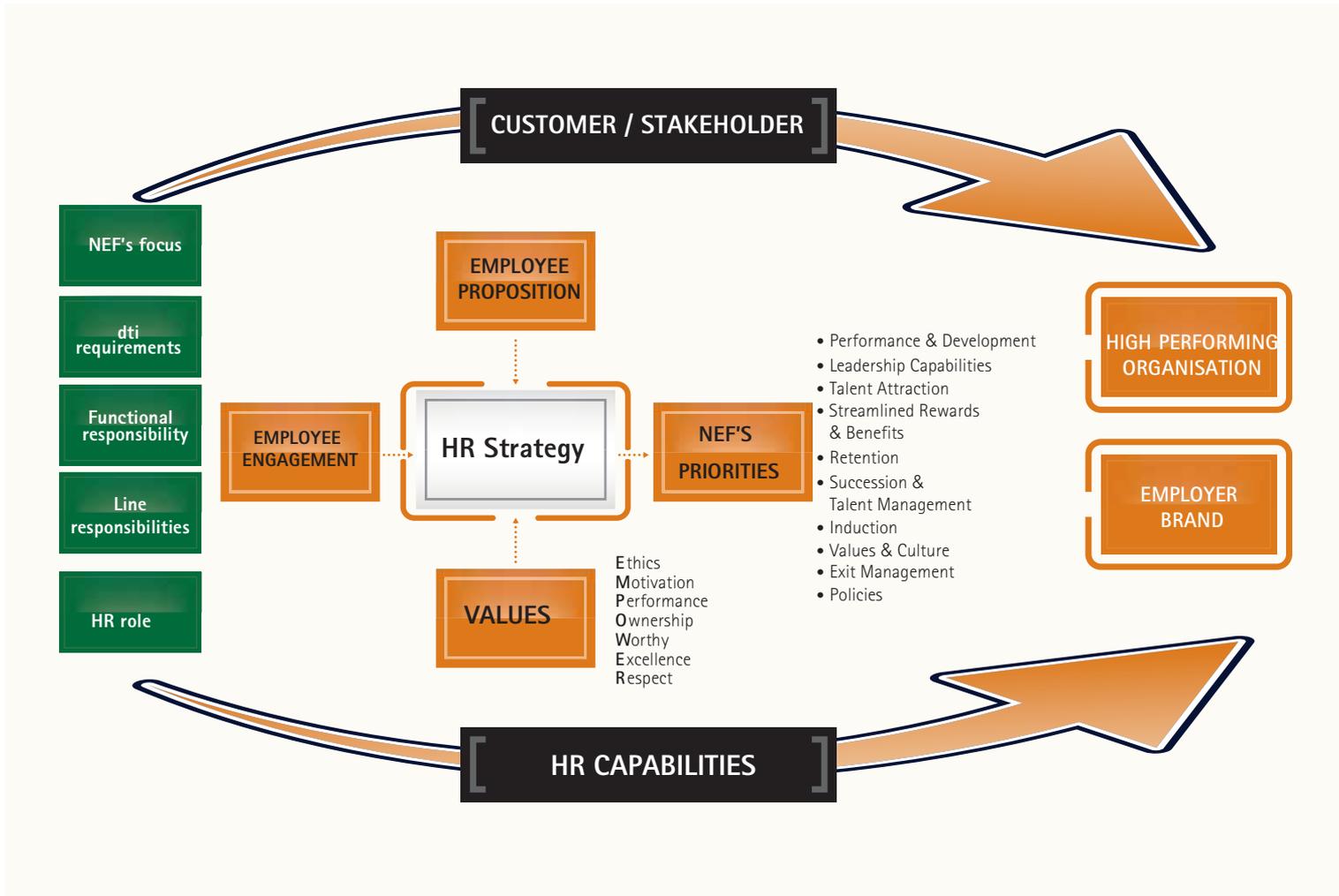
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INVESTING IN HUMAN CAPITAL

The human capital focus is to enhance employees' capabilities so that they are able to contribute to and fulfil the NEF's mandate. It is critical to implement the best people management practices to ensure that all staff interventions and practices support the organisation's objectives. To support the enhancement of our human capital, the value drivers of attraction, retention and performance and development are therefore crucial given the NEF's future growth plans.

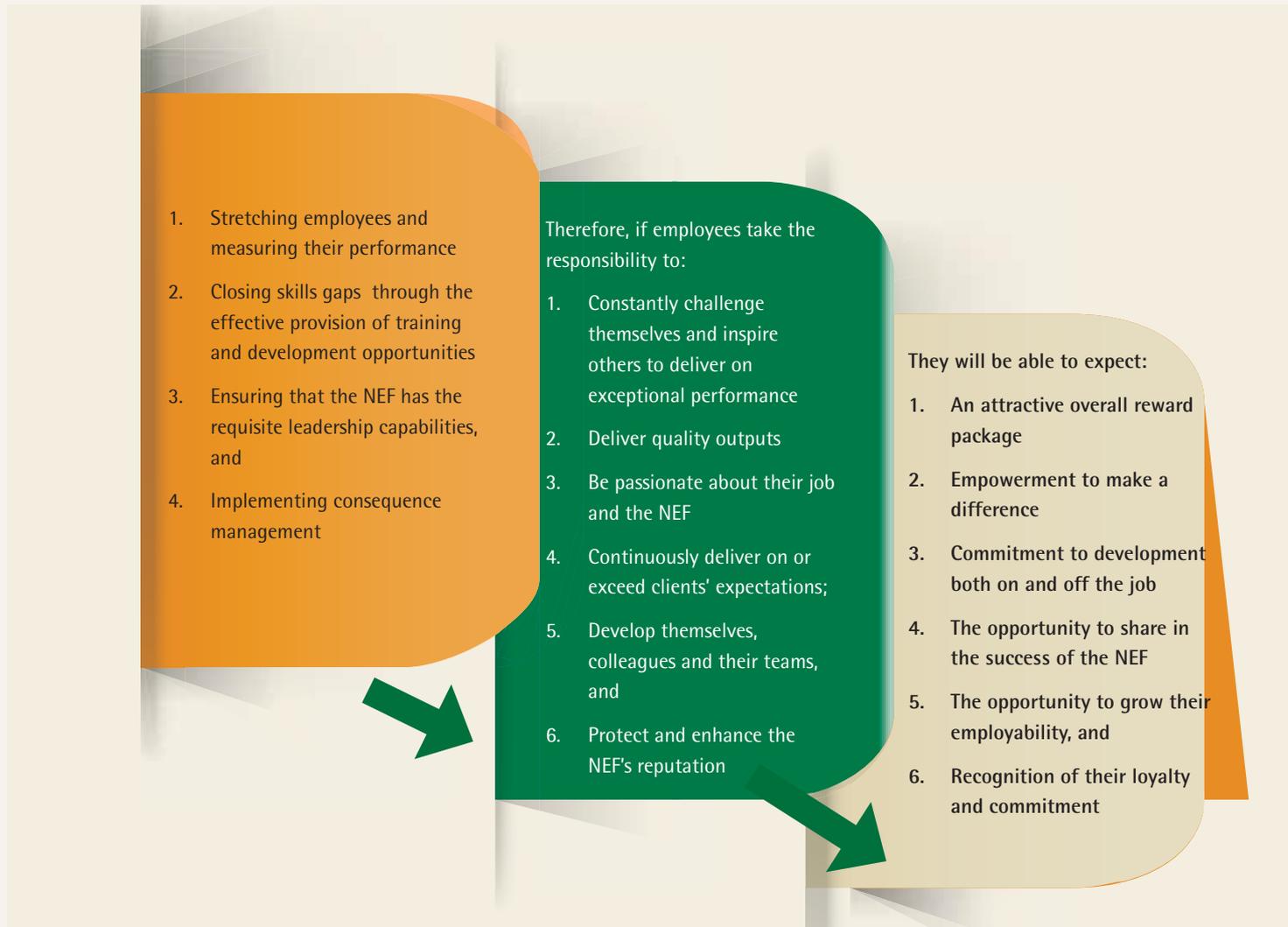
The NEF seeks to attract and retain high calibre and suitably qualified employees through the continuous improvement of its value proposition. Through its policies and procedures the NEF attracts and retains individuals who are passionate about the development and advancement of black entrepreneurs.

Human Resources has partnered with the organisation to function as a more strategically-orientated business partner that actively participates in its people development and achievement of organisational goals, as shown in the figure below:



Performance and Development

High performance organisations outperform their rivals by providing world-class products and services. These are places where the best people want to work and they sustain a pace and agility which is hard to copy. To achieve this, the NEF strives to improve employee performance by:



Employment Equity

The NEF is an equal opportunity employer and as such it strives to provide equal employment opportunities to South Africans. The recruitment policy of the NEF supports this government imperative. The NEF complies with the employment equity requirements that are prescribed by the Department of Labour. These requirements prescribe that organisations should employ people who represent the demographics of the economically active population of the country.

Gender Breakdown

As at 31 March 2014, the NEF had a staff complement of 146, sixty percent (60%) of which are women. 100% of the Executive Committee is black of which 80% are female.

The tables below illustrate the gender and racial breakdown of the NEF as at 31 March 2014.

Table 6. Gender Analysis

Employees	No.	%
Male	58	40%
Female	88	60%
Total	146	100%

Table 7. Racial Analysis

TOTAL NO OF EMPLOYEES	No.	%
African	128	88.20%
White	4	2.70%
Indian	6	4.10%
Coloured	8	5.60%
Total	146	100%

Occupational Health & Safety (OHS)

The Occupational Health and Safety policy of the NEF seeks to accomplish an objective of fostering a safer and crime free working environment for the employees of the NEF as well as its visitors and stakeholders.

The NEF OHS Committee seeks to achieve this by:

- Ensuring as far as is reasonably practicable, the health and safety of all employees whilst at work;
- Complying with all relevant health and safety legislation, regulations and codes of practice;
- Providing safe and healthy conditions of work and systems;
- Advising management regarding security concerns and risks;
- Advising management on new security trends and legislation;
- Compiling and implementing a user-friendly security policy;
- Maintaining a professional approach in dealing with security related matters;
- Ensuring that controlled and monitored access to the premises is observed at all times;
- Compiling and implementing an effective key control procedure;
- Ensuring that security screening/ vetting of personnel and external service providers, contractors and consultants is conducted; and
- Liaising with state security agencies such as NIA, SAPS and Metro Police to assist in averting any danger or threat.

OHS Principles

The NEF takes all reasonable and practical steps to ensure that:

- Employees are regularly made aware of the health and safety programmes;
- Adequate training is provided to employees in order to provide first aid, fire fighting and evacuation drills in cases of emergencies;
- Premises are kept in a clean and safe condition;
- Fire fighting equipment is of the required standard, tested and maintained at regular intervals;
- Facilities such as storages, toilets and kitchens are maintained in a clean and hygienic state with adequate sanitary facilities;
- First Aid facilities are provided and are maintained at appropriate levels;
- Employees are encouraged to take responsibility to prevent and correct unsafe working conditions and report such situations;

Employee Wellness

The NEF has an established Employee Wellness Programme that supports employees' wellbeing. The NEF took a decision a few years ago to outsource this function for a variety of reasons, which include but are not limited to specialisation of skills required to deal with intricate employee personal needs and confidentiality.

The NEF hosts two Wellness Days per annum where a number of screening tests are conducted such as blood pressure, glucose, cholesterol, BMI, VCT and eye testing. These Wellness days have been a resounding success over the years, with employee attendance and participation exceeding 60%.

Lastly, in pursuing a safe and healthy environment, the NEF provides a Wellness Room for employees. This is to ensure that in the event that they fall sick whilst at work they can have a comfortable place in which to recover.

Values and Culture

The NEF Values are the cornerstone and the bedrock with which the organisation entrenches employee behaviour and conduct. How we interact with our clients and one another determines how we experience being part of the NEF and how our stakeholders and clients experience the NEF. This experience is created by how we do things and how we behave. These are our values:



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

Value	Main Descriptor
Ethics	Choosing to do what's right over what's wrong
Motivation	Being self-driven and passionate in what we do
Performance	Achieving results timeously, accurately and performing to create an impact
Ownership	Owning our actions, our decisions and consequences of our actions
Worthy	Creating an environment where we make a valued contribution and where we feel valued for our contribution
Excellence	Consistently exceeding expectations and being the best in everything we do
Respect	Treating everyone fairly and with dignity and demonstrating humility

Talent Management and Succession Planning

Talent Management and Succession Planning is a systematic process of planning job appointments and successor candidates in order to address the NEF's management growth and continuity needs, as well as the developmental needs of employees. This ensures that:

- Where there are opportunities there are qualifying individuals who have been identified and developed to move into the opportunities;
- A leadership pipeline is developed and that capability and continuity for critical positions is secured; and
- The NEF has a sustainable supply of the right talent to support strategic business objectives both now and in the future.

Training and Development

The NEF believes in building the required human resource capacity through appropriate mechanisms that will ensure the training and development, upgrading skills, knowledge, competence and attitude that will contribute to the achievement of the NEF's goals and objectives.

The NEF's overall training and development objectives are to encourage and support employees to attain their maximum potential thereby contributing to the achievement of the NEF's goals and objectives.

The number of employees trained in the different categories is detailed below:

Training & Development	Number of employees trained
Academic studies	31
In-house / internal training	88
External / short courses	133

In total, the NEF spent R831 342 in developing its employees during the year.

Remuneration

The purpose of the compensation and remuneration system is to attract and retain high calibre employees who can best contribute to the vision, mission, values and strategic plans of the NEF.



Policy

The NEF maintains a compensation and remuneration system that provides for payment of salaries comparable to those paid for similar positions in the industry, given the NEF's unique mandate. The NEF will also provide for recognition and reward for differences in individual performance. As a general rule, compensation and remuneration will be reviewed annually.

Reward Principles

The following reward principles guide the NEF's remuneration practice:

Internal Equity / Parity

A comparison of salaries for similar positions at the NEF based on relevant data including factors such as previous related experience outside the NEF, a sustained change in responsibility that is more or less than what is considered normal for that type of position, education or level of responsibility within a group of similar positions in the NEF.

External Equity / Market Data

Salaries should be comparable with remuneration of similar organisations in terms of size of the organisation, similar positions, similar experience, levels of responsibility and qualifications. In order to achieve this principle, the NEF seeks to participate in various salary surveys and consult professionals.

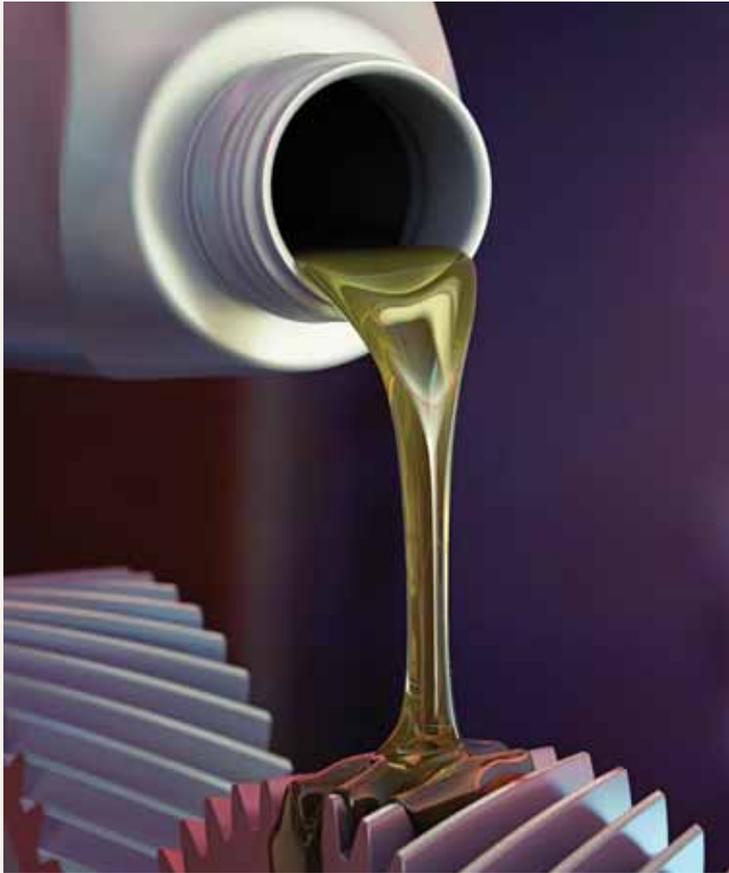
When making decisions regarding remuneration, the NEF considers the CPI at the time and other macro-economic indicators.

Remuneration Positioning

The NEF seeks to remunerate employees at the median of the market survey for all positions. It is also the policy of the NEF to remunerate top performers, top talent and scarce skills at the upper quartile of the market survey subject to affordability.

Total Remuneration Elements

The NEF's reward strategies and remuneration structure are designed to attract, motivate and retain high-calibre people, at all levels of the organisation in a highly competitive environment. Consideration is given to total reward and the appropriate balance between fixed and variable pay for all employees, depending on seniority and roles.



Guaranteed Package

The NEF remunerates employees on total packages/total cost of employment. This is a remuneration structure in which all benefits, both compulsory and add-on, are converted to cash and deemed to be the cost of employment to the NEF.

Short Term Incentive

It is the NEF's policy to reward performance through an incentive bonus which has been developed to enable employees to share the success of the NEF. The NEF's performance bonus scheme has been established to reward those employees who excel in their performance and exceed expectations. A performance bonus is based purely on the merit and individual performance of the employee. The actual awarding of the bonus, in addition to the determination of the value of the bonus within the parameters prescribed in the performance management policy, is entirely at the discretion of HCRC and the board of trustees.

Long-Term Incentive Scheme

The NEF recognises that in order to ensure that it is able to grow its capacity to achieve its objectives, it is necessary to incentivise certain categories of employees to remain in the employment of the organisation and to retain their performance above a certain level.

The objectives of the scheme are to:

- Drive behaviour supportive of the NEF's strategic intent and objectives;
- To enable retention of competent, high performing employees with critical skills, qualifications, knowledge and/or experience and who will add value to the NEF; and
- To implement market related reward and incentive principles. »

“The NEF seeks to attract and retain high calibre and suitably qualified employees through the continuous improvement of its value proposition. Through its policies and procedures the NEF attracts and retains individuals who are passionate about the development and advancement of black entrepreneurs.”

NEF Annual Report 2014

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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. The NEF has established corporate governance structures to assist the Board to ensure compliance with legislation and regulatory requirements and in terms of corporate governance best practice.

Corporate Governance and Compliance Framework

The NEF is guided by the King III Report. This year, steps taken in line with corporate governance best practice included:

- annual review of all Board Committee charters following reconstitution of all Board Committees,
- formulating the NEF's short, medium and long-term integrated reporting plan, and
- implementing the Board-approved information technology (IT) governance framework that will guide the strategic investment in IT by the NEF.

In future we will focus on full implementation of the integrated reporting plan and IT governance framework, conducting a King III application assessment as well as continuous consideration of corporate governance best practice.

The compliance framework guides the compliance processes adopted at the NEF. This is based on the standards issued by the Compliance Institute of South Africa. The NEF Regulatory universe and is updated on a bi-annual basis.

We are implementing a compliance monitoring process and compliance training.

Governance Structures

Shareholder

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

A Shareholder Compact Agreement ("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, sets out the contracted key performance indicators and targets as well as 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.

The Chairman and nine non-executive Trustees were appointed to the NEF Board of Trustees with effect from 23 October 2012. The Chief Executive Officer was reappointed 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 2 or 3 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.

The Chairman, Mr Thando Mhlambiso, resigned with effect from 12 December 2013 due to competing executive demands and NEF Chairmanship demands. While undertaking the process of appointment of another Chairman, **the dti** appointed Ms Zukiswa Ntlangula as Acting Chairman from 13 December 2013 to 31 January 2014 and Mr Rakesh Garach as Acting Chairman from 12 March 2014 until the process of the appointment of the new Chairman has been concluded.

Despite the appointment of the Chairman and the Acting Chairmen by the NEF's shareholder, the Chairman and the Acting Chairmen are considered to be independent in all other aspects.

Role

The Board of Trustees' responsibility is to direct, govern and control the NEF in the best interests of the organisation, taking into account the legitimate interests and expectations of stakeholders.

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

The NEF's Board is comprised of individuals with diverse skills, experience and backgrounds to ensure a balance of power and positive interaction. The high calibre of Board members who are entrusted with providing the NEF with strategic direction to deliver on its mandate is apparent from their profiles contained on page 73 to 77 of the report.

Attendance

The attendance of meetings by Board Members for the year is reflected in the table below.

Board meetings:

Name	Number of meetings attended
Thando Mhlambiso *	09/10
Zukiswa Ntlangula	12/13
Philisiwe Mthethwa	12/13
Rakesh Garach	12/13
Avril Halstead	10/13
Angelina Makwetla	11/13
Jacqueline Molisane	08/13
Nomalanga Mosala	13/13
Allon Raiz	07/13
Jacqueline Williams	13/13
Sipho Zikode	07/13
Innocentia Pule**	09/09

* Thando Mhlambiso resigned as Board Chairman and Trustee with effect from 12 December 2013.

** Innocentia Pule was on maternity leave from 1 September 2013 to 31 December 2013, however attended the Board Strategy session on 15 and 16 November 2013.

Non-executive sessions:

Name	Number of meetings attended
Thando Mhlambiso	7/7
Zukiswa Ntlangula	6/7
Rakesh Garach	6/7
Avril Halstead	7/7
Angelina Makwetla	5/7
Jacqueline Molisane	4/7
Nomalanga Mosala	7/7
Allon Raiz	4/7
Jacqueline Williams	7/7
Sipho Zikode	3/7

*** Executive Trustees did not attend non-executive sessions that considered the investigation conducted by Deloitte following a request of the dti.

Delegation of Authority Board Committees

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, and
- Social and Ethics Committee.

Reports are provided to the Board at each Board meeting regarding Board Committee meetings. Independent members on NEF Board Committees are members who are not trustees and are also considered independent on all other grounds.



The membership of all Board Committees and the attendance at Board Committee meetings is set out below.

Audit Committee (AC)

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, and the oversight of external and internal audit appointments and functions.

Audit Committee members

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

- Rakesh Garach (Chairman and Trustee)
- Zukiswa Ntlangula (Trustee)
- Anthony Coombe (Independent Member)
- Rene van Wyk (Independent Member)
- Jacqueline Williams (Trustee) – With effect from 22 April 2014, J Williams became an Acting Member of the Audit Committee.

The attendance of meetings of the Audit Committee for the year is reflected in the table below:

Name	Number of meetings attended	Joint Sittings
Rakesh Garach (Chairman)*	5/5	2/2
Zukiswa Ntlangula**	4/4	2/2
Anthony Coombe***	5/5	2/2
Rene Van Wyk	5/5	2/2

* With effect from 12 March 2014, Rakesh Garach was appointed as Acting Chairman of the Board of Trustees. As a result of this appointment, his chairing and attendance at the Audit Committee was suspended.

** With effect from 13 December 2013 to 31 January 2014, Zukiswa Ntlangula was appointed as Acting Chairman of the Board of Trustees. As a result of this appointment her attendance at the Audit Committee during the above period was suspended.

***With effect from 22 April 2014, Anthony Coombe was appointed as the Acting Chairman of the Audit Committee.

A detailed report of the Audit Committee is contained on pages 136 to 137.

Board Investment Committee (BIC)

The BIC considers and approves, or refers for consideration by the Board, such transactions as might be delegated to it by the Board.

The Board Investment Committee consists of the following members:

- Jacqueline Molisane (Chairman of the Board Investment Committee and Trustee)
- Nomalanga Mosala (Trustee)
- Philisiwe Mthethwa (Trustee)
- Allon Raiz (Trustee)
- Delphine Govender (Independent member)
- Sawa Nakagawa (Independent member)
- Lindiwe Bakoro (Independent member)

The attendance of meetings of the Board Investment Committee for the year is reflected in the table below:

Name	Number of meetings attended
Jacqueline Molisane	6/9
Nomalanga Mosala	9/9
Philisiwe Mthethwa	9/9
Allon Raiz	6/9
Delphine Govender	5/9
Sawa Nakagawa	7/9
Lindiwe Bakoro#	6/8

Resigned with effect from 30 January 2014.

Human Capital and Remuneration Committee (HCRC)

The primary purpose of the Committee is :

- to review and make recommendations to the Board on the human capital policies, procedures, structures and all matters relating to the relationship between the NEF and its staff;
- to oversee compliance with the human capital policies, procedures and structures regulating the relationship between the NEF and its staff;
- to address and make recommendations to the Board with regards to resolution on any issue of concern that has an impact on the business of the NEF that may have arisen from such aforementioned policies, procedures and structures;

- to oversee and monitor the level and remuneration structure of staff other than Executives (for recommendation to Board) to ensure that the NEF's employees are fairly rewarded for their individual contributions to the NEF's overall performance; and
- to demonstrate to all stakeholders that employee remuneration is reviewed by a committee who has no personal interest in the outcomes of their decisions and who will give due regard to the interests of the stakeholders, to the financial and commercial health of the NEF and to remuneration rates offered in the market and similar development finance institutions.

The Human Capital and Remuneration Committee consists of the following members:

- Avril Halstead (Human Capital and Remuneration Committee Chairman and Trustee)
- Angelina Makwetla (Trustee)
- Jacqueline Williams (Trustee)
- Michael Campbell (Independent member)
- Sonia Stojanovic (Independent member)

The attendance of meetings of the Human Capital and Remuneration Committee for the year is reflected in the table below:

Name	Number of meetings attended
Avril Halstead	6/6
Michael Campbell	5/6
Angelina Makwetla	6/6
Sonia Stojanovic	6/6
Jacqueline Williams	5/6

Risk and Portfolio Management Committee

The primary purpose of the Committee is to:

- establish and maintain a common understanding of the risk universe which needs to be addressed in order to meet the NEF's objectives;
- ensure that a proper business risk assessment is carried out and that a risk profile of the organisation is compiled;

- satisfy the King III corporate governance reporting requirements in relation to risk management,
- coordinate the risk management and assurance efforts of the organisation;
- report to the Board on overall risk management and on the extent of any action taken by management to address areas identified for improvement;
- provide oversight regarding the performance of the portfolio of the NEF;
- review, from a business point of view, provisioning for the loans portfolio;
- provide feedback to the Audit committee regarding risk management governance and management process at the NEF;
- from a risk point of view, provide oversight over IT governance in the organisation.

The Risk and Portfolio Management Committee consists of the following members:

- Zukiswa Ntlangula (Risk and Portfolio Management Committee Chairman and Trustee)
- Rakesh Garach (Trustee)
- Simon Harford (Independent member)
- Zola Fihlani (Independent member)

The attendance of meetings of the Risk and Portfolio Management Committee for the year is reflected in the table below:

Name	Number of meetings attended	Joint Sittings
Zukiswa Ntlangula	3/3	2/2
Rakesh Garach	3/3	2/2
Simon Harford	3/3	2/2
Zola Fihlani	2/3	2/2

In addition, the Risk and Portfolio Management Committee, Audit Committee and Board Investment Committee held two joint meetings with other Board Committees on 11 April and 15 August 2013. All Risk and Portfolio Management Committee members attended both joint meetings.

Social and Ethics Committee.

The key function of the Social and Ethic Committee is to act as the social conscience of the business and to ensure that the business behaves as a responsible corporate citizen.

The Social and Ethics Committee consists of the following members:

- Angelina Makwetla (Chairman of the Social and Ethics Committee and Trustee)
- Jacqueline Williams (Trustee)
- Siphon Zikode (Trustee)
- Michelle Mbaco (Independent member)

The attendance of meetings of the Social and Ethics Committee for the year is reflected in the table below:

Name	Number of meetings attended
Angelina Makwetla	3/3
Michelle Mbaco	3/3
Jacqueline Williams	3/3
Siphon Zikode	0/3

Nominations Committee

The role of the Nominations Committee is to assist the Board to ensure that:

- The Board Committees have the appropriate composition to assist the Board to execute its duties effectively;
- Independent Members of NEF Board committees are appointed through a formal process; and
- Formal succession plans for the CEO and Executives are in place

The membership of the Nominations Committee comprises of the following:

- Chairman of the Board (Chairman of the Nominations Committee)
- Chief Executive Officer (Executive Trustee)
- Chairman of the Audit Committee (Non-Executive Trustee)
- Chairman of the Human Capital and Remuneration Committee (Non-Executive Trustee)

- Chairman of the Social and Ethics Committee (Non-Executive Trustee)
- Chairman of the Risk and Portfolio Management Committee (Non-Executive Trustee)

The Nominations Committee is an ad hoc committee and had no meetings during the year.

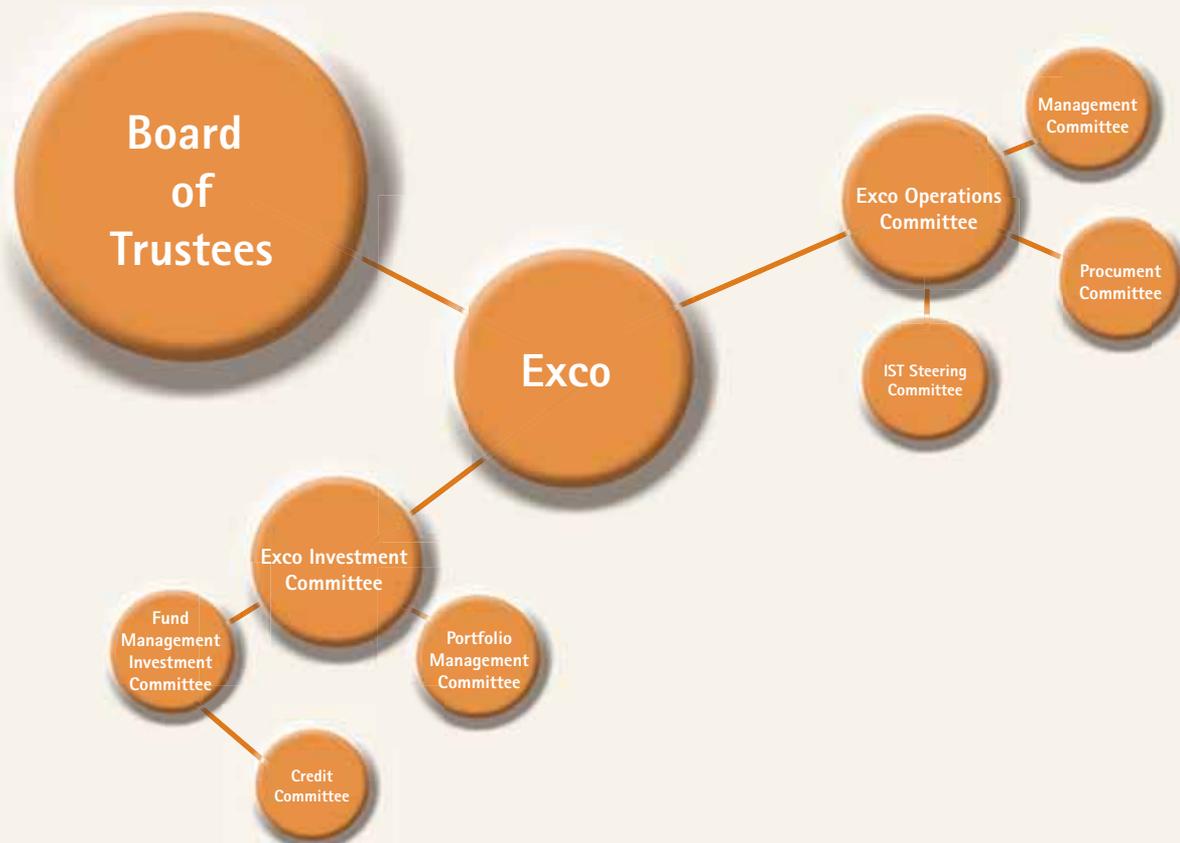
Delegation of Authority: Executive and other NEF Committees

Executive Committee

In terms of section 17 of the NEF Act, the responsibility for the 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 from the Board. Both Executive Committees comprise of the Chief Executive Officer, the Chief Financial Officer, Divisional Executive: SME and Rural Development, Divisional Executive: Venture Capital and Corporate Finance and the Corporate Services Executive. The General Counsel, Marketing and Communications Manager, Chief Risk Officer and Internal Audit Manager attend all Executive Committee meetings.



Management Committee

The Management Committee was established to support the Executive Committee in managing the NEF by *inter alia* recommending policies, procedures and operational directives to the Executive Committee for approval and synchronising departments to achieve the NEF's objectives.

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

Other Committees

Other NEF committees include:

- The Procurement Committee (considers supply chain management matters).
- The IST Steering Committee (oversees and guides the strategic investment in IT).
- The Portfolio Management Committee (monitors and approves interventions for approved investments and ensures adherence to repayment terms and other required performance parameters).
- Investment committees such as the Fund Management Investment Committee and Credit Committee (consider transactions as per their delegated authority).

Due to importance of demonstrating sound management of supply chain management matters in the public sector and of adherence to the requirements of the PFMA, a report of the activities of the procurement committee has been included in the CFO's report.

Remuneration

The remuneration of non-executive Board and Board Committee members is based on market-related rates in terms of a remuneration policy which has been approved by **the dti**. Full disclosure of the emoluments of the Trustees is contained on page 131 of the Annual Financial Statements.

Ethics

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

Members of the Board of Trustees and Board Committees are required to declare all their interests in the Conflict of Interest register annually 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.

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 next Board and Board Committee evaluation is expected to take place following the 2013/14 financial year-end.

Secretariat

The Secretariat department is responsible for *inter alia* providing corporate governance advice to 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 administration of Board, Board Committee, Executive Committee and investment committee meetings and related activities. 

“As we intensify the injunction to drive radical economic transformation, we welcome the opportunity to be assessed and measured against our fundamental mandate, key strengths as well as our deliverables. Our ambition remains, and that is to be regarded as a funder with a soul by black entrepreneurs and businesses seeking a financier that deeply understands their needs and challenges.”

Report of Acting Chairman of the Board of Trustees 

ASSURANCE

The NEF continues to embed the combined assurance model (CAM) implemented in the previous year. The CAM view as at 31 March 2014 was arrived at after taking into account:

- The CAM procedural framework document;
- The latest key risk register;
- Results of internal audit engagements;
- Results of external audit engagements;
- Results of other specialised engagements; and
- Consultations with management, internal and external assurance providers as well as the audit committee and board of trustees.

Objectives

The primary objectives of the CAM exercise were to:

- Provide a single view of the NEF's top risks;
- Analyse their inherent risk probability and impact as per the approved risk matrix;
- Evaluate key controls designed and implemented to mitigate the risks;
- Determine the residual risk level of the NEF's top risks; and
- Assess the adequacy of the controls and assurance provided over the controls implemented to mitigate the risks.

Way Forward

As the CAM is an ever evolving tool of assessing the overall NEF combined assurance landscape, the NEF still needs to:

- Entrench combined assurance into management's processes;
- Obtain additional assurance for risks not adequately mitigated; and
- Obtain additional assurance evidence where required.

These requirements have been documented in an approved CAM plan and will be continuously enhanced. »



“Black economic empowerment remains a national imperative for an inclusive economy. As a driver and thought-leader in promoting and facilitating black economic participation through the provision of financial and non-financial support, the NEF has evolved steadily into a credible and effective development finance institution, one that is managed with integrity and patriotic commitment to the betterment of our society.”

Report of Chief Executive Officer

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SOCIAL, ENVIRONMENTAL AND ENTREPRENEURIAL SUPPORT

The NEF invests a range of resources in various economical, environmental, as well as social initiatives and ventures. This is done with the aim to stimulate and support social and economic upliftment through economic empowerment of the historically disadvantaged individuals (HDI's) in South Africa. To date the NEF has successfully achieved the following through the triple bottom line approach:

Social Responsibility

Education

- **The internship programme:** The NEF targets graduates from different tertiary institutions and provides them on the job training for a year with the hope of absorbing them in the system based on their performance.

Take a Girl Child to Work Programme

In 2013 the Take a Girl Child To Work programme was restricted to the regional offices. Schools identified and girls selected were from the rural areas with the exception of the Eastern Cape region as it coincided with exams.

Bloemfontein hosted 20 girls and received sponsorship from the Department of Tourism and Economic Development for transport and overnight accommodation.

Bursary and scholarship forms were distributed to participants. Goodie bags were arranged and provided by the following organisations:

- NEF
- Cell C
- Absa (Bloemfontein only)
- sefa

The day's activities included:

- NEF Overview (all)
- Representations by IDC, NYDA, and sefa

- Representation by Shanduka and SEDA (KwaZulu-Natal and Mpumalanga)
- Lesedi FM interviewed learners in Bloemfontein
- A visit to the Western Cape Provincial Government Department of Economic Development
- A visit to the Rustenburg show wherein there was an NEF stall
- Visits to NEF funded businesses (all)
- Visit to GAAL Airport, Medi Clinic, Irish House Museum (Limpopo)
- Visit to the Mpumalanga Provincial Government Department of Economic Development
- Smart Exchange (KwaZulu-Natal)
- Topics included:
 - The critical importance of education to a successful future
 - Core values for success
 - Navigating the tertiary education environment
 - Finding a job after university studies
 - Opportunities for school-leavers including bursaries and entrepreneurship
 - A personal experience of entrepreneurship
 - Juggling work and study

Thuthuka Bursary Fund

The NEF's Kabelo Seitshero Bursary Fund began donating to the SAICA Thuthuka Bursary Fund in 2011. At inception 10 students were supported through our donations. During November and December 2013 the NEF initiated vocational work and appointed the five (three men and two women) best students for nearly three months. These students rotated among the various NEF business units for wider exposure.

Financial Implications

The NEF made three contributions to the SAICA Thuthuka Bursary fund with the following breakdown:

Number	Year	Amount
1	2011	R350,000
2	2012	R400,000
3	2013	R432,000
Total		R 1 182 000

Mandela Day

The NEF believes that giving is an integral part of empowerment and development of the people of our country. For Mandela Day in 2013, a group of NEF employees dedicated two days of their time towards painting and cleaning at Rabasotho Combined School in Diepsloot. They donated office furniture and stationery. Clothing and food items were donated to homes in the Gauteng area.

Environmental Responsibility on Investments

During the reporting period, NEF approved a number of transactions in their different funds that comply with international environmental standards. The approvals per funds were as follows:

1. SPF Fund made eight transactions in different sectors,
2. Rural and community development projects.

SPF Projects

Established in May 2007, the Strategic Projects Fund (SPF) is a unit of the NEF with a mandate to increase the participation of black people in early-stage projects. Aligned to national Government policy, the fund seeks competitive investment opportunities in the South African economy and the inclusion of black participants in opportunities at the onset of projects, as opposed to doing so at financial close. SPF provides venture capital aimed at developing South Africa's industrial capacity within strategic sectors identified by Government as key drivers of economic growth. The fund warehouses equity in early stage projects at low valuations paid to access the projects. This enables the NEF to distribute its warehoused equity to B-BBEE parties at valuations that offer upside potential once a project is operational.

Development and Economic Impact

- Creation of new manufacturing and industrial capacity
- Creation of new jobs as opposed to replacement capital finance
- Investment of new fixed capital into economically depressed areas or poverty nodes
- Creation of an inclusive economy by increasing South African participation
- Increase RSA export earning potential and reduce import dependency
- Increase co-investment and linkage with foreign direct investment

African Silica

The NEF approved R7 million in a scoping and pre-feasibility study to evaluate viable alternatives for beneficiating silica sands. The project has set up a pilot plant in Roodepoort and an additional R2.1 million loan has been approved for working capital requirements. The first product considered for production is sodium silicate with the intention of entering the detergent, water treatment and acid mine drainage markets. This would allow local beneficiation of abundant silica sands and localise production of silica-based products.

Tyre Energy Extraction (Renewable Energy)

Tyre Energy Extraction (TEE) is a private company established for the purposes of producing boiler fuels and other commercial products derived by pyrolysis of waste tyres. The project was conceptualised based on indications that the waste tyre regulatory environment was changing. Comprehensive research was undertaken to determine what could be manufactured from "end of life cycle" tyres, the result of which indicated the beneficiation of such via 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 30 tons of waste tyres per day to produce boiler fuel, carbon char and steel, which will be sold to local industrial consumers.

The project qualifies for a **diti** incentive under the Enterprise Investment Program.

Modular Industries Building Technology (Manufacturing)

MIBT is constructing a 400 panels per shift (two shifts per day) 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 pilot phase has enabled MIBT to commission the plant, build demonstration units and obtain offtake agreements for the product at the Lyttleton factory

in Pretoria. The NEF has invested R18.6 million towards the bankable feasibility studies and working capital for the pilot plant. The project aims to expand to have the manufacturing plants in and around the SADC region.

KC Energy (Renewable Energy)

KC Energy is constructing a combined heat and power generating plant in Newcastle, KwaZulu-Natal region. The technology and production process is environmentally-friendly and will help ease Eskom's grid capacity constraints availing additional capacity in power for industrial production and national economic benefit. The proposed technology and production process are environmentally friendly and will result in discard coal dump reduction, with the by-product ash being used for brick manufacturing to benefit the local communities.



Rural and Community Development Projects

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.

Berlin Beef

NEF invested a total of R27 million towards the establishment of a feedlot in Berlin, Eastern Cape for the supply of a high through-put abattoir in East London in terms of a 10 year off-take agreement, including upstream investment in the cattle supply region for improved breeding of cattle supplied to the Berlin Beef feedlot.

The operation plans are for a beef operation with one-time standing capacity of 3 000 head on back grounding and 3 000 head on feedlot. A detailed environmental impact analysis study was conducted in July 2013.

The project will adopt and comply with requirements of ISO 14001, a globally recognised standard specification that structures the implementation of an effective environmental management.

Biogas management

Manure Generated Biogas Electricity: The feedlot and piggery will produce approximately 58 tons of manure per day. Fresh animal manure contains a biogas composed of methane, carbon dioxide, with some hydrogen, nitrogen, phosphorus, potassium and other traces. Methane is the combustible component of biogas while the remaining slurry is a valued organic fertilizer. The methane biomass residue will be then converted to electric power.

Gasification will provide an economic alternative for heating and using the coal fired power from the national grid. The biomass produced power will reduce CO₂ emissions, create additional job opportunities, increase cost effectiveness, and ensure energy security for the feedlot.

The Biogas power generation will lead to the following environmental improvement:

- Reduction of odours from manure storage ponds and reduce the odour from spread manure;
- Use of fibers from manure for bedding, compost, and soil rehabilitation;
- Removal of part of the phosphorus in the liquid fraction;
- Use of irrigation as a means of applying the liquid fraction; and
- Use of energy generated from the renewable process in the project.

Dihoai Feedmill Cooperative

Dihoai Farming Cooperative, in the Free State, was formed in 2006 by five family members. They have been farming chickens and producing their own feed for over five years. The success of their operations has allowed one of the main members to purchase the 50ha farm.

The cooperative has identified an opportunity to supply other neighbouring farms, mainly small black emerging farmers that are struggling to secure good quality feed at reasonable prices. Feed represents about 75% of the input cost to all farmers. Small emerging farmers struggle to secure feed or buy in bulk from the current big producers who refer them to local retailers that charge additional 20% mark-ups on the feed products.



Tala Private Game Reserve

Tala Private Game Reserve is a wildlife conservancy hidden in the hills of a quiet farming community not far from Durban in KwaZulu-Natal.

The NEF invested directly into the operating company, Gradoscope. The land on which the reserve is located was restored by the Restitution Commission to the Nkumbuleni Community. The Nkumbuleni Community Trust, which owns 100% of the business, is made up of 260 households.

The community has trained rangers and nature conservation specialists who ensures that awareness is created to all the other beneficiaries on the benefits of nature conservation.



Rhino Ridge Lodge

The community of Mpembeni in KwaZulu-Natal was given management rights and use of 750 ha land adjacent to the Hluhluwe Imfolozi Game Reserve as well as R1.2 million worth of game animals. In 2011 the Community Trust partnered with Henri Frencken to develop a game lodge in their conservation game reserve and have reached an agreement with Ezemvelo KZN Wildlife to remove the fence that borders the two properties.

The NEF has been invited to assist the community to fund the project which will cost approximately R24 million and the funds will be used towards the development and operation of a 22 room four star lodge. The ownership structure of the lodge will be as follows:

- 33% for the Mpembeni Community Trust,
- 33% for the developers who will contribute R3.1 million cash unencumbered.
- The NEF will warehouse the remaining stake of 33% on behalf of community and promoters.

The community of Mpembeni will benefit from the project through approximately 50 jobs and small business opportunities in construction, supply of materials and selling arts. Construction has commenced and expected completion date is November 2014.

Economic Responsibility

Socio-Economic Development Interventions

Type Of Entity	Type of Intervention Done	Number Of Entities
Registered Trusts	Corporate governance and entrepreneurial training was provided to the workers and community trusts. The training was aimed at capacitating them to meaningfully and actively participate in the business where they are shareholders especially during board and AGM sessions where all shareholders participate.	26
Cooperatives	These are cooperatives that are mainly based in rural areas so corporate governance and entrepreneurial training is critical to ensure sustainability. This was done as part of non-financial support that is freely provided by the NEF.	6
Not yet registered	The NEF plays a critical role in the registration and training of the trusts where broad-based groups have been identified to participate as shareholders in NEF-invested transactions. Once registration is complete, beneficiaries are appraised on the empowerment opportunity and expectations are addressed. Furthermore, intense training is provided.	4
Profit Sharing Schemes	In as far as profit sharing schemes are concerned, the NEF creates awareness for the identified beneficiaries of their empowerment opportunity. The NEF further addresses their expectations so that they can cooperate, support and corporate governance and entrepreneurial training is also provided.	11
Social Plan Development	The NEF assists beneficiaries to draft a social plan which clearly outlines socio-economic empowerment spin-off opportunities. These may include bursary schemes, water tanks in rural areas, supplier agreements linked to the anchor operation, medical aid schemes, funeral covers, driving lessons, and adult basic education and training.	9
Crafts Sector Development	The NEF has identified five KwaZulu-Natal cooperatives which are run and owned by rural women. We have partnered with the National Arts Council and the dti to further provide financial support and marketing opportunities through exhibitions. Three of the cooperatives attended international exhibitions in the United States, Italy and Zambia in 2013.	5

Running Business Today

Eleven entrepreneurial and 26 corporate governance training workshops were provided through the Socio-Economic Development Unit, Legal and Pre-Investment Unit in different NEF-funded investee companies where shareholders are broad-based groups. This aimed to up-skill and capacitate them to meaningfully participate in the business.

The Mentorship Programme for Investee Companies

The NEF has allocated 25 industry experts who are mentors to 48 different investee companies. All the allocated mentors are appointed and paid by the NEF to provide mentorship support services to investee companies to ensure the sustainability of those businesses as well as safeguard the NEF investment.



Investor Education Programme

The Asset Management Division facilitated four seminars all in Limpopo. The education focused on the following:

- Investment tips;
- Personal financial planning;
- Spending discipline such as buying approved products, avoiding pyramid schemes, avoiding credit and conducting an affordability exercise;
- Types of investments.👉

“Not only does the NEF provide financial support to black entrepreneurs, but it also strives to promote sustainable entrepreneurship through the provision of training and development programmes, including incubation services. Mentorship interventions are also provided to investees where required.”

NEF Annual Report 2014

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PROFILES OF THE BOARD OF TRUSTEES



1
Mr Rakesh Garach
Acting Chairman

Mr Garach qualified as a Chartered Accountant from the University of Natal and has in the past 25 years gained diverse and in-depth experience in the financial services industry. He also has significant experience in mining, retail and manufacturing. He has held multiple roles in both the private and public sectors.

Over the past 20 years Mr Garach has been intricately involved with investment strategies and was a founding shareholder of Utajiri Investments. As an integral part of Utajiri's investment into Deutsche Bank, Mr Garach was deployed to the role of COO where he was actively involved in managing all the operations of the equities, corporate finance and banking activities in South Africa. He is an Independent Non-Executive Director of Pacific Wildcat Resources Corp and served as an Independent Non-Executive Director of Hosken Consolidated Investments (HCI) Ltd from March 2008 to January 2012. He also chaired the Audit Risk Committee of HCI.

Mr Garach previously served as a Senior Partner within Assurance Services at Ernst & Young (Johannesburg) and prior to that also gained enormous international experience while at the firm, having served at their offices in London and Amsterdam. He was recruited by Citibank, N.A. when the institution re-opened

its offices in South Africa post democratisation. He was part of the team that established the bank's operations in South Africa.

Mr Garach serves on a number of boards. He is a board member and Chairman of the Audit Committee of KZN Growth Fund Managers. He also served on the Audit Committee of the Financial Sector Charter Council. Mr Garach was a board member of the Gauteng Partnership Fund and also the Audit Committee Chairman. KZN Tourism. Mr Garach was recently appointed to the Board of U Bank Limited.

Mr Garach has been Member of Board of Trustees of National Empowerment Fund since 16 December 2009 and was the Chairman of the Audit Committee from 1 January 2010 to 11 March 2014 and a Member of the Risk and Portfolio Management Committee. In March 2014 the Minister of Trade & Industry appointed Mr Garach as Acting Chairman of the NEF's Board of Trustees. 🏡



2
Ms Zukiswa Zandile Daphne Ntlangula
Trustee

Ms Ntlangula holds B. Juris and LLB degree as well as Masters Diploma in Human Resources and 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 practice 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 till 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 National Empowerment Fund (NEF). She served as the Acting Chairman of the NEF from 1 November 2011 to 1 October 2012, as well as from 13 December 2013 to 31 January 2014. She is currently the Chairman 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 Chairman in 2013, a position she currently holds. As the Chairman of the BCA, she represents the BCA in the Black Business Council (BBC).

In September 2012, Ms Ntlangula was appointed as a Non-Executive Director of the Board of Alexkor SOC Ltd, where she is a member of the Audit Committee and the Social Ethics and HR Committee.

She is also a Director of Glencore Operations South Africa (GOSA) and a Trustee of Katlego Trust ESOP. 🏡



3

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. In July 2005 Ms Mthethwa was appointed Chief Executive Officer of the National Empowerment Fund (NEF).

In this role Ms Mthethwa brought a diverse knowledge of banking, capital markets and international investment, and grew the NEF into a high-performing organisation that saw over 540 black-owned and managed enterprises receive much-needed finance for start-up, expansion and equity acquisition purposes. Under her stewardship the past few years (2007 – 2014) saw the NEF join forces with local and international investors in the quest to champion South Africa's industrialisation by developing strategic and industrial-type projects valued in excess of R30 billion.

Ms Mthethwa's experience encompasses both private and public sector activities and provide the NEF with unparalleled understanding of the environment in which the organisation operates.

Prior to joining the NEF, Ms 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, instruments that are at the heart of the country's efforts to bring about inclusive growth.

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. In 2013 Ms Mthethwa received the Woman of Substance Award from the African Women Chartered Accountants, as well as the Top South African Women's Award from South Africa's Most Influential Women in Business and Government. Ms Mthethwa is also a member of the BRICS Financial Services Working Group. 📌



4

Ms Avril Halstead
Trustee

Ms 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 she also holds a B Com honors and Social Science degrees. 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 as well as the Family and Marriage Association of South Africa (FAMSA) and Ikageng, an organisation responsible for caring for HIV/AIDS orphans. She was nominated as a Young Global Leader and one of the Mail & Guardian's Top 200 Young South Africans in 2011. 📌



5

Ms Angelina Matlhodi Makwetla
Trustee

Ms 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 Town Council, Market Research Africa and 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 program.

Ms Makwetla 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), board member of the Business Women's Association (BWA), chairperson of the Dr Motsuenyane Rural Development Foundation and president of the Catholic Women's League, Rivonia Branch. She is also a shareholder in Moengnyana Social Development, a rural development business specialising in setting up hydroponics businesses in rural areas.

She has served on several boards, including Trans Caledon Tunnel Authority (TCTA) as a director, Market Theatre Foundation, Human Rights Commission Trust, Gauteng Consumer Affairs Board, and NAFHOLD, the investment arm of NAFCOG.

She has received a series of awards and accolades, including Shoprite Checkers Woman 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. »



Ms Jacqueline Mabohlale Molisane
Trustee

Ms Molisane holds a BA Honours in Economics (Monetary, International and Developmental) and was 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 on-going supplier and customer relationships involving various stakeholders.

In 2014, Ms Molisane was appointed to represent the Department of Public Enterprises on the Steering Committee of the Infrastructure Investment Programme for SA (IIPSA), funded by the European Union and managed by the Development Bank of South Africa. She has represented the Department on numerous international platforms locally and internationally (esp. China).

She was as a finalist for the Business Woman of South Africa under the Government category in 2014.

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 Infraco 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 stock broking with a particular focus on Equities Trading and Portfolio Management. The last three years were spent in honing and broadening her skills base in the Private Equity and Structured Finance arena. »



Ms Nomalanga Tsatsi Mosala
Trustee

Ms Mosala has been appointed Strategic Partner by the Department of Rural Development and Land Reform (DRDLR) and is mentor to land reform beneficiaries of 1500 ha to implement their business plan.

She was appointed first female director of NCT Forestry Co-Operative Limited and 3 subsidiaries namely Shincel, BayFibre and Durban Wood Chip, which are export facilities in Kwa Zulu Natal Richardsbay 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 being proclaimed a Nature Reserve. Ms Mosala has two top export producer awards conferred upon her by Department of Agriculture and Environmental Affairs (DAEKZN) in 2009 and 2011.

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

Ms Mosala is an accomplished business woman with strong economic development orientation. A human resource practitioner who has been an advisor for a number BEE transactions, development and policy reviews including the B-BBEE Forestry Charter development and privatisation of SiyaQhubeka (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). ❖



Ms Innocentia Pule
Chief Financial Officer

Ms Pule is a 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 and Young, mainly focusing on financial services external audits. She then joined Ernst and Young Corporate Finance and Advisory Services (Pty) Ltd where she gained Due Diligence and Valuations experience. She then moved to the Ernst and 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 finance, IT, supply chain management as well as strategic planning and performance measurement of the organisation. ❖



Mr Allon Raiz
Trustee

Mr Raiz is the founder and CEO of Raizcorp, the only privately held, unfunded, profitable business incubator on the African continent, supporting in excess of 500 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 has also created and published an ongoing entrepreneurial cartoon strip, Carlson Dudtz: Avoiding the 96%. 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'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.

As an accomplished international speaker, Mr Raiz 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 the Global Agenda Council on Fostering Entrepreneurship, making him one of 15 recognised global experts in this field.

On 26 April 2013, Mr Raiz received the Entrepreneur of 2013 Award at the 12th Annual Oliver Transformation and Empowerment Awards, recognised as South Africa's most influential empowerment award.

In March 2014, Mr Raiz was invited as a guest lecturer at Oxford University, where he was subsequently recognised as the Oxford University Saïd Business School's Entrepreneur-in-Residence. »



10

Ms Jacqueline Williams
Trustee

Revd Drs Jacqueline Williams, MA MDiv, is a social entrepreneur with a passion for development, design and implementation of social architecture structures which empower individuals and communities.

Revd Williams has a 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.

She is the co-owner of Williams & Calmer Management and Training Consultants in Johannesburg since 2001. As a trained political scientist and theologian, Jacqueline is an experienced trainer in the areas of women in development, leadership development, management skills and diversity management. Her point of focus has always been the empowerment of the historically marginalised groups in society.

Revd Williams is Rector of one of the parishes in the Diocese of Johannesburg of the Anglican Church of Southern Africa.

Revd Williams was the National Coordinator for Women in Oil and Energy (WOESA) from 2003 to 2007 and served on the WOESA Board until 2012. WOESA was established in 2002 by the Minister of Minerals and Energy to facilitate and promote business opportunities for and enhance the participation of South African women in the oil and energy sector. As a gender expert, she has acquired in-depth knowledge and experience of the challenges that women face in the sector.

Revd Williams serves on several boards as a director. She is presently the Chairperson of COMANCO, the Asset Management Company for the South African trade unions that pioneers the social responsible investment space. »



11

Mr Siphso Zikode
Trustee

Mr Zikode, a Deputy Director General of **the dti**, is responsible for the Department's Broadening Participation Division (BPD).

Among other things, 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 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.

Mr Zikode is currently acting as the Chief Executive Officer (CEO) of the Small Enterprise Development Agency (Seda). He is responsible for Strategy and Policy implementation, Financial and Risk management, Performance Management of Operations, Corporate Governance, Seda Market positioning as well as Stakeholder and people management. »

“ *I would like to ... thank the Board of Trustees which in the 2013/14 financial year performed to its highest level of excellence* ”

Report of the Acting Chairman of the Board of Trustees ”

PROFILES OF THE EXECUTIVE COMMITTEE



1
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. In July 2005 Ms Mthethwa was appointed Chief Executive Officer of the National Empowerment Fund (NEF), a leading development finance institution that was created by Dr Nelson Mandela's Government in order to bridge the economic divide by growing black economic participation in a country where the discredited system of apartheid left the black majority outside the economic mainstream.

In this role Ms Mthethwa brought a diverse knowledge of banking, capital markets and international investment, and grew the NEF into a high-performing organisation that saw over 540 black-owned and managed enterprises receive much-needed finance for start-up, expansion and equity acquisition purposes. Under her stewardship the past few years (2007 – 2014) saw the NEF join forces with local and international investors in the quest to champion South Africa's industrialisation by developing strategic and industrial-type projects valued in excess of R30 billion.

Ms Mthethwa's experiences encompass both private and public sector activities and provide the NEF with unparalleled understanding of the environment in which the organisation operates.

Prior to joining the NEF, Ms 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, instruments that are at the heart of the country's efforts to bring about inclusive growth.

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. In 2013 Ms Mthethwa received the Woman of Substance Award from the African Women Chartered Accountants, as well as the Top South African Women's Award from South Africa's Most Influential Women in Business and Government. Ms Mthethwa is also a member of the BRICS Financial Services Working Group. »



2
Ms Innocentia Pule
Chief Financial Officer

Ms 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 and Young, mainly focusing on financial services external audits. She then joined Ernst and Young Corporate Finance and Advisory Services (Pty) Ltd where she gained Due Diligence and Valuations experience. She then moved to the Ernst and 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 finance, IT, supply chain management as well as strategic planning and performance measurement of the organisation. »



3

Ms Hlengiwe Makhathini

Divisional Executive: Venture Capital and Corporate Finance

Ms 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. »



4

Mr Setlakalane Alfred Molepo

Divisional Executive: SME and Rural Development

Mr 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 two 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. »

“*The National Empowerment Fund, mandated to grow black economic participation in South Africa, has approved over 500 transactions worth more than R5 billion to black-empowered businesses across the country.*”

President Jacob Zuma at the Broad-Based Black Economic Empowerment Summit marking 10 years of B-BBEE, October 2013 ”



ANNUAL FINANCIAL STATEMENTS

Trustees' Statement of Responsibility	82
Report of the Independent Auditors	83
Statement of Financial Position	86
Statement of Financial Performance	87
Cash Flow Statement.....	88
Statement of Changes in Net Assets.....	89
Statement of Comparison of Budget and Actual	90
Notes to the Financial Statements.....	91
Audit Committee Report.....	136

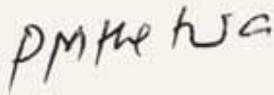
Trustees' Statement of Responsibility

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 86 to 135 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.



Ms Philisiwe Mthethwa

Chief Executive Officer

Date

31 July 2014



Mr Rakesh Garach

Acting Chairman of the Board of Trustees

Report of the Independent Auditor to the Board of Trustees of the National Empowerment Fund



Report on the Consolidated Financial Statements

We have audited the consolidated and separate financial statements of National Empowerment Fund Trust and its subsidiaries set out on pages 86 to 135; which comprise the consolidated and separate statements of comprehensive income, statement of changes in net assets, cash flow statements and statements of comparison of budget and actual information 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 consolidated and separate financial statements in accordance with Generally Recognised Accounting Practices, 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 are necessary to enable the preparation of consolidated and separate 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 consolidated and separate financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA), 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 consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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 consolidated and separate financial

statements.

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

Opinion

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the financial position of the National Empowerment Fund Trust and its subsidiary as at 31 March 2014, and their financial performance and cash flows for the year then ended in accordance with Generally Recognise Accounting Practices and the requirements of the Public Finance Management Act of South Africa and the Companies Act of South Africa and the National Empowerment Fund Act.

Report on Other Legal and Regulatory Requirements

Public Audit Act Requirements

In accordance with the PAA and the *General Notice* issued in terms thereof, we report the following findings relevant to the reported performance against predetermined objectives for selected objectives presented in the Performance Review, non-compliance with legislation as well as internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the Trustees report on performance information of the Trust for the year ended 31 March 2014:

- Objective 1 – Provide finance to business ventures established and managed by black people on page 48;
- Objective 2 – Invest in black empowerment business' that have high employment creating opportunities on page 48;
- Objective 5 – Encourage and promote savings, investment and meaningful economic participation by black people on page 48; and
- Objective 6 – Black economic empowerment is advanced through commercially sustainable enterprise on page 49.

We evaluated the reported performance against predetermined objectives, which was evaluated against the overall criteria of usefulness and reliability.

We evaluated the usefulness of information in the reported performance against predetermined objectives 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 well defined, verifiable, specific, measurable, time bound and relevant as required by the National Treasury *Framework for managing programme performance information*.

The reliability of the information in the reported performance against predetermined objectives is assessed to determine whether it is valid, accurate and complete.

We report that there were no material finding on the Performance Review concerning the usefulness and reliability of the information for the selected objectives.

Additional matter

No material findings concerning the usefulness and reliability of the reported performance against predetermined objectives were identified:

Achievement of planned targets

Refer to the information in the Performance Review report on performance information as set out on pages 48 to 49 for information on the achievement of planned targets for the year.

Compliance with laws and regulations

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

Internal control

We considered internal control relevant to our audit of the financial statements, the Trustees report on performance information and compliance with legislation. We did not identify any deficiencies in internal control that we considered sufficiently significant for conclusion in this report.



Sizwe Ntsaluba Gobodo Inc.

registered Auditor

Darshen Govender

Chartered Accountant (SA)

Registered Auditor

Director

31 July 2014

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Notes	Group		Trust	
		2014 R	2013 R	2014 R	2013 R
ASSETS					
Non-current assets					
Property and equipment	4	4,784,867	6,436,286	4,784,867	6,436,286
Intangible assets	5	193,566	1,260,613	193,566	1,260,613
Investments in associates	6	423,870,556	260,542,448	423,870,556	260,542,448
Investment in subsidiary	11	-	-	6,178,104	-
Investments at fair value	7	2,254,784,956	1,643,241,488	2,254,784,956	1,643,241,488
Originated loans	8	959,008,165	1,004,124,287	1,020,961,208	1,004,124,287
Preference Shares	9	224,006,841	216,350,873	224,006,841	216,350,873
Finance lease receivables	10	69,070,272	61,281,200	69,070,272	61,281,200
Non-current asset classified as held for sale	11	82,341,381	-	-	-
Current assets					
Current portion of originated loans	8	455,699,689	393,517,194	455,699,689	393,517,194
Current portion of finance lease receivables	10	34,833,724	31,028,162	34,833,724	31,028,162
Investments held-for-trade	13	49,070,675	51,828,699	49,070,675	51,828,699
Current asset held for sale	14	8,100,000	8,100,000	8,100,000	8,100,000
Trade and other receivables	15	1,009,474	54,920,101	1,009,474	54,920,101
Cash and cash equivalents	17	1,480,032,434	1,689,061,869	1,480,032,434	1,689,061,869
TOTAL ASSETS		6,046,806,600	5,421,693,221	6,032,596,366	5,421,693,221
NET ASSETS AND LIABILITIES					
Net Assets					
Trust capital	18	2,468,431,472	2,468,431,472	2,468,431,472	2,468,431,472
Accumulated surplus		3,504,299,174	2,904,035,925	3,507,801,888	2,904,035,925
Current liabilities					
Trade and other payables	19	56,363,006	49,225,824	56,363,006	49,225,824
Liabilities directly associated with non-current assets classified as held for sale	11	17,712,948	-	-	-
Total Liabilities		74,075,954	49,225,824	56,363,006	49,225,824
TOTAL NET ASSETS AND LIABILITIES		6,046,806,600	5,421,693,221	6,032,596,366	5,421,693,221

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2014

	Notes	Group		Trust	
		2014 R	2013 R	2014 R	2013 R
Revenue	21	381,142,898	347,188,503	385,350,297	347,188,503
Sundry income	22	20,128,737	23,377,303	20,128,737	23,377,303
Total Revenue		401,271,635	370,565,806	405,479,034	370,565,806
Administration expenses	23	(199,760,541)	(218,545,886)	(199,760,541)	(218,545,886)
Net Operating Income		201,511,094	152,019,920	205,718,493	152,019,920
Impairment charge	12	(152,318,522)	(289,837,303)	(152,318,522)	(289,837,303)
Net Income/(loss) before fair value adjustments		49,192,572	(137,817,383)	53,399,971	(137,817,383)
Fair value gains/(losses)		544,188,139	251,394,208	550,365,992	251,394,208
- Investments in associates	6	(22,296,957)	(23,685,848)	(22,296,957)	(23,685,848)
- Write-off of associates	6	(348)	-	(348)	-
- Investment in Subsidiary - Day 1 Profit	11	-	-	6,177,853	-
- Investments held-for-trade - Day 1 Profit	13	-	1,176,852	-	1,176,852
- Investments at fair value - non associate equity investments	7.1	571,545,468	267,716,592	571,545,468	267,716,592
- Investments at fair value - unincorporated equity investments	7.2	(2,302,000)	(8,998,000)	(2,302,000)	(8,998,000)
- Investments held-for-trade	13	(2,758,024)	15,184,612	(2,758,024)	15,184,612
Surplus for the year before non-current asset held for sale		593,380,711	113,576,825	603,765,963	113,576,825
Surplus from Non-current asset held for sale	11	704,434	-	-	-
Surplus for the year		594,085,145	113,576,825	603,765,963	113,576,825

CASH FLOW STATEMENT

For the year ended 31 March 2014

	Notes	Group and Trust	
		2014 R	2013 R
Cash in/(out) flows from operating activities	26	(167,994,671)	(185,826,901)
Cash receipts from other income		20,128,737	23,377,303
Cash paid to suppliers and employees		(188,123,408)	(209,204,204)
Cash in/(out) flows from investing activities		(41,034,766)	(327,108,871)
Additions to property, plant and equipment	4	(672,708)	(3,127,181)
Additions to intangible assets	5	(5,647)	(578,261)
Investment disbursements	27	(636,122,042)	(703,787,933)
Dividends received		168,656,837	84,793,504
Interest receipts		76,002,554	102,039,397
Repayments on Originated Loans, Leases and Preference shares		351,106,240	190,502,714
Proceeds from sale of investments		-	3,048,889
Decrease in cash and cash equivalents		(209,029,437)	(512,935,772)
Cash and cash equivalents at beginning of the year		1,689,061,869	2,201,997,641
Cash and cash equivalents at end of the year	17	1,480,032,434	1,689,061,869

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2014

Group

	Trust capital	Accumulated surplus	Total
	R	R	R
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
Amounts recognised directly in net assets in relation to non-current assets held for sale	-	6,178,104	6,178,104
Surplus for the year	-	594,085,145	594,085,145
Balance at 31 March 2014	2,468,431,472	3,504,299,174	5,972,730,646

Note 18

Trust

	Trust capital	Accumulated surplus	Total
	R	R	R
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
Surplus for the year	-	603,765,963	603,765,963
Balance at 31 March 2014	2,468,431,472	3,507,801,888	5,976,233,360

Note 18

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

for the year ended 31 March 2014

	Notes	Approved Final Budget R	Actual R	Variance R
Revenue	28.1	426,084,000	385,350,297	(40,733,703)
Sundry income	28.2	10,000,000	20,128,737	10,128,737
Total Income		436,084,000	405,479,034	(30,604,966)
Expenses				
Compensation of Employees		(150,624,078)	(135,825,922)	14,798,156
Use of Goods and Services		(97,629,922)	(63,934,619)	33,695,303
Total Expenses	28.3	(248,254,000)	(199,760,541)	48,493,459
Net Operating Income		187,830,000	205,718,493	17,888,493
Impairment charge	28.4	(127,247,000)	(152,318,522)	(25,071,522)
Net Income before fair value adjustments		60,583,000	53,399,971	(7,183,029)
Fair value gains	28.5	-	550,365,992	550,365,992
Surplus for the year		60,583,000	603,765,963	543,182,963

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

Unless otherwise stated all notes to the Annual Financial Statements refer to both Group and Trust

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 Statements 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; and
- IPSAS 20 - Related Parties

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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014**1. ACCOUNTING POLICIES AND BASIS OF PREPARATION** continued**1.4 Consolidation** continued**Investments in associates** continued

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

Investments in subsidiaries

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the lower of its carrying amount and fair value less costs to sell.

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

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

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

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.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.5 Revenue recognition continued

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

Sundry income comprises of bad debts recovered on investments that have been written off and unconditional 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 where there is no specific conditions relating to the use of funds, then revenue is recognised. However where there are conditions imposed, then these funds are recognised in current liabilities. Interest earned on these funds is capitalised and accounted for as sundry income.

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 p.a
Furniture and fittings	16.67%
Motor vehicles	25%
Office equipment	20%-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 assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the 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 and is amortised on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite useful life are not amortised. The useful life of intangible assets that are not being amortised is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued**1.8 Financial Instruments**

The 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 cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short term highly liquid investments with original maturities.

1.10 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.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.10 Financial assets continued

Investments carried at fair value

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

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

Embedded derivative financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.10 Financial assets continued

Fair value

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

Fair value estimation – day 1 profit

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

Impairment of financial assets

(a) Assets carried at amortised cost

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

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

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

1.10 Financial assets continued

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 Performance. If a loan or preference share investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Trust may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

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

When a loan becomes noncollectable, 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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014**1. ACCOUNTING POLICIES AND BASIS OF PREPARATION** continued**1.10 Financial assets** continued**(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 cashflows 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.

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

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

1.11 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. ACCOUNTING POLICIES AND BASIS OF PREPARATION continued

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.

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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014**1. ACCOUNTING POLICIES AND BASIS OF PREPARATION** continued**1.15 Critical accounting estimates and judgements in applying accounting policies** continued**(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 8.

(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 6.

(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 note 6 and 7.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

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 was 1 April 2013. The adoption of the standard did not have a material impact on the Trust's annual financial statements as the Trust is currently on a defined contribution plan.

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 was for periods beginning on or after 1 January 2013. The Trust has adopted the guidance provided on the disclosures made by the Trust with regard to financial instruments measured at fair value, specifically the level 3 fair value hierarchy.

2.2 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.

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 20 to the Annual Financial Statements have been made on the basis of IPSAS 20.

GRAP 32 – Service concession arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

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 FINANCIAL STATEMENTS For the year ended 31 March 2014

2. NEW STANDARDS AND INTERPRETATIONS continued

2.2 Standards and interpretations not yet effective or relevant continued

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 prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

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 108 – Statutory receivables

The objective of this standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

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.

3. RISK MANAGEMENT

3.1 Credit risk

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

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

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

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

	Credit Ratings	Closing balances 2014 R	Closing balances 2013 R
Standard Bank	<u>AA+</u>	250,765,933	36,233,054
First National Bank	<u>A-2</u>	91,052,751	74,862,648
South Africa Reserve Bank	<u>BAA</u>	865,037,527	1,317,655,893
Rand Merchant Bank	<u>A-2</u>	273,172,923	260,308,276
Total Cash held with banks		1,480,029,134	1,689,059,871

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 30 days in arrears i.e., one repayment instalment 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 remain regularly monitored with a high likelihood that some repayment instalments in the future will be missed by the borrowers. This risk of default is further managed with ongoing feedback on repayment activity to the Post Investment Department of the Trust.

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

3. RISK MANAGEMENT continued

3.1 Credit risk continued

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

	Group		Trust	
	2014 R	2013 R	2014 R	2013 R
Originated Loans				
Normal monitoring and performing loans	1,280,694,940	1,209,114,103	1,342,647,987	1,209,114,103
Close monitoring	134,012,913	123,897,658	134,012,913	123,897,658
Partly/fully impaired	437,808,964	404,887,513	437,808,964	404,887,513
	1,852,516,817	1,737,899,274	1,914,469,860	1,737,899,274
Finance Leases				
Normal monitoring and performing leases	99,749,976	86,743,052	99,749,976	86,743,052
Close monitoring	4,154,020	3,678,327	4,154,020	3,678,327
Partly/fully impaired	15,026,601	14,100,855	15,026,601	14,100,855
	118,930,597	104,522,234	118,930,597	104,522,234
Preference Shares				
Normal monitoring and performing preference shares	221,138,530	178,679,665	221,138,530	178,679,665
Close monitoring	2,868,311	3,033,039	2,868,311	3,033,039
Partly/fully impaired	36,748,691	71,584,226	36,748,691	71,584,226
	260,755,532	253,296,930	260,755,532	253,296,930

The average loan disbursed is R 4 139 917 (2013: R8 493 000), with the minimum being R 250 000 (2013: R250 000), and the maximum being R125 000 000 (2013: R60 000 000)

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.

3. RISK MANAGEMENT continued

3.1 Credit risk continued

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

2014					
	Land & buildings	Plant & equipment	Furniture, other equipment and office equipment	Motor vehicles	TOTAL
Collateral held in favour of impaired loans	R	R	R	R	R
Book Value	410,287,983	427,975,069	52,536,652	94,236,752	985,036,456
Fair value	287,201,588	140,802,115	17,510,466	31,410,109	476,924,278

2013					
	Land & buildings	Plant & equipment	Furniture, other equipment and office equipment	Motor vehicles	TOTAL
Collateral held in favour of impaired loans	R	R	R	R	R
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

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.

3.2 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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

3. RISK MANAGEMENT continued

3.2 Market risk continued

3.2.1 Interest rate risk

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

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

A significant part (2014 – 79%: 2013 – 87%) of the Trust's investment portfolio is advanced in the form of originated loans. These loans are advanced at interest rates which are fixed as well as others that are linked to the prime lending rates over terms generally ranging from 5 to 8 years.

The Trust individually assesses the effect of interest rate risk in a series of scenario and sensitivity 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 Department of the Trust and is assessed on a risk rating scale as follows performing (low risk deals), impairments (medium risk deals) and workouts (high risk deals). As at 31 March 2014, the portfolio was assessed from this risk rating approach as follows:

Category	2014		2013	
	% by number	% by value	% by number	% by value
Performing	69%	70%	66%	67%
Impairments	19%	19%	26%	19%
Workouts	12%	11%	8%	13%

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.

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

3. RISK MANAGEMENT continued

3.2 Market risk continued

3.2.1 Interest rate risk continued

Interest rate risk sensitivity analysis

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

	2014			2013		
	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment
	R	R	R	R	R	R
Originated loans	1,476,660,897	144,039,015	14,766,609	1,397,641,481	115,162,279	13,976,415
Cash and cash equivalents	1,480,032,434	76,272,739	14,800,324	1,689,061,869	102,279,746	16,890,619
Total effect on Profit/Loss	2,956,693,331	220,311,754	29,566,933	3,086,703,350	217,442,025	30,867,034

3.2.2 Foreign exchange risk

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

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

3.2.3 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.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

3. RISK MANAGEMENT continued

3.2 Market risk continued

3.2.3 Price risk continued

Listed Investments	Number of shares at year end	Share price at year end	Market Value of Listed Portfolio at year end	10% increase in share price	10% decrease in share price
		R	R	R	R
AH Vest Ltd	7,860,473	0.20	1,572,095	1,729,304	1,414,885
Hospitality Property Fund A	2,523,165	16.20	40,875,270	44,962,800	36,787,746
Hospitality Property Fund B	1,261,583	5.25	6,623,310	7,285,642	5,960,980
MTN Ltd	10,116,355	218.00	2,205,365,390	2,425,901,929	1,984,828,851
Total			2,254,436,065	2,479,879,675	2,028,992,462

3.3 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 forecast liquidity requirements.

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

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

3.4 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 (2013: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. This capital is managed separately and utilised for the purposes of reapplication into asset management activities and other related investments in consultation with **the dti** and National Treasury.

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

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

4. PROPERTY AND EQUIPMENT

	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Office Equipment R	Furniture & Fittings R	Leasehold Improvements R	Paintings R	Total R
2014								
Opening 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 Carrying Amount	648,423	1,329,303	182,794	597,905	1,254,684	2,275,974	147,203	6,436,286
Movement for the year:								
Additions	-	548,258	-	6,794	37,719	79,937	-	672,708
Re-classification	-	100,458	-	159,004	34,979	(15,474)	-	278,967
Depreciation on reclassified assets	-	333,997	51,072	62,936	99,976	(190,884)	-	357,097
Depreciation	(249,069)	(989,734)	(119,786)	(224,942)	(398,998)	(974,035)	(3,627)	(2,960,191)
	(249,069)	(7,021)	(68,714)	3,792	(226,324)	(1,100,456)	(3,627)	(1,651,419)
Closing Balance								
Cost	1,291,157	5,824,872	539,952	3,052,248	4,251,302	5,906,014	181,454	21,046,999
Accumulated depreciation	(891,803)	(4,502,590)	(425,872)	(2,450,551)	(3,222,942)	(4,730,496)	(37,878)	(16,262,132)
Net Carrying Amount	399,354	1,322,282	114,080	601,697	1,028,360	1,175,518	143,576	4,784,867
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
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 Carrying Amount	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)
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 Carrying Amount	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.	408,103	936,563	164,990	49,800	1,124,618	98,439	-	2,782,513

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

	Notes	2014 R	2013 R
5. INTANGIBLE ASSETS			
Computer software			
Opening Balance			
Cost		14,263,067	13,433,317
Accumulated amortisation		(13,002,454)	(11,569,094)
Net Carrying Amount		1,260,613	1,864,223
Movement for the year:			
Additions		5,647	578,261
Reclassification		(421,937)	251,489
Amortisation		(650,757)	(1,433,360)
		(1,067,047)	(603,610)
Closing Balance			
Cost		14,058,045	14,263,067
Accumulated amortisation		(13,864,479)	(13,002,454)
Net Carrying Amount		193,566	1,260,613

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

6. INVESTMENTS IN ASSOCIATES

Investments at cost		446,372,918	260,747,853
Opening balance		260,747,853	178,374,871
Additions		155,126,934	66,072,982
Transfers from Originated Loans - Stutt Brick (Pty) Ltd		30,498,730	-
Transfers from Originated Loans - Middlesdrift Dairy (Pty) Ltd		-	4,500,000
Transfers from Originated Loans - Inca Masonry Company (Pty) Ltd		-	11,800,000
Write off		(238)	-
Transfer to beneficiaries		(110)	-
Transfer to investment in subsidiary		(251)	-
Fair value adjustments		(22,502,362)	(205,405)
Opening balance		(205,405)	23,480,443
Fair value (losses)		(22,296,957)	(23,685,848)
Net investment in associates		423,870,556	260,542,448

6. INVESTMENT IN ASSOCIATES continued

The Trust's principal associates are:

Name	Country of incorporation	Principal activity	2014 Interest held (%)	2013 Interest held (%)
Unlisted:				
Africa Rising (Pty) Ltd	South Africa	Financial Services	25.1%	25.1%
Amajuba Berries (Pty)Ltd *	South Africa	Agro Processing	51.0%	51.0%
Basfour (Pty) Ltd	South Africa	Engineering	49.0%	49.0%
Blue Glamour (Pty) Ltd	South Africa	Manufacturing	32.0%	32.0%
Boipelo Piggery (Pty) Ltd	South Africa	Agro Processing	0.0%	20.0%
Buffalo Bull (Pty) Ltd	South Africa	Agro Processing	0.0%	30.0%
Busamed (Pty) Ltd***	South Africa	Healthcare	49.0%	49.0%
Business Venture Investments (Pty) Ltd	South Africa	Agro Processing	30.0%	30.0%
Colliery Dust Control (Pty) Ltd	South Africa	Mining	40.1%	40.1%
Crowie Holdings (Pty) Ltd	South Africa	Construction	25.1%	25.1%
Delswa Trading (Pty) Ltd	South Africa	Manufacturing	40.1%	-
False Bay Bricks (Pty) Ltd	South Africa	Construction	30.0%	30.0%
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	South Africa	Construction	30.0%	30.0%
Gibela Rail (Pty) Ltd	South Africa	Manufacturing	30.0%	0.0%
Global Wheel (Pty) Ltd	South Africa	Manufacturing	32.0%	32.0%
IM Capital (Pty) Ltd	South Africa	Engineering	49.0%	49.0%
Imbaza Mussel (Pty) Ltd	South Africa	Agro Processing	30.0%	30.0%
Inala Shipping (Pty) Ltd	South Africa	Shipping	0.0%	30.0%
Inca Concrete Masonry (Pty) Ltd	South Africa	Construction	35.0%	35.0%
Karbochem Co-generation (Pty) Ltd	South Africa	Energy	30.0%	30.0%
Kenako (Pty) Ltd	South Africa	Pharmaceuticals	49.0%	49.0%
Lak Investment t/a Stone Age (Pty) Ltd	South Africa	Construction	25.0%	25.0%
Link Africa Group (Pty) Ltd***	South Africa	Telecommunication	30.0%	30.0%
Middeldrift Dairy (Pty) Ltd	South Africa	Agro Processing	40.0%	40.0%
Mohale (Pty) Ltd	South Africa	Agro Processing	45.0%	45.0%
Mopadi Molamu (Pty) Ltd	South Africa	Agro Processing	20.0%	20.0%
Ndalo Luxury Ventures (Pty) Ltd	South Africa	Retail	0.0%	20.0%
Ntsinde Royal Jozini Holdings (Pty) Ltd	South Africa	Tourism and Entertainment	33.4%	33.4%
Petrocom (Pty) Ltd	South Africa	Energy	30.0%	30.0%
Pretamix (Pty) Ltd	South Africa	Services	49.0%	49.0%
Renu Energy (Pty) Ltd	South Africa	Manufacturing	26.0%	26.0%
SA Metals (Pty) Ltd***	South Africa	Mining	29.0%	29.0%
Safepak (Pty) Ltd	South Africa	Manufacturing	20.0%	20.0%
Sizovuna Investments Holding (Pty) Ltd	South Africa	Property	49.0%	49.0%
Stutt Brick Company (Pty) Ltd	South Africa	Construction	45.0%	45.0%
Trennplast (Pty) Ltd	South Africa	Manufacturing	26.5%	26.5%
Value Cement (Pty) Ltd	South Africa	Construction	31.0%	31.0%
White Heat Trading 4 (Pty)Ltd t/a Hollywood Displays	South Africa	Manufacturing	34.5%	34.5%
Willowvale (Pty) Ltd	South Africa	Property	45.0%	45.0%
Zastrovect Investments (Pty) Ltd	South Africa	Retail	0.0%	25.1%
Zulima Trading (Pty) Ltd	South Africa	Property	44.0%	0.0%

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

Name	Voting Power		Equity at Fair Values	
	2014	2013	2014	2013
Unlisted:				
6. INVESTMENT IN ASSOCIATES continued				
Africa Rising (Pty) Ltd	25.1%	25.1%	2,510	2,510
Amajuba Berries (Pty)Ltd *	31.0%	31.0%	51	1,352,255
Basfour (Pty) Ltd	49.0%	49.0%	146	146
Blue Glamour (Pty) Ltd	32.0%	32.0%	5,038,798	6,086,454
Boipelo Piggery (Pty) Ltd	0.0%	20.0%	-	200
Buffalo Bull (Pty) Ltd	0.0%	30.0%	-	38
Busamed (Pty) Ltd***	49.0%	49.0%	260,000,000	110,000,000
Business Venture Investments (Pty) Ltd	30.0%	30.0%	30	30
Colliery Dust Control (Pty) Ltd	40.1%	40.1%	13,840,712	18,239,752
Crowie Holdings (Pty) Ltd	25.1%	25.1%	19,406,788	18,485,606
Delswa Trading (Pty) Ltd	40.1%	-	5,096,374	-
False Bay Bricks (Pty) Ltd	30.0%	30.0%	300	300
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	30.0%	30.0%	300	300
Gibela Rail (Pty) Ltd	30.0%	0.0%	30,000	-
Global Wheel (Pty) Ltd	32.0%	32.0%	113,328	32
IM Capital (Pty) Ltd	49.0%	49.0%	146	146
Imbaza Mussel (Pty) Ltd	30.0%	30.0%	300	300
Inala Shipping (Pty) Ltd	0.0%	30.0%	-	30
Inca Concrete Masonry (Pty) Ltd	35.0%	35.0%	11,800,350	11,800,350
Karbochem Co-generation (Pty) Ltd	30.0%	30.0%	12,000,000	12,000,000
Kenako (Pty) Ltd	49.0%	49.0%	6,071,189	6,071,189
Lak Investment t/a Stone Age (Pty) Ltd	25.0%	25.0%	25	25
Link Africa Group (Pty) Ltd***	30.0%	30.0%	32,000,000	32,000,000
Middeldrift Dairy (Pty) Ltd	40.0%	40.0%	40	4,500,040
Mohale (Pty) Ltd	45.0%	45.0%	450	450
Mopadi Molamu (Pty) Ltd	20.0%	20.0%	200	200
Ndalo Luxury Ventures(Pty) Ltd	0.0%	20.0%	-	80
Ntsinde Royal Jozini Holdings (Pty)Ltd **	33.4%	33.4%	334	334
Petrocom (Pty) Ltd	30.0%	30.0%	30	30
Pretamix (Pty) Ltd	49.0%	49.0%	3,752,359	240
Renu Energy (Pty) Ltd	26.0%	26.0%	-	-
SA Metals (Pty) Ltd***	29.0%	29.0%	40,000,000	40,000,000
Safepak (Pty) Ltd	20.0%	20.0%	20	20
Sizovuna Investments Holding (Pty) Ltd	49.0%	49.0%	49	49
Stutt Brick Company (Pty) Ltd	45.0%	45.0%	14,714,121	45
Trennplast (Pty) Ltd	26.5%	26.5%	265	265
Value Cement (Pty) Ltd	31.0%	31.0%	31	31
White Heat Trading 4 (Pty)Ltd t/a Hollywood Displays	34.5%	34.5%	300	300
Willowvale (Pty) Ltd	45.0%	45.0%	450	450
Zastrovect Investments (Pty) Ltd	0.0%	25.1%	-	251
Zulimar Trading (Pty) Ltd	44.0%	0.0%	560	-
			423,870,556	260,542,448

* 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.

*** 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	2014 R	2013 R
7. INVESTMENTS AT FAIR VALUE			
7.1 Non-associate equity investments			
Opening Balance		1,643,226,488	1,449,434,153
Movements		611,545,468	193,792,335
MTN shares- fair value adjustments		571,545,468	267,716,592
On Time Digital Media (Pty) Ltd - reversal of impairment		30,000,000	(96,343,331)
Transfer to Originated Loans		(30,000,000)	-
Additions:			
On Time Digital Media (Pty) Ltd		-	21,333,333
Kenako Medical (Pty) Ltd (equity options)		-	1,085,411
Janitone (Pty) Ltd		-	180
Nyonende (Pty) Ltd		-	150
Mabele Fuels (Pty) Ltd		40,000,000	-
Fair value balance at end of the year		2,254,771,956	1,643,226,488
Non- associate investments include:			
Listed securities:			
Equity securities : RSA (MTN Shares)		2,205,365,390	1,633,819,922
Unlisted securities:			
Securities not traded on an active market		49,406,566	9,406,566
Intaba Technologies (Pty) Ltd		1	1
Inkwali Fabrication (Pty) Ltd		1	1
Janitone (Pty) Ltd		180	180
Gidani (Pty) Ltd		100	100
Thin Film (Pty) Ltd		5,313,211	5,313,211
Connex (Pty) Ltd		3,007,500	3,007,500
Nyonende (Pty) Ltd		150	150
Vuwa Pharmaceuticals (Pty) Ltd		11	11
Kenako Medical (Pty) Ltd (equity options)		1,085,411	1,085,411
On Time Digital Media (Pty) Ltd		1	1
Mabele Fuels (Pty) Ltd		40,000,000	-
		2,254,771,956	1,643,226,488

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

Notes	2014 R	2013 R
7. INVESTMENTS AT FAIR VALUE continued		
7.2 Unincorporated Equity investments		
Unincorporated equity investment fair value through profit and loss	84,089,947	86,789,947
Opening Balance	86,789,947	79,789,947
Disbursements	2,300,000	9,000,000
Cost of exited transactions	(5,000,000)	(2,000,000)
Fair value movements	(84,076,947)	(86,774,947)
Balance brought forward from prior year	(86,774,947)	(77,904,908)
Fair value (losses)	(2,299,000)	(8,998,000)
Fair value gain on exited transactions	4,997,000	127,961
Net investment in fair value through profit and loss financial assets	13,000	15,000
Total Investments held at FV-through profit and loss	2,254,784,956	1,643,241,488
Net fair value loss on the face of the Statement of Financial Performance	(2,302,000)	(8,998,000)

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.

2014				
Investment	Investment at cost R	Fair value R	Interest in project/joint venture	Effective voting on Joint Steering Committee %
Rare Metals Industries (Pty) Ltd*	13,500,000	1,000	30%	27%
Manhize - Coking Coal (Pty) Ltd	6,000,000	2,000	75%	50%
African Silica Investments (Pty) Ltd	7,000,000	1,000	50%	50%
Organic Coconut Beverage Co. (Pty) Ltd	5,000,000	1,000	49%	50%
Kimocode - Hluhluwe Wind Farm (Pty) Ltd	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 (Pty) Ltd	2,000,000	1,000	50%	50%
Municipal Waste t/a Lanele Resources (Pty) Ltd	10,000,000	1,000	49%	50%
Underground Venture Capital (Pty) Ltd	3,089,947	1,000	50%	50%
First in Spec Biofuels Limited	10,000,000	1,000	30%	50%
Modular Industries Building Technologies (Pty) Ltd	15,000,000	1,000	50%	50%
Blacklite (Pty) Ltd	2,300,000	1,000	50%	50%
	84,089,947	13,000		

7. INVESTMENTS AT FAIR VALUE continued

7.2 Unincorporated Equity investments continued

2013

Investment	Investment at cost R	Fair value R	Interest in project/ joint venture	Effective voting on Joint Steering Committee %
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 (Pty) Ltd	6,000,000	2,000	75%	50%
African Silica Investments (Pty) Ltd	7,000,000	1,000	50%	50%
Organic Coconut Beverage Co. (Pty) Ltd	5,000,000	1,000	49%	50%
Kimocode - Hluhluwe Wind Farm (Pty) Ltd	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 (Pty) Ltd	2,000,000	1,000	50%	50%
Maluti Trans Frontier Tourism Route t/a PKX (Pty) Ltd	3,000,000	1,000	50%	50%
Municipal Waste t/a Lanele Resources (Pty) Ltd	10,000,000	1,000	49%	50%
Underground Venture Capital (Pty) Ltd	3,089,947	1,000	50%	50%
First in Spec Biofuels Limited	10,000,000	1,000	30%	50%
Modular Industries Building Technologies (Pty) Ltd	15,000,000	1,000	50%	50%
Fuel Budgeting Solutions (Pty) Ltd	1,000,000	1,000	50%	50%
	86,789,947	15,000		

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

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

8. ORIGINATED LOANS

	Group		Trust	
	2014 R	2013 R	2014 R	2013 R
ORIGINATED LOANS				
Opening balance	1,737,899,274	1,261,953,726	1,737,899,274	1,261,953,726
Net movement for the year	114,617,543	475,945,548	176,570,586	475,945,548
Loans disbursed	411,227,315	546,443,224	411,227,315	546,443,224
Facility Fee income	-	2,500	-	2,500
Interest capitalised	144,039,015	115,162,279	144,039,015	115,162,279
Loan repayments	(300,008,868)	(165,163,353)	(300,008,868)	(165,163,353)
Write-offs	(60,898,853)	-	(60,898,853)	-
Settlement Write-offs	(2,679,858)	(72,307)	(2,679,858)	(72,307)
Transfer to Preference Share - Inca Concrete Masonry (Pty) Ltd	-	(3,000,000)	-	(3,000,000)
Transfer to Associates - Inca Concrete Masonry (Pty) Ltd	-	(11,800,000)	-	(11,800,000)
Loans re-classified to other investment categories	-	(4,500,000)	-	(4,500,000)
Transfer to Associates - Stutt Brick Company (Pty) Ltd	(30,498,730)	-	(30,498,730)	-
Transfer to Non- Associate Equity Investments - Mabele Fuels (Pty) Ltd	(15,000,000)	-	(15,000,000)	-
On Digital Media (Pty) Ltd Settlement - Legal Fees	390,565	-	-	-
Transfer from Non-Associate Equity Investment - On Digital Media (Pty) Ltd	30,000,000	-	30,390,565	-
Transfer to non-current asset held for sale	(61,953,043)	-	-	-
Transfer from Preference Share - Incoso Foods (Pty) Ltd	-	924,000	-	924,000
Restructure - Middeldrift (Pty) Ltd write-off	-	(2,050,795)	-	(2,050,795)
Closing balance	1,852,516,817	1,737,899,274	1,914,469,860	1,737,899,274
Provision for Impairment	(437,808,963)	(340,257,792)	(437,808,963)	(340,257,792)
- Opening balance	(340,257,792)	(170,539,433)	(340,257,792)	(170,539,433)
- Impairments for the year	(161,129,882)	(181,711,667)	(161,129,882)	(181,711,667)
- Impairment re-classification for the prior year	-	9,864,848	-	9,864,848
- Write-offs	63,578,711	2,128,460	63,578,711	2,128,460
	1,414,707,854	1,397,641,481	1,476,660,897	1,397,641,481
Net Originated Loan balance	1,414,707,854	1,397,641,481	1,476,660,897	1,397,641,481
Current Portion	455,699,689	393,517,194	455,699,689	393,517,194
Long Term Portion	959,008,165	1,004,124,287	1,020,961,208	1,004,124,287

	Notes	2014 R	2013 R
9. PREFERENCE SHARES			
Opening Balance		253,296,930	223,260,090
Net movement for the year		7,458,602	30,036,840
Additions		-	6,000,000
Loans re-classified to other investment categories		-	(924,000)
Interest capitalised		39,103,798	35,159,115
Repayments		(24,086,336)	(12,941,025)
Loans re-classified from other investment categories		-	3,000,000
Write-off		(7,558,860)	(257,250)
Closing balance		260,755,532	253,296,930
Provision for Impairment		(36,748,691)	(36,946,057)
- Opening balance		(36,946,057)	(24,815,032)
- Impairments for the year		(7,361,494)	(12,388,275)
- Disposals/Write-offs		7,558,860	257,250
Net Preference shares balance		224,006,841	216,350,873

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

Notes	2014 R	2013 R
10. FINANCE LEASE RECEIVABLES		
Opening Balance	104,522,235	58,984,256
Net movement for the year	14,408,362	45,537,979
Additions	42,468,353	53,852,983
Interest capitalised	9,964,463	5,226,658
Repayments	(27,011,036)	(12,398,337)
Disposals/Write-offs	(11,013,418)	(1,143,325)
Closing balance	118,930,597	104,522,235
Provision for Impairment	(15,026,601)	(12,212,873)
- Opening balance	(12,212,873)	(4,097,320)
- Impairment reclassification for the year	-	(9,864,848)
- Impairments for the year	(13,827,146)	605,970
- Disposals/Write-offs	11,013,418	1,143,325
Net Finance Lease Receivable balance	103,903,996	92,309,362
Gross investment in leases due	141,288,750	125,345,885
- within one year	43,291,513	38,024,530
- in second to fifth year inclusive	89,628,601	70,082,824
- after 5 years	8,368,636	17,238,531
Less: Unearned finance income	(22,358,153)	(20,823,650)
Present value of minimum lease payments receivable	118,930,597	104,522,235
Less: Allowance for uncollectable minimum lease payments	(15,026,601)	(12,212,873)
Present value	103,903,996	92,309,362
Present value of minimum lease payments due		
- within one year	34,833,724	31,028,162
- in second to fifth year inclusive	76,458,215	57,946,314
- after 5 years	7,638,658	15,547,759
	118,930,597	104,522,235
Less: Allowance for uncollectable minimum lease payments	(15,026,601)	(12,212,873)
Carrying amount of minimum lease payments	103,903,996	92,309,362
Net Finance Lease Receivable balance	103,903,996	92,309,362
Current Portion	34,833,724	31,028,162
Long Term Portion	69,070,272	61,281,200

The average lease term is 5 years (2013:5 years) and the average effective lending rate is 7% (2013:7%).

	Notes	2014 R	2013 R
11. NON-CURRENT ASSET HELD FOR SALE			
11.1 Investment in Subsidiary			
Cost at acquisition		251	-
Day 1 Profit		6,177,853	-
		6,178,104	-
11.2 Non-Current asset Held for Sale			
Revenue		179,887,088	-
Amortised value of loan transferred from Originated Loans		61,953,043	-
Equity in Zastrovect transferred from Investment in Associates		251	-
Amounts recognised directly in net assets in relation to non-current assets held for sale		2,675,139	-
Other Current Liabilities		17,712,948	-
		82,341,381	-
Net surplus for Zastrovect Investments (Pty) Ltd since conversion to subsidiary		704,434	-

The NEF initially held 25.1% as an investment in Zastrovect Investments (Pty) Ltd t/a Goseame, however due to the non-compliance and non-adherence by the investee of covenants of the loan agreements. The NEF took legal action against the investee and thus exercised its legal options and was awarded all the shares in the entity. Consequently the NEF now holds 100% of the entity resulting in the entity being a subsidiary. The NEF has elected to apply the requirements of GRAP 100, where the subsidiary could be presented as Non Current Asset Held for Sale

12. IMPAIRMENT CHARGE/(REVERSAL) TO THE STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR

Originated loans	161,129,882	181,711,667
Preference shares	7,361,494	12,388,275
Finance leases	13,827,146	(605,970)
Non associate equity investments	(30,000,000)	96,343,331
Impairment for the year	152,318,522	289,837,303

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

Notes	2014 R	2013 R
13. INVESTMENTS HELD-FOR-TRADE		
Fair value balance at beginning of year	51,828,699	36,644,087
Additions (Day 1 Gain)	-	1,176,852
Disposals	-	(1,176,852)
	51,828,699	36,644,087
Fair value (losses)/gains	(2,758,024)	15,184,612
Fair value balance at end of year	49,070,675	51,828,699
Investments Held-for-Trade include:		
Listed Securities:		
AH Vest/All Joy	1,572,095	1,100,466
Hospitality Fund A	40,875,270	42,717,183
Hospitality Fund B	6,623,310	8,011,050
	49,070,675	51,828,699

The fair value gains for 2013 on the Held for Trade investments as per the Statement of Financial Performance is made up of the fair value gains of R 15 184 612 for the year as well as the Day 1 profit recognised on the Hospitality Fund rights issue of R1 176 852.

14. CURRENT ASSET HELD FOR SALE

Opening Balance	8,100,000	8,100,000
Closing balance	8,100,000	8,100,000

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 12 months of attachment and sale is considered to be probable.

15. TRADE AND OTHER RECEIVABLES

Deposits	874,249	874,249
Interest receivable - cash and cash equivalents	-	42,757
Dividend receivable	-	52,686,555
Other receivables	135,225	1,316,540
	1,009,474	54,920,101

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

16. FINANCIAL ASSETS

	Group			
	2014		2013	
	Carrying amount R	Fair value R	Carrying amount R	Fair Value R
Loans and receivables	1,743,628,166	1,743,628,166	1,761,211,818	1,761,211,818
Originated loans	1,414,707,854	1,414,707,854	1,397,641,481	1,397,641,481
Preference shares	224,006,841	224,006,841	216,350,873	216,350,873
Finance leases	103,903,996	103,903,996	92,309,362	92,309,362
Trade and other receivables	1,009,474	1,009,474	54,920,101	54,920,101
Investments held at fair value	2,254,784,956	2,254,784,956	1,643,241,488	1,643,241,488
Unlisted non associate equity investments	49,406,566	49,406,566	9,406,566	9,406,566
Listed non associate equity investments	2,205,365,390	2,205,365,390	1,633,819,922	1,633,819,922
Unincorporated equity investments	13,000	13,000	15,000	15,000
Investment in associates	423,870,556	423,870,556	260,542,448	260,542,448
Investments held for trade	49,070,675	49,070,675	51,828,699	51,828,699
Listed equity	49,070,675	49,070,675	51,828,699	51,828,699
Total	4,471,354,352	4,471,354,352	3,716,834,453	3,716,834,453

	Trust			
	2014		2013	
	Carrying amount R	Fair value R	Carrying amount R	Fair Value R
Loans and receivables	1,805,581,209	1,805,581,209	1,761,221,818	1,761,221,818
Originated loans	1,476,660,897	1,476,660,897	1,397,641,481	1,397,641,481
Preference shares	224,006,841	224,006,841	216,350,873	216,350,873
Finance leases	103,903,996	103,903,996	92,309,362	92,309,362
Trade and other receivables	1,009,474	1,009,474	54,920,101	54,920,101
Investments held at fair value	2,254,784,956	2,254,784,956	1,643,241,488	1,643,241,488
Unlisted non associate equity investments	49,406,566	49,406,566	9,406,566	9,406,566
Listed non associate equity investments	2,205,365,390	2,205,365,390	1,633,819,922	1,633,819,922
Unincorporated equity investments	13,000	13,000	15,000	15,000
Investment in associates	423,870,556	423,870,556	260,542,448	260,542,448
Investments held for trade	49,070,675	49,070,675	51,828,699	51,828,699
Listed equity	49,070,675	49,070,675	51,828,699	51,828,699
Total	4,533,307,395	4,533,307,395	3,716,834,453	3,716,834,453

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

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:

	2014			Total R
	Level 1 R	Level 2 R	Level 3 R	
Financial assets at fair value through profit and loss	49,070,675	-	423,883,556	472,954,231
Associates	-	-	423,870,556	423,870,556
Unincorporated equity investments	-	-	13,000	13,000
Investments held for trade	49,070,675	-	-	49,070,675
Non- Associate equity investments	2,205,365,390	-	49,406,566	2,254,771,956
Listed equities	2,205,365,390	-	-	2,205,365,390
Unlisted equities	-	-	49,406,566	49,406,566
Total	2,254,436,065	-	473,290,122	2,727,726,187

	2013			Total R
	Level 1 R	Level 2 R	Level 3 R	
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

16. FINANCIAL ASSETS continued

Reconciliation of financial assets held at fair value

	2014			
	Level 1 R	Level 2 R	Level 3 R	Total R
Opening balance for the year	1,685,648,621	-	269,964,014	1,955,612,635
Purchases				
Cost	-	-	227,925,664	227,925,664
Sales/Transfers	-	-	(599)	(599)
Total fair value adjustments recognised:				
In profit and loss	568,787,444		(24,598,957)	544,188,487
Closing balance	2,254,436,065	-	473,290,122	2,727,726,187

	2013			
	Level 1 R	Level 2 R	Level 3 R	Total R
Opening balance for the year	1,402,747,417	-	287,071,176	1,689,818,593
Purchases				
Cost	-	-	97,492,056	97,492,056
Sales/Transfers	-	-	14,427,961	14,427,961
Impairment of financial assets recognised	-	-	(96,343,331)	(96,343,331)
Total fair value adjustments recognised:				
In profit and loss	282,901,204	-	(32,683,848)	250,217,356
Closing balance	1,685,648,621	-	269,964,014	1,955,612,635

Valuations based on observable inputs

Valuations based on observable inputs include:

Level 1

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

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

This category comprises of active listed equities.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014**16. FINANCIAL ASSETS** continued**Level 2**

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

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

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

Level 3

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

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

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

(i) Future earnings and marketability discounts

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

(ii) Comparator multiples

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

(iii) Discount rates

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

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

16. FINANCIAL ASSETS continued

Sensitivity Analysis

	2014 Carrying Amount	Effect of 1% Sensitivity adjustment	Effect of 10% Sensitivity adjustment
Level 3 Contributors			
Associates	423,870,556	4,238,706	42,387,056
Unincorporated equity investments	13,000	130	1,300
Unlisted equities	49,406,566	494,066	4,940,657
	<u>473,290,122</u>	<u>4,732,901</u>	<u>47,329,012</u>

	2013 Carrying Amount	Effect of 1% Sensitivity adjustment	Effect of 10% Sensitivity adjustment
Level 3 Contributors			
Associates	260,542,448	2,605,424	26,054,245
Unincorporated equity investments	15,000	150	1,500
Unlisted equities	9,406,566	94,066	940,657
	<u>269,964,014</u>	<u>2,699,640</u>	<u>26,996,401</u>

Notes	2014 R	2013 R
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17. CASH AND CASH EQUIVALENTS

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

Current bank accounts	108,209,100	26,483,920
Short-term bank deposits	1,371,820,034	1,662,575,951
Cash on hand	3,300	1,998
	<u>1,480,032,434</u>	<u>1,689,061,869</u>

The effective interest rate on short term deposits was 5.5% (2013 - 5.5%).

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

	Notes	2014 R	2013 R
18. TRUST CAPITAL			
Investment in listed shares			
At cost		171,000,000	171,000,000
Cash funds received from the dti :		2,297,431,472	2,297,431,472
Closing balance		2,468,431,472	2,468,431,472
19. TRADE AND OTHER PAYABLES			
Trade payables		5,472,431	5,574,890
Lease accrual		1,852,365	1,943,083
Unallocated receipts generated by Asonge		427,791	427,791
Enterprise Development Contributions	24.4	5,597,836	-
Accruals		43,012,583	41,280,060
Performance awards		30,534,524	30,315,236
Supplier accruals		6,472,473	5,449,640
Leave pay		6,005,586	5,515,184
		56,363,006	49,225,824

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

20. RELATED PARTY TRANSACTIONS

Executive Authority	Department of Trade and Industry
Other related parties	Board of Trustees
	Investments in associates
	Investments in subsidiaries

Related party balances in respect of Investments in Associates and subsidiaries

	Holding	Loans receivable before impairment		Investments at cost	
		2014	2014	2013	2014
		R	R	R	R
Africa Rising (Pty) Ltd	25%	-	-	2,510	2,510
Amajuba Berries (Pty) Ltd *	51%	11,731,670	10,880,360	19,369,051	19,369,051
Basfour (Pty) Ltd	49%	74,055,248	73,294,246	146	146
Blue Glamour (Pty) Ltd	32%	-	-	20	20
Boipelo Piggery (Pty) Ltd	0%	-	699,372	-	200
Buffalo Bull (Pty) Ltd	0%	-	12,156,155	-	38
Busamed (Pty) Ltd	49%	-	-	260,000,000	110,000,000
Business Venture Investments (Pty) Ltd	30%	14,870,353	3,551,296	30	30
Colliery Dust Control (Pty) Ltd	40%	6,004,573	12,502,100	401	401
Crowie Holdings (Pty) Ltd	25%	25,000,000	-	25,000,000	25,000,000
Delswa Group (Pty) Ltd	40%	29,346,335	-	5,126,374	-
False Bay Bricks (Pty) Ltd	30%	80,990,053	74,487,854	300	300
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	30%	11,286,895	7,542,937	300	300
Gibela Rail (Pty) Ltd	30%	-	-	30,000	-
Global Wheel (Pty) Ltd	32%	52,891,498	50,960,961	32	32
IM Capital (Pty) Ltd	49%	-	-	146	146
Imbaza Mussel (Pty) Ltd	30%	9,076,533	9,113,531	300	300
Inala Shipping (Pty) Ltd	0%	-	301,163	-	30
Inca Concrete Masonry (Pty) Ltd	35%	6,048,180	4,728,893	11,800,350	11,800,350
Karbochem Co-generation (Pty) Ltd	30%	43,613,551	39,642,954	12,000,000	12,000,000
Kenako (Pty) Ltd	49%	-	-	6,071,189	6,071,189
Lak Investment t/a Stone Age (Pty) Ltd	25%	38,483,295	38,115,780	25	25
Link Africa Group (Pty) Ltd	30%	80,333,292	71,838,330	32,000,000	32,000,000
Middeldrift Dairy (Pty) Ltd	40%	6,343,246	6,303,312	4,500,040	4,500,040
Mohale (Pty) Ltd	45%	16,005,755	14,195,695	450	450
Mopadi Molamu (Pty) Ltd	20%	14,275,918	11,350,305	200	200
Ndalo Luxury Ventures (Pty) Ltd	0%	37,516,377	24,297,336	-	80
Ntsinde Royal Jozini Holdings (Pty) Ltd **	33%	30,502,962	21,358,337	334	334

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

	Holding 2014	Loans receivable before impairment		Investments at cost	
		2014 R	2013 R	2014 R	2013 R
20 RELATED PARTY TRANSACTIONS continued					
Petrocom (Pty) Ltd	30%	2,262,619	1,895,825	30	30
Pretamix (Pty) Ltd	49%	-	-	240	240
SA Metals (Pty) Ltd	29%	-	-	40,000,000	40,000,000
Safepak (Pty) Ltd	20%	30,463,209	34,541,361	20	20
Sizovuna Investments Holding (Pty) Ltd	49%	50,221,805	62,647,427	49	49
Stutt Brick Company (Pty) Ltd	45%	11,116,460	29,506,572	30,498,775	45
Trennplast (Pty) Ltd	27%	58,200,105	55,915,391	265	265
Value Cement (Pty) Ltd	31%	34,160,144	12,395,344	31	31
White Heat Trading 4 (Pty) Ltd t/a Hollywood Displays	35%	60,281,782	59,633,569	300	300
Willowvale (Pty) Ltd	45%	21,588,946	5,448,119	450	450
Zastrovect (Pty) Ltd	100%	61,953,043	53,282,633	251	251
Zulimar Trading (Pty) Ltd	44%	13,676,781	-	560	-
		932,300,628	802,587,158	446,403,169	260,747,853

Interest has been earned on the above balances at an average rate of 7%.(2013:7%)

* 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.

21. REVENUE

	Group		Trust	
	2014 R	2013 R	2014 R	2013 R
Interest - cash	75,959,797	102,059,275	75,959,797	102,059,275
Interest - preference shares	39,103,798	35,159,115	39,103,798	35,159,115
Interest - originated loans	139,831,616	115,162,279	144,039,015	115,162,279
Interest -finance leases	9,964,463	5,226,658	9,964,463	5,226,658
Interest - other	312,942	220,471	312,942	220,471
Dividends	115,970,282	89,360,705	115,970,282	89,360,705
	381,142,898	347,188,503	385,350,297	347,188,503

	Notes	2014 R	2013 R
22. SUNDRY INCOME			
Bad debts recovered		758,500	2,555,192
Other Income		59,290	-
Transfers - dti		-	2,789,857
Enterprise Development Funding	24.4	19,310,947	18,032,254
		20,128,737	23,377,303
23. ADMINISTRATION EXPENSES			
Net operating income is arrived at after taking into account:			
Auditors' Remuneration		2,062,637	2,917,613
For external audit fees		1,427,016	1,527,205
Internal audit - outsourced fees		635,621	1,390,408
Professional fees		13,064,977	10,199,891
Human Resources		319,119	232,136
Information technology		1,479,160	1,578,238
Legal fees		8,095,791	4,925,624
Finance		353,468	171,000
Risk management		472,696	677,814
Specialist Consulting		2,344,743	2,615,079
Depreciation	4	2,960,191	3,491,844
Motor vehicles		249,069	192,820
Computer equipment		989,734	1,101,616
Audiovisual equipment		119,786	88,261
Office equipment		224,942	514,503
Furniture and fittings		398,998	467,514
Other assets		3,627	3,627
Leasehold improvements		974,035	1,123,503
Trustees and senior management emoluments	25	18,496,312	15,033,718
Amortisation of intangible assets (included in line item Administration expenses)	5	650,757	1,433,360
Operating lease rentals		9,665,431	8,147,376
Property rental		9,344,142	7,896,024
Equipment rental		321,289	251,352
Total staff costs		135,825,922	131,396,676
Salaries and other benefits		125,642,580	121,305,390
Provident fund contributions		10,183,342	10,091,286
Number of employees at year end		146	168

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

Notes	2014 R	2013 R
24. COMMITMENTS		
24.1 Operating lease commitments – property rentals		
The future minimum lease payments on office premises rental under non-cancellable operating leases are as follows:		
Not later than 1 year	9,316,581	8,641,300
Later than 1 year but not later than 5 years	6,568,643	15,885,224
	15,885,224	24,526,524
Operating lease payments represent rentals payable by the Trust for office properties. Leases are negotiated for an average term of between three and five years, with an average escalation of 9% per annum.		
24.2 Undrawn loans and investments		
Not later than 1 year	442,174,207	492,000,000
Payment will be met out of cash reserves		
24.3 Loans and Investments approved and committed but not contracted for.		
Not later than 1 year	97,050,000	631,938,825
Payment will be met out of cash reserves.		
24.4 Enterprise Development Fund Contributions		
Unconditional Contributions recognised in Sundry Income		
Opening Balance	18,829,112	2,055,692
Total Income	19,310,947	18,032,254
Contributions received	19,150,000	17,873,888
Interest earned on contributions received	160,947	158,366
Investment disbursements	(6,610,487)	(1,258,834)
Contributions available for investment	31,529,572	18,829,112
Conditional Contributions recognised in current liabilities		
Contributions received	6,600,000	-
Approved and disbursed	(1,002,164)	-
	5,597,836	-
Total contributions available for future investment	37,127,408	18,829,112

Approvals for the current year amounted to R 13 878 666 (2013: R8 527 960) whilst disbursements for the year amounted to R7 612 651 (2013: R1 258 834).

25. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

	Basic	Bonuses & performance payments	Long term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees	Total
	R	R	R	R	R	R	R
Year ended 31 March 2014							
Executive trustees:							
P Mthethwa (CEO)	2,421,512	1,593,288	637,315	484,302	71,726	-	5,208,143
I Pule (CFO)	1,428,637	660,677	268,400	171,437	64,423	-	2,593,574
	3,850,149	2,253,965	905,715	655,739	136,149	-	7,801,717
Senior Management:							
S Molepo (Divisional Executive)	1,682,817	900,558	325,201	252,423	97,499	-	3,237,557
H Makhathini (Divisional Executive)	1,226,792	706,320	255,060	184,019	175,688	-	2,547,879
B Lombard (Corporate Services Executive) (Resigned 30/11/2013)	1,978,402	-	-	155,474	80,956	-	2,214,832
	4,888,011	1,606,878	580,261	591,916	354,143	-	8,000,268
Non-executive trustees:							
T Mhlambiso (Chairman) Resigned 12/12/2013)	-	-	-	-	-	346,408	346,408
Z Ntlangula (Acting Chairman) (13/12/2013 to 31/01/2014)	-	-	-	-	-	403,196	403,196
N Mosala	-	-	-	-	-	416,269	416,269
A Makwetla	-	-	-	-	-	364,604	364,604
A Raiz	-	-	-	-	-	213,918	213,918
R Garach (Appointed Acting Chairman - 12/03/2014)	-	-	-	-	-	532,694	532,694
J Williams	-	-	-	-	-	396,297	396,297
	-	-	-	-	-	2,673,386	2,673,386
TOTAL	8,738,160	3,860,843	1,485,976	1,247,655	490,292	2,673,386	18,496,312

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

25. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS continued

	Basic	Bonuses & performance payments	Long term bonus payments	Provident fund contributions	Other contributions	Fees to Non-Executive Trustees	Total
	R	R	R	R	R	R	R
Year ended 31 March 2013							
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	129,830	-	2,155,169
	4,107,983	1,867,975	-	597,298	366,458	-	6,939,714
Non-executive trustees:							
T Mhlambiso (Chairman) Appointed 23/10/2012)	-	-	-	-	-	224,839	224,839
Z Ntlangula (Acting Chairman) (01/11/2011 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	541,537	1,921,116	15,033,718

Notes	2014 R	2013 R
26. NOTES TO THE CASH FLOW STATEMENT		
Reconciliation of net surplus to cash flows from operating activities:		
Surplus for the year	603,765,963	113,576,825
Adjustment for:	(780,079,131)	(303,595,639)
Depreciation and amortisation	3,610,946	4,925,204
Interest received on cash and cash equivalents	(75,959,797)	(102,059,275)
Interest accrued on investments	(193,107,276)	(155,548,052)
Non Cash facility fee income	-	(2,500)
Loss/(Profit) on disposal of fixed assets	(560)	6,594
Non Cash adjustment to fixed assets	(214,127)	-
Non Cash expense (legal fees)	(390,565)	-
Dividends received	(115,970,282)	(89,360,705)
Impairment of investments	152,318,522	289,837,303
Fair value adjustments	(550,365,992)	(251,394,208)
Operating surplus/(deficit) before working capital changes	(176,313,168)	(190,018,814)
Working capital changes	8,318,497	4,191,913
(Increase)/decrease in trade and other receivables	1,181,315	(835,547)
(Increase)/decrease in trade and other payables	7,137,182	5,027,460
Net cash in/(out) flows from operating activities	(167,994,671)	(185,826,901)

The cash flow statement is prepared at Trust level only. The Group cash flow was not prepared because the net cash flows are the same for Group and Trust.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2014

Notes	2014 R	2013 R
27. ADDITIONAL INVESTMENT IN CORE ACTIVITIES		
Originated loans	411,227,315	546,443,224
Preference shares	-	6,000,000
Investments in Associates	155,126,374	66,072,982
Non associate equity investments	25,000,000	22,418,744
Unincorporated equity investments	2,300,000	9,000,000
Finance leases	42,468,353	53,852,983
Total disbursements	636,122,042	703,787,933

28. RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE TO BUDGET**28.1 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 7%. Further, the budgeted interest income was based on a much higher projected disbursed loans book, than that currently recorded. This was partly due to the moratorium placed on funding in this past year. The lower value of the loans book is the major contributor to the negative variance on the interest earned.

28.2 Other Income

The increase in other income earned is due to the additional Enterprise Development Fund contributions received in the period. Refer to note 24.4 of the Annual Financial Statements for additional disclosure relating to Enterprise Development Fund contributions.

28.3 Total Expenses

The decrease in total expenses is due to the temporary moratorium placed on budgeted head count as well as savings realised on operating expenses as a result of the moratorium on funding activity.

28.4 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.

28.5 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 R 571 million on the listed MTN share portfolio.

The balance of the movement for the year is made up of a negative R 2.8 million movement of the Held for Trade listed portfolio and a net loss of R24,6 million 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.

29. FRUITLESS AND WASTEFUL EXPENDITURE

No incidents occurred during the current financial year.

30. UNAUTHORISED, IRREGULAR EXPENDITURE

No incidents occurred during the current financial year.

31. INCOME TAX EXEMPTION

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

32. NATIONAL EMPOWERMENT FUND CORPORATION (SOC) LTD

The Trust established an entity, in which it has a 100% interest, in 2002, as provided for in the NEF Act. To date this company remains a dormant subsidiary with no trading having ever taken place. The Trust previously obtained permission from the National Treasury under Section 54 of the PFMA that the Trust may utilise this entity in any of its future Asset Management retail activities.

33. CONTINGENT LIABILITIES

33.1 Surplus Retention

The Trust's application under Section 53(3) of the PFMA to retain surpluses reported for the financial year ending 31 March 2011 (R 74 828 082) 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.

33.2 Defamation

A defamation action was taken against the NEF by a funded client. Our attorneys were instructed to serve as legal representatives for the matter, however no resolution has been reached to date. Further, our attorneys have estimated the settlement amount to be R250 000 in the event that the claim is successful.

AUDIT COMMITTEE REPORT

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulations 3.1.13 and 27(1). The Audit Committee has regulated its affairs in compliance with applicable laws and regulations and has discharged all responsibilities contained therein and has reported quarterly in this regard to the Board of Trustees. 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 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.

A combined assurance framework was designed and implemented in the previous financial year and improvements are being continually effected; this will better assist Management, the Audit Committee and the Board of Trustees in managing and adequately mitigating the Trust's key risk areas.

In our opinion, based on discussions with management and the Internal and External Auditors, the audit findings reported in the current year are a fair representation of the internal control environment at the NEF and have been 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 has provided adequate coverage for the year under review.

The financial function at the NEF is adequately staffed by suitably experienced and qualified personnel under the executive management of the Chief Financial Officer. During the financial year under review, quarterly management reports were submitted to **the dti** as required under the PFMA and Treasury Regulations, including performance information related to core business activities extracted out of the organisation's Enterprise Resource Planning system. 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;
- 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 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 the conclusions of the External Auditors on the annual financial statements, read together with the report of the External Auditors and has recommended these to the Board of Trustees for acceptance.

General support exists for the NEF to embark 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. It is therefore appropriate for the going concern principle to be adopted in the financial reporting of the NEF. »



Anthony Coombe

Acting Chairman of the Audit Committee

31 July 2014

INVESTEE STORIES –IMBEWU FUND INVESTEES

PROJECT 1



Polyzomba Contractors CC

Project Summary

Polyzomba Contractors CC is a railway maintenance engineering business. It is the only 100% black-owned company that specialises in rail track maintenance, and the company is regarded as Spoornet's leading BEE supplier.

In April 2006, the company was awarded a five-year contract by Spoornet worth R63m. The contract was for the replacement and maintenance of the rail interchanges on the coal line (Empangeni, KwaZulu-Natal). It was also awarded a three-year contract by Anglo American for the maintenance of their railway lines in the Northern Cape.

The NEF invested R9,6 million to finance working capital and the acquisition of a Pem-Lem machine from France. This is a state-of-the-art piece of railway equipment and Polyzomba is the only company in South Africa that owns the equipment. Polyzomba settled the loan in 2012.

Sector	Engineering
Core Business	Rail track maintenance
Competitive Advantage	Track record and state of the art equipment gives the company advantage amongst its competitors
Project Location	Johannesburg, Gauteng
Investment Opportunity	R9,6million invested
Jobs	78

PROJECT 2



Debonairs Olivenhout Plaza R1,8million

Project Summary

Nothile Marketing and Communications t/a Debonairs Pizza is an entity that is 100% owned by a black woman entrepreneur.

NEF invested R1,8million to assist the entrepreneur to acquire the license to operate the Debonairs Pizza franchise from Famous Brands. NEF also funded working capital requirements of this start-up business.

The Debonairs Pizza outlet is based in a new shopping centre, Olivenhout Plaza, in Olivenhoutbosch. Olivenhoutbosch lies west of Johannesburg and is in close proximity to Midrand and Thatchfield (Centurion) on the R55 route.

Sector	Food and Beverage
Core Business	Franchised pizza outlet
Project Location	Olievenhoutbosch, Gauteng
Investment Opportunity	R1,8million
Jobs	13

INVESTEE STORIES –IMBEWU FUND INVESTEES (continued)

Project 3



Dlamini Incorporated (Dlamini Inc.)

Project Summary

Dlamini Incorporated is a firm of attorneys that was established in 2009 by an woman lawyer.

Dlamini Inc. provides legal services in the areas of Project, Structured and Corporate Finance with specialisation in Energy, Resources, Utilities and Infrastructure projects.

The business has positioned itself to become the leading Africa-focused corporate law firm on the continent in the energy, finance, commercial and utilities space by providing innovative and complete solutions for its clients.

The firm's clients include government departments and state owned enterprises, municipalities and municipal owned enterprises, as well as various local and international private sector clients in financial services, energy and resources sectors.

Ms Dlamini settled NEF loan of R880 000 in 2013.

Sector	Legal Services
Project Location	Sandton, Gauteng
Investment Opportunity	R880 000
Jobs	12 permanent employees and 3 candidate attorneys through the firm's internship programme

Project 4



Boniswa Corporate Solutions R5million

Project Summary

Boniswa Corporate Solutions was founded in 2004 by a black woman entrepreneur.

Boniswa Corporate Solutions is a turnkey telecommunications services company that supports the integral network provision of major telecommunications organisations, to enable interaction and connection via seamless digital communication. It has offices Gauteng, Limpopo and Mpumalanga.

Boniswa recieved R5million NEF funding in 2011 for expansion capital. It has MOUs with MTN and Vodacom to provide them with site infrastructure.

Sector	ICT/Telecommunications
Core Business	Telecommunications services and resources company
Project Location	Midrand, Gauteng
Investment Opportunity	R5million
Jobs	78

INVESTEE STORIES –RURAL AND COMMUNITY DEVELOPMENT FUND INVESTEE STORIES

Project 1



CS Hentiq 1009 (Pty) Ltd trading as the Badplaas

Project Summary

CS Hentiq 1009 (Pty) Ltd t/a as the Badplaas Timber Company operates in the forestry sector in Mpumalanga, in an area called Badplaas. The company acquired 1286ha (Pine & Eucalyptus) of forest plantation from Vunani Forests (who used to own 100% of the company), with 444ha already planted and 842ha still to be planted in farms Uitsig and Berghoek.

The NEF approved a loan facility of R7, 450,000.

The milling company known as BZ Zely 1005 (Pty) Ltd, also funded by the NEF, is integral to the success of the Badplaas timber company as there is a supplier relationship between the two.

Sector	Agro Processing
Core Business	Forestry
Project Location	Mpumalanga Province (Badplaas)
Investment Opportunity	R7, 4 million
Jobs	26

Project 2



Ntusi Dairy Farm

Project Summary

The dairy farm is located in Piet Retief, Mpumalanga, within Mkhondo Local Municipality. The Provincial Government, National Department of Land Reform and Rural Development (DARDLA) have demarcated the area as the provincial development priority area due to high levels of unemployment and under-development. The area has suitable climatic and soil conditions for dairy farming.

The business involved the establishment of a 500ha dairy farm with the view of producing and supplying milk to the market through Clover SA. An off-take agreement was obtained from Clover SA to purchase 100% of milk produced. The farm forms part of the Clover Highveld route for milk collections. Piet Retief, situated in the Highveld Route, currently has nine (9) farms that supply Clover SA with milk.

The NEF approved a facility of R13, 901,000 for the business to cover its start-up costs, working capital, pasture management, irrigation, purchase of farm equipment, purchasing of milk cattle and construction of buildings.

Sector	Agro Processing
Core Business	Dairy farm
Project Location	Mpumalanga Province (Piet Retief)
Investment Opportunity	R13,9million
Jobs	18

INVESTEE STORIES –RURAL AND COMMUNITY DEVELOPMENT

FUND INVESTEE STORIES (continued)

Project 3



Ga-Matlala Roof Tiles and Bricks (Pty) Ltd

Project Summary

Ga-matlala Roof Tiles and Bricks is a 2000m² cement, brick and roof tile-manufacturing plant located on a 4hectare site in Cloetesdam within the Aganang Municipality. The company uses the PMSA's RE 600 brick plant and the Protile's P10HD tile plant to produce cement maxi and stock bricks as well as cement roof tiles. The products are sold to Cashbuild, Budget Building Supplies, Murendi Properties, Benji Discount Centre, Bona Hardware and Chamakala Enterprises.

The target customers have 73 retail outlets and procure an average of 1.4 million bricks and 0.4 million roof tiles monthly.

Sector	Construction Suppliers
Core Business	Brick and roof-tile manufacturing
Project Location	Limpopo Province (Cloetesdam)
Investment Opportunity	R13,9million
Jobs	27

Project 4



Dihoai Farmers

Project Summary

Dihoai Farming Cooperative is an existing cooperative consisting of five members that have been operating a small feed mill and broiler project on their farm in the Welkom area of the Free State Province. The cooperative has been producing feed mill for their own broiler projects and selling small quantities to the neighbouring chicken farms.

The NEF investment involved the expansion and full commercialisation of the feed mill targeting to supply existing small-scale chicken farmers in the immediate area and neighbouring towns. The funding was utilized towards the acquisition of plant and machinery, construction costs and working capital.

Sector	Farming/Agro Processing
Core Business	Feed mill and broiler project
Project Location	Free State Province (Welkom)
Investment Opportunity	R8,45million
Jobs	18

INVESTEE STORIES – STRATEGIC PROJECTS FUND (SPF) INVESTEEES

Project 1



African Silica Investments

Project Summary

In 2009/2010 the NEF was approached by African Silica Investments (ASI) to fund a scoping and pre-feasibility study (PFS) to evaluate viable alternatives of beneficiating South Africa's silica endowment and derivative silicon potential. The NEF committed an initial R7 million to the PFS. In 2014 the NEF committed a further R2.1 million as working capital.

Silica or SiO₂ is available in abundance in South Africa (it is, in fact, the most abundant compound in the world). The sands of the Western Cape primarily produce our glass, whereas the more amorphous quartz sand in Mpumalanga has various industrial applications. South Africa further possesses pure pegmatite sand in the Polokwane region and high-purity quartzite in the Magaliesberg region.

The initial, minimum viable products considered by ASI include the manufacture of silicates, synthetic zeolites and precipitated silicas with the principal intention of servicing the localised supply chains of the detergent, water treatment, froth flotation, foundry and acid mine drainage markets.

Typical consumers of the initial products include washing powder, detergent and toothpaste manufacturers such as Unilever, Procter & Gamble, Bliss Chemicals and Colgate-Palmolive. In the water treatment sector, the profile includes various municipalities, Rand Water, and waste-water treatment use. Specific benefits are derived from using silicates in the separation and recovery of sulphide minerals: typical users include Xstrata, Royal Bafokeng Platinum, Palabora Mining and Anglo Platinum.

The project recently commissioned its pilot plant which has received endorsements from potential customers and which is currently undergoing optimisation.

Sector	Silicon chemicals beneficiation
Core Business	Sodium silicate production
Project Location	Roodepoort, Gauteng
Investment Opportunity	R9.1 million total NEF funding
Jobs	750

Project 2



Mabele Fuels

Project Summary

Mabele Fuels (Pty) Ltd is a private company that was founded, registered and incorporated in South Africa in 2005. Mabele Fuels is a unique co-operation between black individuals and specialists in the clean-fuels market, and is set to establish South Africa's first commercial scale biofuel production plant, bringing about radical transformation in the sector.

The project seeks to exploit the commercial opportunities arising out of the global trend towards the use of renewable fuel resources, among which the conversion of agricultural feedstock crops to ethanol presents an attractive business proposition.

The company's vision is the use of sorghum as a feedstock crop for the production of bioethanol. The project has the potential to generate in excess of 16 000 jobs.

To date, the NEF has approved R40 million for investment and secured a 11.76% equity in Mabele Fuels. The venture capital provided by the NEF has facilitated project development and enabled Mabele Fuels to raise circa R2.5 billion financial closed capital in the market.

Sector	Biofuel
Core Business	Bioethanol
Project Location	Free State (Bothaville)
Investment Opportunity	R40 million
Jobs	16 700

INVESTEE STORIES – UMNOTHO FUND INVESTEEES

Project 1



Solid Waste Technologies R24,8 million

Project Summary

Solid Waste Technologies (SWT) is a medical waste removal company with the Health Care sector. The company operates two plants in Johannesburg and Cape Town respectively with the head office in Cape Town. The company is in the process of acquiring a third plant in KwaZulu-Natal which is currently being leased. SWT provides services to other geographical areas through a transfer station based in George (Western Cape) and distribution centres in Bloemfontein (Free State), Kimberley (Northern Cape) and Port Elizabeth (Eastern Cape).

Sector	Transport/Logistics
Core Business	Medical waste removal
Project Location	Cape Town, Western Cape
Investment Opportunity	R24,8 million
Jobs	360

Project 2



EuroDollar Foreign Exchange R9 million

Project Summary

EuroDollar Foreign Exchange is a bureau de change which was granted a licence to operate as an authorised dealer in foreign exchange, by the South African Reserve Bank in June 2010.

The company currently owns two branches in Cape Town and a corporate office in Sandton. The company was funded to the tune of R9 million by the NEF to enable expansion by introducing 27 new branches by the end of 2014. The additional branches are in Gauteng, Western Cape, Eastern Cape, KwaZulu-Natal, Limpopo and Mpumalanga. The loan was settled in 2013.

Sector	Financial Services/Forex
Project Location	Sandton, Gauteng
Investment Opportunity	R9 million
Jobs	Currently 42. An additional 100 new jobs are expected to be created from the opening of 27 branches

INVESTEE STORIES – UMNOTHO FUND INVESTEEES (continued)

Project 3



MMQS CC

Project Summary

Mandla Mlangeni Quantity Surveyors ('MMQS') is a 100% black-owned consultancy firm. MMQS is an experienced cost engineering and construction economist firm celebrating more than a decade in operation. It has completed well over 300 projects with some winning prestigious awards. It is youth-run, growing and labour intensive.

MMQS Consulting Surveyors Mining and Engineering division has been set up due to the rapid growth of MMQS Mining and Engineering. The specialised nature of the business and client requirements, have made it necessary to establish MMQS Mining and Engineering as a separate division.

MMQS boasts lucrative contracts from the likes of Anglo American Platinum, Kumba Iron Ore and De Beers.

Sector	Construction and Project Management
Project Location	Sandton, Gauteng
Investment Opportunity	R10 million
Jobs	47

Project 4



Arc Electrical Contractors

Project Summary

Arc Electrical Contractors CC distributes, installs and maintains Low Voltage, Medium and High Voltage switchgear, control systems, cables and other switchgear parts.

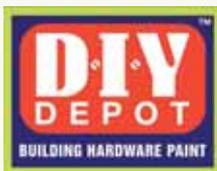
Arc Electrical Contractors has a long-standing relationship with Energy and Chemicals giant Sasol. The company has been a service provider to Sasol since 2003, for the maintenance, repair and replacement of Sasol's medium voltage stations. This supply agreement with Sasol is the company's main business and source of income.

The company operates out of Secunda, Mpumalanga. It currently has 45 employees.

Sector	Electronic/Electrical Equipment
Core Business	High/low voltage switchgear, cables and electrical control systems.
Project Location	Mpumalanga (Secunda)
Investment Opportunity	R12, 6 million
Jobs	45

EMPOWERMENT 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

TRUSTEES	<p>Mr T Mhlambiso (Chairman) (Resigned 12/12/2013)</p> <p>Ms Z Ntlangula (Acting Chairman) (13/12/2013 to 31/01/2014)</p> <p>Mr R Garach (Acting Chairman - Appointed 12/03/2014)</p> <p>Ms P Mthethwa (CEO)</p> <p>Ms I Pule (CFO)</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>Ms J Williams</p> <p>Mr S Zikode</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	<p>SizweNtsalubaGobodo Inc.</p>
BUSINESS ADDRESS	<p>West Block</p> <p>187 Rivonia Road</p> <p>Morningside</p> <p>2057</p>
POSTAL ADDRESS	<p>P.O. 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>

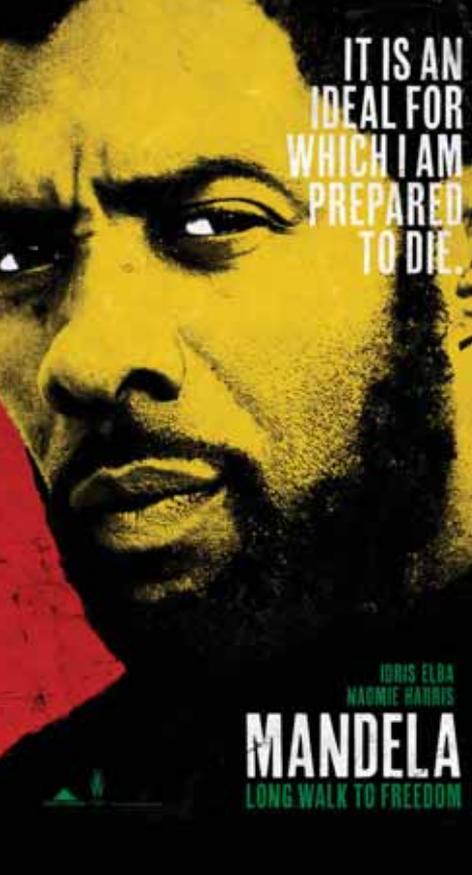
Acronyms and Definitions

ABET:	Adult Basic Education and Training
AMD:	Asset Management Division
Approved:	Final committee approval obtained, legal agreements not signed
AVE:	Advertising Value Equivalent
B-BBEE:	Broad-Based Black Economic Empowerment
BFS:	Bankable Feasibility Study
BMI:	Body Mass Index
Commitments:	Legal agreements signed. (Deals may have been approved in current and previous financial periods.) All Conditions Precedent may not have been met yet
COSO:	Committee of Sponsoring Organisations of the Treadway Commission
CP:	Construction Phase
CPs:	Conditions Precedent
DFI:	Development Finance Institution
Disbursements:	Total cash advancements made against all approved deals (deals may have been approved in current and previous financial periods) subject to all Conditions Precedent having been satisfied by the investee.
DOA :	Delegation of Authority
Drawdowns:	Advances made against disbursed facilities
EC:	Eastern Cape
ED:	Enterprise Development
EIA:	Environmental Impact Assessments
ETF:	Exchange Traded Funds
FC:	Financial Closure
FMD:	Fund Management Division
FS:	Free State
GDP:	Gross Domestic Product
HCRC:	Human Capital and Remuneration Committee
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
MBO:	Management Buy-Out
MOU:	Memorandum of Understanding
MP:	Mpumalanga
MPC:	Monetary Policy Committee
mtm:	Mark-to-market
NC:	Northern Cape
NCOP:	National Council of Provinces
NEF:	National Empowerment Fund
NIA:	National Intelligence Agency
OHS:	Occupational Health & Safety
PE:	Private Equity
PFMA:	Public Finance Management Act
PFS:	Pre-feasibility study
PIU:	Pre-Investment Business Support Unit
POIU:	Post Investment Business Support Unit
RMC:	Risk and Portfolio Management Committee
ROI:	Return on Investment
SAIs:	State-Allocated Investments
SAPS:	South African Police Services
SAVCA:	Southern African Venture Capital and Private Equity Association
SME:	Small and Medium Enterprise
SOCE:	State Owned Commercial Enterprise
SOE:	State Owned Entities
SPF:	Strategic Projects Fund
TC:	Technical Completion
the dti:	Department of Trade and Industry
WC:	Western Cape
VC:	Venture Capital
VCT:	Voluntary Counselling and Testing



Fraud, Corruption and Theft

Contact Tip-Offs Anonymously on 0800 212 705
or email nef@tip-offs.com



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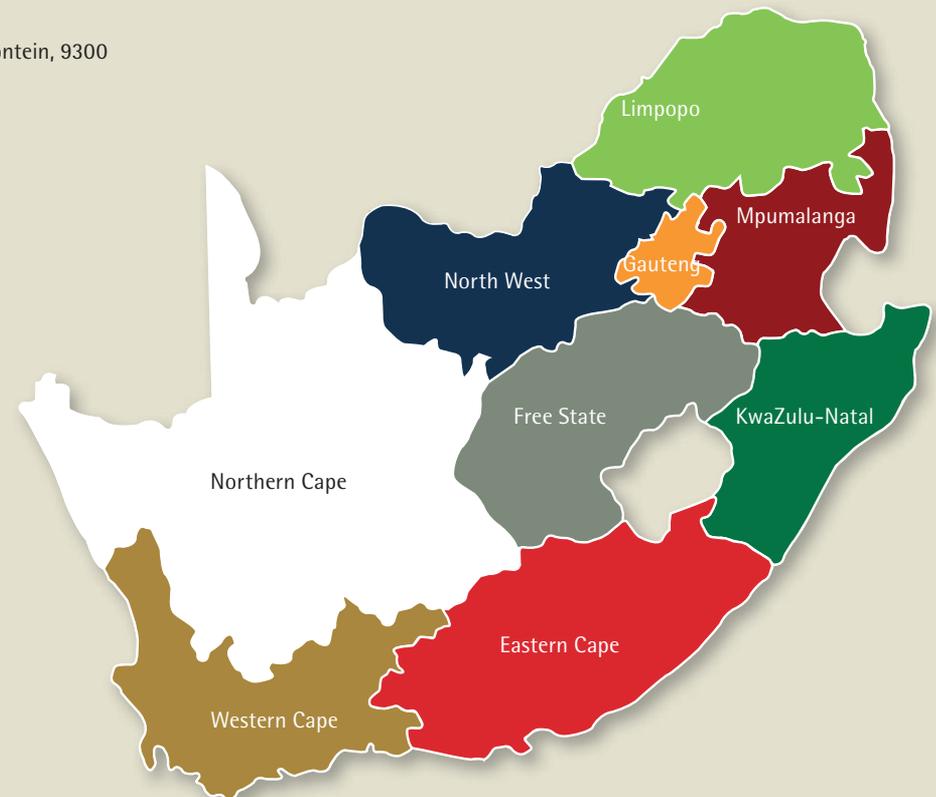
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