



## POSITIONING BLACK ENTREPRENEURS FOR INDUSTRIAL GROWTH

“One of the key instruments that government is employing to support women to start their businesses and cooperatives is Development Finance Institutions.

We urge the private sector, especially banks, to come to the party and provide loans to women, especially women in rural areas, as part of promoting the economic development and growth envisaged in the National Development Plan.”

*His Excellency President Jacob Zuma, during the 60th anniversary of the National Women's Day Celebrations, Union Buildings, Pretoria  
09 August 2016*



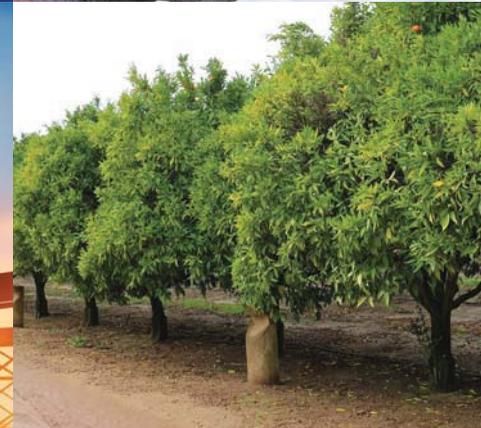
*His Excellency  
President Jacob Zuma,  
President of the Republic of  
South Africa*

# CONTENTS

Foreword by the Hon. Minister of Trade and Industry	1
About this Report	2
Performance Highlights	3
About the NEF	5
How the NEF Creates Value	9
Stakeholder Engagement	13
Enterprise-Wide Risk Management	17
Overview of the Economic Environment	24
Report of the Chairman	26
Report of the Chief Executive Officer	30
Report of the Chief Financial Officer	34
Performance Review	42
Investing in Human Capital	47
Governance	53
Assurance	58
Report of the Audit Committee	59
Profiles of the Board of Trustees	60
Profiles of the Executive Committee	63
Annual Financial Statements	65



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## Positioning black entrepreneurs for industrial growth

The image on the front cover of this **Integrated Report 2016** is a metaphor for a development financier that leads the way in charting the growth of black entrepreneurs in South Africa. As a change agent and a symbol of leadership, the queen stands as an assertion of the NEF mantra that "a black woman's place is at the forefront of the economy". Versatile, nimble and powerful, the queen, which is adorned in the orange hue of the National Empowerment Fund (NEF), leaps forward to light the path, denoting the organisation's role as a catalyst that helps shape the strategic thinking and entrepreneurial acumen of its beneficiaries. This, the NEF achieves through providing key interventions such as investor education, socio-economic facilitation, business planning support, incubation, business training, financial support and mentorship to black entrepreneurs. This is for the benefit of small and medium enterprises, rural and community businesses, women-owned businesses, as well as those with the potential to become industrialists. With the NEF on board, black entrepreneurs are well-positioned to propel South Africa's economy to flourish.

## FOREWORD BY THE HON. MINISTER OF TRADE AND INDUSTRY

### NEF INTEGRATED REPORT

A key development during the 2015/16 financial year was the adoption and launch of the Black Industrialist Policy.

The B-BBEE framework has been revamped to allow productive forms of empowerment as opposed to passive partnerships. The South African economy faced serious headwinds in the form of depressed commodity prices and volatile global markets, during the period under review.

The current economic circumstances require that we double our efforts to transform our economy. We can no longer afford to be a country that relies on the production and export of primary commodities. We need to work harder towards structural changes at two inter-related levels.

Firstly, we need to place our productive sectors firmly at the heart of a new growth path that will move us up the value chain. Secondly, we must significantly broaden the base of economic participation, which is where the NEF is most relevant.

The NEF has always been positioned to champion the ambition carried in the Black Industrialist Policy. The NEF is geared to play a pivotal role in the making of Black Industrialists as it has in place already tried and tested successful models of funding black participation in industrial development projects.

This industrial path came through the NEF Strategic Projects Fund (SPF). This unit has been supporting black entrepreneurs to participate in early stage industrial development projects, a space traditionally associated with Venture Capital investors.

It is indisputable that South Africa has a limited Venture Capital type investment appetite. This means that many brilliant early stage projects are starved of financial support and cannot progress, potentially preventing growth of industrial innovation and job creating opportunities.

The NEF's activity in the early stage industrial development projects through the SPF is a special initiative. The positive impact can be seen in a number of projects, which were supported from conception stage through to feasibility, bankability, fund raising and project implementation.

Examples include Kenako Medical, an impressive transaction that will lead to the establishment of a plant for the manufacture of hypodermic disposable syringes and needles. The project will fill a critical gap in the sub-Saharan African region as currently there is no facility manufacturing these products in the whole region.



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

The Government has developed various policy instruments with the objective of achieving an inclusive economy. All of these instruments have been aggregated within the strategic framework of Black Economic Empowerment, which the NEF is one catalyst. These interventions have been directed towards transforming the structure of the South African economy in a manner that promotes integration, high levels of decent employment and demographic transformation of our industrial assets.

However, it is important to note that the goal of a dynamic and sustainable growth need not be achieved at the expense of economic inclusion, as the two are not mutually exclusive but rather intertwined as reflected by both the National Development Plan and the Industrial Policy Action Plan.

**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

# ABOUT THIS REPORT

**T**he report provides an overview of the National Empowerment Fund (NEF) Trust excluding its operating subsidiaries for the year ended 31 March 2016. A high level overview of the three subsidiaries is provided on page 6 of this report. The report covers the Trust's financial statements, overall performance against set targets, socio economic impact of the Trust's activities and looks at prospects of the Trust in the short to long term horizon.

This is the NEF's second year of integrated reporting, applying King III. The preparation of the report was further guided by the IIRC Integrated Reporting (IR) Framework's fundamental concepts, guiding principles, content elements and presentation guidance. While the IR Framework suggests that the Integrated Report should be primarily for investors, as a public entity, the NEF's aim is to communicate to all stakeholders on factors that materially affect the NEF's ability to create value.

The NEF has fully embraced its role of facilitating equitable economic participation of black businesses in the economy. We hope that this report will provide a transparent overview of our mandate, how we respond to our context, strategic objectives, the values that outline everything we do, our stakeholder engagement processes, risks and opportunities ahead. We trust the report further outlines a clear picture of how we are shaping and fulfilling our mandate of facilitating financial and non-financial support for black businesses and the empowerment dividend / social impact we have gained through our various activities.

The report provides a perspective of past and current performance, while giving sight of future prospects and addressing short, medium and long term account of various capitals employed in the value creation activities. Our annual financial statements are prepared in accordance with standards of Generally Recognised Accounting Practice (GRAP), requirements of the Public Finance Management Act (PFMA) of South Africa and the National Empowerment Fund Act.

The NEF's ongoing stakeholder engagements as well as ongoing scanning of external macro factors (these mainly entail economic and regulatory factors) allow us to identify material issues that inform the content of our report and validate the importance of what we communicate through this report. Refer to page 19 on expansion of our material issues. We assess the materiality of issues to be included in this report by referring to:

- Our Materiality Framework, which largely guides financial materiality levels; and
- Our assessment of issues that would substantially affect our ability to be sustainable, impact on our ability to discharge our mandate or influence decisions of the Trust and its stakeholders.

The financial as well as material non-financial performance information in this report has been independently assured by our external auditors, Sizwe Ntsaluba Gobodo. Internal audit conducts quarterly reviews of our performance indicators to give ongoing assurance of the integrity of the information we provide to our stakeholders throughout the year and at year end.

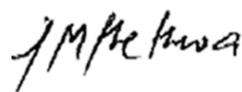
The Audit Committee provides an oversight role by reviewing and ensuring the completeness and accuracy of this report.

We welcome the views of our stakeholders on this integrated report and the manner in which we approach strategic priorities. Please send us your feedback on [info@nefcorp.co.za](mailto:info@nefcorp.co.za).

## Approval of the Integrated Report

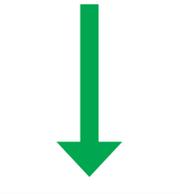
The Board acknowledges its responsibility to ensure the integrity of this report. The Board confirms that it has collectively reviewed the contents of this report and that it addresses material issues and provides a fair representation of the performance and prospects of the NEF.

This integrated report was approved by the Board and signed on its behalf by:

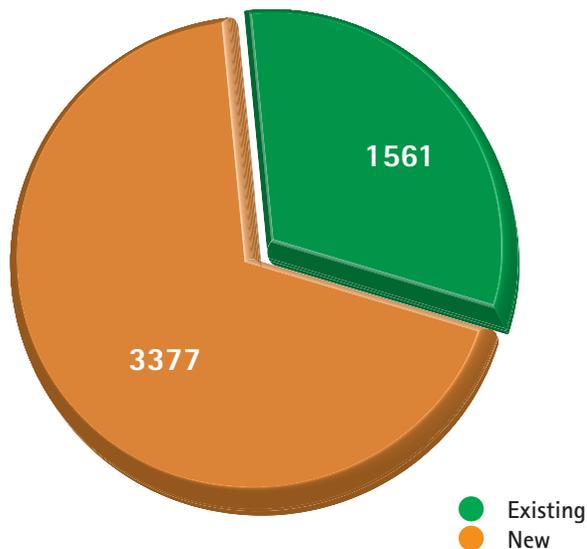
		
<b>Rakesh Garach</b> Chairman	<b>Philisiwe Mthethwa</b> CEO	<b>Innocentia Pule</b> CFO

# PERFORMANCE HIGHLIGHTS

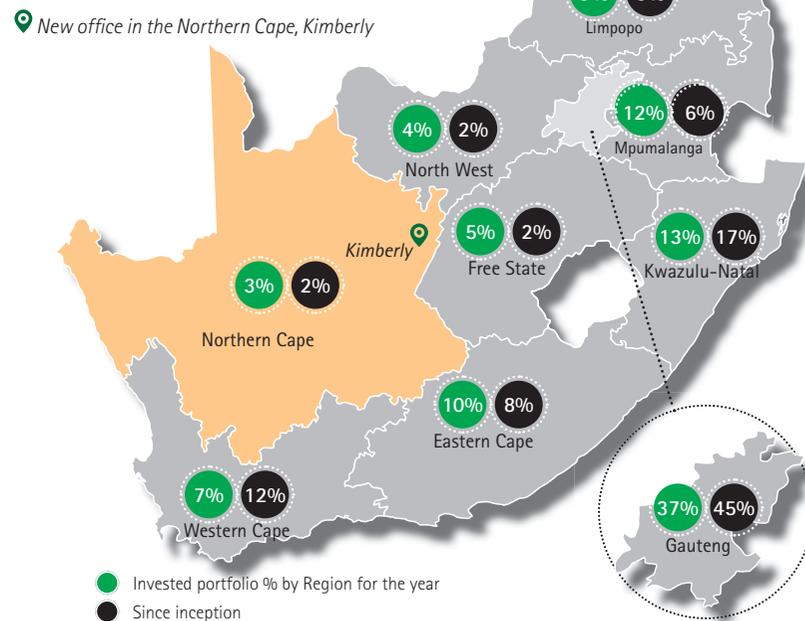
## Performance by Funds for year ending 31 March 2016

							
	iMbewu Fund (SME)	Rural and Community Development Fund (Rural)	uMnotho Fund (Corporate Finance)	Strategic Projects Fund (Venture Capital)	Women Empowerment Fund	Third Party Funding for Enterprise Development	TOTAL
Approvals	R255 million	R88 million	R355 million	R121 million	R252 million	R177 million	R1 248 million
Commitments	R191 million	R95 million	R308 million	R63 million	R194 million	R177 million	R1 028 million
Disbursements	R177 million	R54 million	R285 million	R86 million	R196 million	R21 million	R819 million

4938 Job opportunities supported in the year:



Regional Representation:

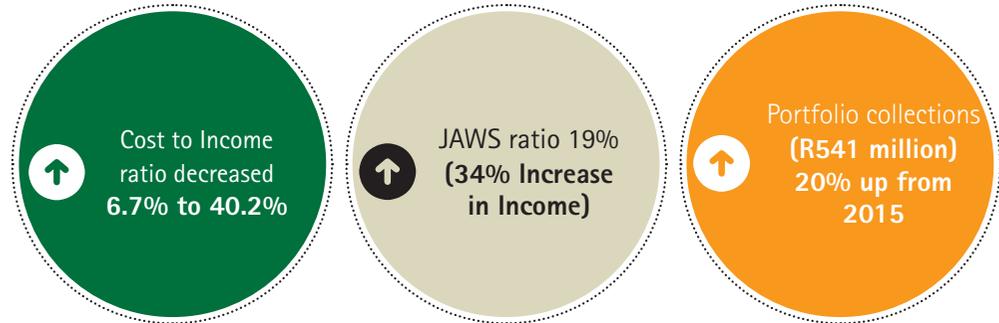


Partnership with the Department of Rural Development and Land Reform

# R154 million

approved towards empowering farmers to be entrepreneurs  
Department of Rural Development and Land Reform (DRDLR 50/50 programme) and BP supplier development.

## Financial Highlights



## Bursary scheme

Introduction of a bursary scheme

# R1.6 million

funding to

# 31 students

across the country



# ABOUT THE NEF

## Vision

The 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 (NEF Act), Act No.105 of 1998, the NEF is a driver and thought leader in promoting and facilitating black economic participation. Government created and mandated the NEF through the NEF 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.

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.

## Policy and Regulatory Framework

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 (IPAP)
- Public Finance Management Act, No. 1 of 1999 (PFMA)
- 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<sub>THICS</sub> M<sub>OTIVATION</sub> P<sub>ERFORMANCE</sub> O<sub>WNSHIP</sub> W<sub>ORTHY</sub> E<sub>XCELLENCE</sub> R<sub>ESPECT</sub>

“To accelerate inclusive growth we must expand investments. The focus must be to provide venture capital-type funding and monitoring to these target groups - especially black entrepreneurs.”

*His Excellency, President Jacob Zuma, during a meeting with business and labour leaders at the Union Buildings in Pretoria on 09 May 2016*

## Operational Structure

The NEF has three wholly owned operating subsidiaries, namely National Empowerment Fund Corporation SOC Limited (NEFCorp SOC Ltd), Zastrovect Investment (Pty) Ltd (trading as Goseame Open Market - Goseame) and Delswa (Pty) Ltd (Delswa).



### Goseame

The NEF invested in Goseame in June 2012. The business is involved in the wholesale and retailing of fresh produce, groceries, flowers and meat. In September 2013 the promoter that was supported through this transaction was found to be in breach of the loan terms. The breach compelled the NEF to exercise its rights in terms of the loan agreement and expel the promoter from the business, consequently temporarily taking over 100% of the entity's shareholding effective 6 September 2013 and appointing interim management in the business. The Minister of Finance has granted a section 92 PFMA compliance exemption of this entity for a period of three years, ending June 2017. The NEF is still actively pursuing avenues to dispose of this entity before the set date.

### Delswa

In April 2013 the NEF invested in Delswa, a textile manufacturing entity in the Northern Cape. Regrettably in December 2013 the business went into financial distress. The challenges the entity faced were due to various reasons which included working capital management mainly caused by ineffective decisions made by management. In January 2016 the NEF exercised its rights in terms of the shareholder agreement and stepped in to run the company in an effort to stabilise the business and save the jobs that were at risk, especially since it is located in one of the most impoverished part of our country. In July 2016, the Minister of Finance granted a section 92 PFMA compliance exemption of this entity for a period of 3 years. The NEF is however in advanced stages of negotiating an exit from this investment.

### Our Strategic Objectives and Business Model

As depicted below, our business model is premised on the four main strategic objectives, the key performance areas (KPA's) and indicators (KPI's), which advance the creation of value for the NEF.

Strategic Objective	Advancing BBBEE	Maximising Empowerment dividend	Financial efficiency and sustainability	Optimising non-financial support
<i>Key Performance Area</i>	Provide finance to business ventures established and managed by black people.	<ul style="list-style-type: none"> <li>Invest in black empowered businesses that have high employment creating opportunities</li> <li>Support the participation of black women in the economy</li> <li>Facilitate investment across all provinces in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>Establish the NEF as a sustainable DFI</li> </ul>	<ul style="list-style-type: none"> <li>Provision of non-financial support and training for black-owned businesses and entrepreneurs</li> <li>Conduct investor education seminars in provincial towns and increase understanding by participants</li> </ul>
<i>Key Performance Indicator</i>	<ul style="list-style-type: none"> <li>Value of deals approved</li> <li>Value of new commitments</li> <li>Value of new disbursements</li> </ul>	<ul style="list-style-type: none"> <li>Number of jobs expected to be created or supported</li> <li>Percentage of portfolio disbursement owned by women</li> <li>Percentage of committed deals partially/wholly owned by women</li> <li>Percentage of disbursement target to be invested in provinces</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of portfolio impaired</li> <li>Target ROI before impairments</li> <li>Collections ratios</li> <li>Manage portfolio risk</li> </ul>	<ul style="list-style-type: none"> <li>Number of entrepreneurial training sessions provided</li> <li>Number of entrepreneurs who successfully complete business incubation</li> <li>Number of social facilitation sessions for NEF investees</li> <li>Number of investor education sessions held across the country</li> </ul>

OUR STRATEGY

“After 20 years of democracy, significant challenges remain in creating an enabling environment for entrepreneurship and the creation of successful and sustainable black-owned small businesses. Levels of entrepreneurship have consistently been around only 50% of where they should be given South Africa's per capita GDP, and around 75% of emerging businesses continue to fail in the first two and a half years of their existence.”

The Hon. Deputy President Cyril Ramaphosa at the Shanduka Black Umbrellas National Development Awards, Sandton Johannesburg, 24 June 2015

## Our Strategic Objectives And Business Model

As depicted below, our business model is premised on the four main strategic objectives, which advance the creation of value for the NEF. These are as follows:

### Advancing B-BBEE

Provide finance to business ventures established and managed by black people. Through its funding activities, the NEF actively seeks to promote transformation, broad-based participation, industrialisation, and SME development.

### Maximising Empowerment dividend

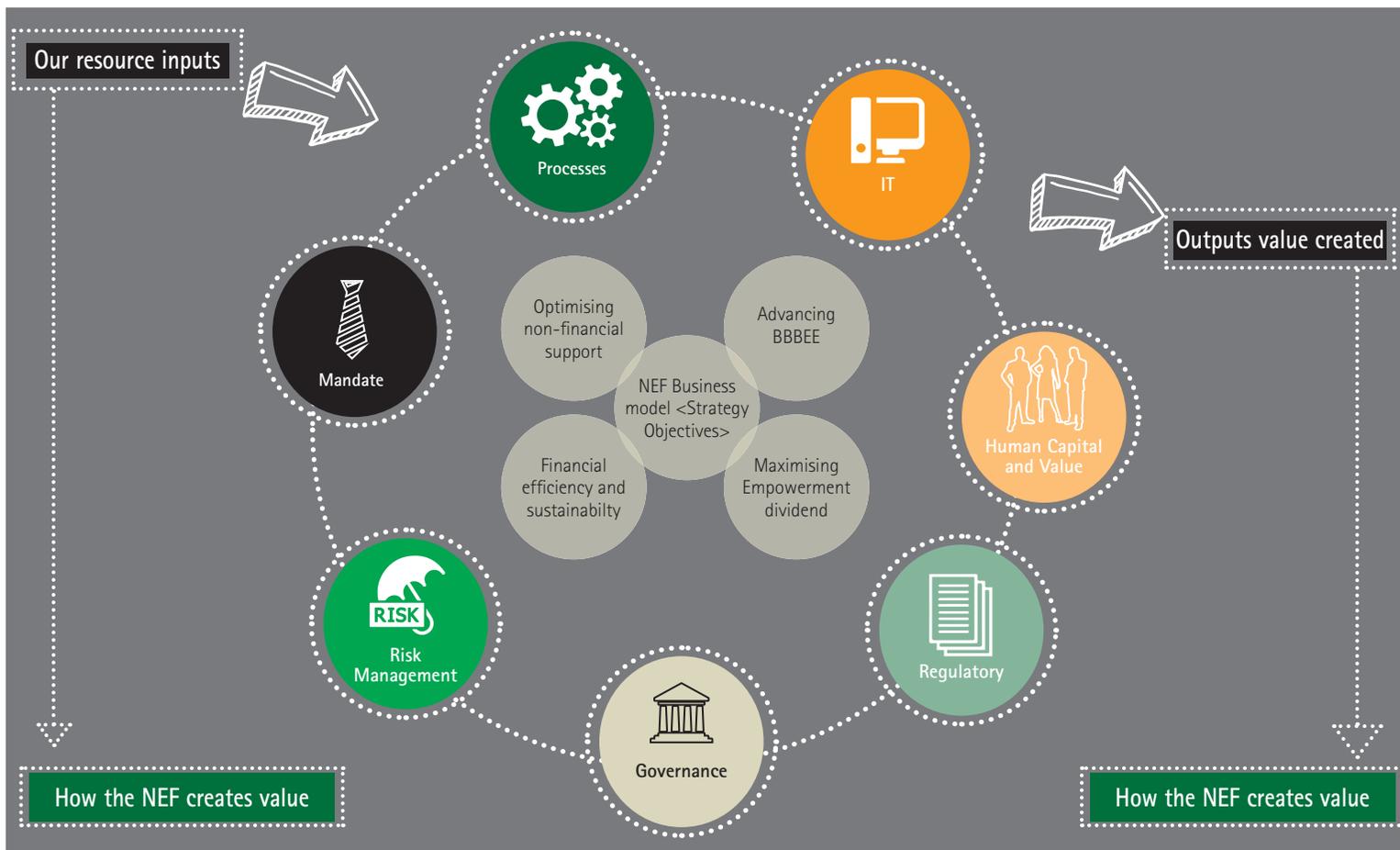
Invest in black empowered businesses that have high employment creating opportunities across all provinces in South Africa. The creation of employment opportunities are assessed as part of the merit and impact of funding transactions. In addition, the focus is to support the participation of black women in the economy.

### Financial efficiency and sustainability

Establish the NEF as a sustainable DFI. 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

### Optimising non-financial support

Encourage & promote savings, investment & meaningful economic participation by black people. This is achieved via the business incubation and entrepreneurship development training.



# HOW THE NEF CREATES VALUE

The NEF seeks to promote transformation, broad-based participation, industrialisation of black people by means of the funding provided. Our strategy strives to make use of the forms of capital to achieve the said strategic objectives and maximise the outputs that create value. Only four of the six forms of capital are significant in the NEF's business model as described below:

Capitals	Value adding activities in response to Strategic objectives	Key Risks/ Material Issues	Value to Stakeholders	Beneficiaries of value created
<ul style="list-style-type: none"> <li><b>Financial Capital:</b> The main use of financial capital is the disbursement of funds to approved investees, it drives the NEF's developmental goal of providing financial and non-financial support to black owned businesses, directly and indirectly respectively.</li> </ul>	<ul style="list-style-type: none"> <li>Analysis and assessment of applications for funding through our Pre-Investment unit and the five Funds</li> <li>Funding approval</li> <li>Non-financial support: business incubation; entrepreneurial training</li> <li>Post investment monitoring and support: Mentoring, back-office support</li> </ul>	<ul style="list-style-type: none"> <li>Recapitalisation risk</li> <li>Credit Risk / Asset quality</li> <li>Market Risk</li> </ul>	<p><i>Approved funding deals</i></p> <ul style="list-style-type: none"> <li>Approved funding for the year of <b>R1.2 billion</b> (2015: R895 million) – <b>R7.6 billion on 770 transactions since inception</b></li> <li>Disbursements for the year: <b>R819 million</b> (2015: R562 million) – <b>R5.1 billion since inception</b></li> <li><b>33%</b> of our portfolio is in the Manufacturing, Mining, Tourism, Agro-Processing and Construction sectors in support of government's priority sectors.</li> </ul> <p><i>Value add through post investment monitoring and providing:</i></p> <ul style="list-style-type: none"> <li>Mentorship support</li> <li>Financial management support</li> <li>Business rescue support</li> <li>Back office support provided to 278 (250 prior year) investees.</li> </ul> <p><i>Non-financial support</i></p> <ul style="list-style-type: none"> <li>Pre investment support:                             <ul style="list-style-type: none"> <li>includes business incubation: <b>36 businesses successfully incubated</b></li> <li><b>entrepreneurial</b> training and business planner support: <b>26 training sessions</b></li> </ul> </li> </ul> <p><i>Investment returns and financial performance</i></p> <ul style="list-style-type: none"> <li>Our debt collection ratio increased to 97% in the current year from 84% of prior year.</li> <li>We have managed our active portfolio risk with only 27% being high risk clients.</li> <li>At <b>R541 million</b>, total portfolio collections were 20% higher than prior year.</li> <li>Pre impairment ROI at <b>9.5%</b> within targeted range of 9-10%</li> <li>Portfolio impairment however slipped to 24% from 19% in the prior year.</li> </ul>	<p><b>Government-</b> mandate to empower and enable black owned business to participate and contribute to economic growth is achieved.</p> <p><b>Business-</b> funding provided to clients across all provinces.</p>

Capitals	Value adding activities in response to Strategic objectives	Key Risks/ Material Issues	Value to Stakeholders	Beneficiaries of value created
<p><b>Human Capital</b> being the knowledge, habits, skills and experience embodied by staff, leadership of the Board of Trustees and its sub-committee members, used to create labour to produce economic value drives the NEF's developmental goal. The Human Capital is required to galvanise the other forms of capital and bring the business model to life.</p> <p><b>161 permanent employees</b></p>	<ul style="list-style-type: none"> <li>We reward and incentivise our people at market related remuneration</li> <li>Invest in our people through training and development opportunities.</li> <li>A succession plan and a talent management strategy are in place.</li> </ul>	People Risk	<ul style="list-style-type: none"> <li>Of the total 161 staff members, 60 (37%) are professionals with masters &amp; honours degrees, chartered accountants, admitted attorneys and qualified engineers.</li> <li>R1.3 million spent on training and development interventions.</li> </ul>	<p><b>Employees:</b></p> <ul style="list-style-type: none"> <li>Training and development opportunities received.</li> <li>Succession planning.</li> <li>Employees wellness and health.</li> </ul>
<p><b>Social and Relationship Capital</b> with employees, communities, business, government (through the NDP), the dti and National Treasury being used to strike partnerships that further the NEF and South African agenda. Social and relationship capital is most important to the NEF in connecting the providers of funding to those black owned businesses needing it.</p>	<p>Socio-economic development activities</p> <p>Investor education seminars</p> <p>External bursary scheme initiative</p>	Reputation Risk	<p><i>Empowerment dividend value created</i></p> <ul style="list-style-type: none"> <li>Of the disbursed deals, <b>29%</b> was attributed to Women shareholding.</li> <li>Increased investment across all provinces – <b>55%</b> of invested portfolio outside Gauteng</li> </ul> <p>Number of job opportunities supported: <b>4 938</b> (68% of which are new) – <b>Over 86 000 job opportunities supported since inception (70% of which are new). These jobs have potential to support over 260 000 beneficiaries.</b></p> <p><i>Value added through entrepreneurial development and Social facilitations</i></p> <ul style="list-style-type: none"> <li>The NEF has facilitated 44 Investor Education seminars and 25 Social Facilitation sessions in the current year.</li> <li>31 learners awarded tertiary funding from the external bursary scheme</li> </ul>	<p><b>Communities:</b></p> <p>Socio-economic development and implementation of initiatives benefiting communities</p>
<p><b>Intellectual Capital</b> is used to design and implement innovative ways in which the NEF mandate can be better fulfilled. It refers to our human resources, our brand &amp; reputation, stakeholder relations</p>	<ul style="list-style-type: none"> <li>Enterprise risk management</li> <li>Governance structures and processes</li> <li>Building a strong brand, reputation and stakeholder relationships</li> <li>Recruitment of qualified professionals</li> </ul>	Reputation Risk	<ul style="list-style-type: none"> <li>Regulation and risk compliance</li> <li>Improvement to processes and services</li> <li>Effective internal control management</li> </ul>	<p><b>Influencers</b></p> <p><b>Opinion Formers</b></p>

## Products and Services

The NEF provides business funding from R250 000 to R75 million across a range of sectors, for start-ups, expansions and equity acquisition purposes. One of the key requirements for NEF funding is for the investees to be involved in the operation of their business.

The NEF executes its mandate through its headquarters in Gauteng and well as its regional offices in the other eight provinces of South Africa.

Five funds through which the NEF discharges its mandate, are briefly described below:

Fund	What it does
iMbewu Fund	<p>This fund is designed to support black entrepreneurs wishing to start new business as well as support existing black owned enterprises with expansion capital. The fund supports entities by offering debt, quasi-equity and equity finance products with the funding threshold ranging from minimum R250 000 to a maximum R10 million.</p> <p>Main products offered through this fund include Franchise funding, Contract/procurement funding and Entrepreneurship funding.</p>
Rural and Community Development Fund	<p>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.</p> <p>This would be achieved through the mobilisation of rural communities in legal entities or cooperatives, in order to participate in the broader economic activities and realise the economic transformation goals in rural South Africa.</p> <p>The fund has three products: New Ventures Finance, Business Acquisition and Expansion Capital with the funding threshold ranging from minimum of R1 million to R50 million.</p>
Strategic Projects Fund	<p>The SPF is at the centre of NEF's investment strategy when it comes to securing the participation of black people in early stage projects. Its core function is to provide Venture Capital Finance aimed at developing South Africa's new and industrial capacity within strategic sectors identified by Government as the key drivers of economic growth.</p> <p>The fund facilitates the development of various strategic projects through 6 stages of the project development phases, namely, Scoping and Concept study, Pre-feasibility study, Bankable feasibility, Financial closure, and Construction phase &amp; technical completion.</p>
uMnotho Fund	<p>This fund is designed to provide access to Acquisition Finance; New ventures Finance, Expansion Finance, Capital Markets, Liquidity and Warehousing as well as Property Finance. These products provide capital to black owned and managed enterprises, black entrepreneurs who are buying equity shares in established white-owned enterprises, new ventures and BEE businesses that are or wish to be listed on the JSE.</p> <p>Funding Ranges from R2 million to R75 million.</p>
Women Empowerment Fund	<p>This fund was established in 2013 and is aimed at accelerating the provision of funding to businesses owned by black women.</p> <p>Funding is provided from R250 000 to R75 million across all existing NEF product suite.</p>

“If we want a strong economy that is inclusive and sustainable, we must address the challenges that black businesses face. In so doing, we will broaden the industrial foundation together, as a diversified nation.”

*Minister of Trade and Industry, Hon. Dr. Rob Davies keynote address at the launch of the Botshabelo Industrial Park, 09 March 2016*

Non-financial support is provided in the following main forms:

Pre-Investment Unit (PIU)	Post Investment Unit (POIU); Turnaround Workouts and Restructuring (TWR); and Legal Service Unit	Socio-Economic Development and Asset Management Unit
<p>Applications for funding may be from excellent entrepreneurs, who lack the ability to put together a basic business proposal and financial information. The NEF therefore assists with funding advice, business planning and general assistance to help ensure that the applications are of sufficient quality to complete all steps in the application process.</p> <p>PIU and the regional offices are the first point of contact for many potential clients, their primary function are:</p> <ul style="list-style-type: none"> <li>• Provide information on NEF products and application procedures</li> <li>• Assist applicants with the submission of application documents and ensure completeness of the submission</li> <li>• Identify applications that will qualify for funding and refer them to the relevant NEF Fund</li> <li>• Keep clients informed on the progress of their application</li> <li>• Advise applicants and assist drawing up a business plan</li> <li>• Refer qualifying entrepreneurs for business incubation and entrepreneurial training</li> </ul>	<p>Black business needs to be robust and self-sustaining for B-BBEE to succeed. Recognising this fact, the NEF established structures to monitor its clients for risk and provide advice when needed. Although start-ups are inherently higher risk, the reward for success are jobs and other socio-economic benefits.</p> <p>The units are responsible for:</p> <ul style="list-style-type: none"> <li>• Regular portfolio monitoring</li> <li>• Regular collections Management and credit control</li> <li>• Restructure of distressed Investments</li> <li>• Turnaround and rescue of highly distressed investments</li> <li>• Business Workouts</li> <li>• Active board participation on larger investments</li> <li>• Mentorship and technical assistance</li> <li>• Valuations of investee company</li> <li>• Impairment of Investment and write off</li> <li>• Legal Compliance</li> <li>• Portfolio Management</li> <li>• Portfolio Risk Management</li> <li>• Additional funding on existing investment</li> <li>• Exits on matured investments</li> <li>• Knowledge Management</li> <li>• To provide a superior customer relationship management channel for all NEF's investees</li> </ul>	<p>Social interventions in transaction deals which have broad-based groups or communities as beneficiaries are facilitated through this unit. The unit main services include to:</p> <ul style="list-style-type: none"> <li>• Foster a culture of savings and investment through its Investor Education programme</li> <li>• Promote and facilitate Enterprise Development</li> <li>• Educate beneficiaries about roles and responsibilities in business.</li> <li>• Ensure that schemes (eg trusts and co-operatives) are formally registered</li> <li>• Identify opportunities for beneficiaries in transactions and develop market linkages</li> <li>• Develop social plans that describe how funds are to be used by beneficiaries</li> </ul>

### Bursary Scheme Initiative

The NEF started a bursary scheme during the 2016 financial year with the aim of providing financial assistance biased towards under-privileged black learners from rural areas, towards their education at tertiary level. The students eligible for this funding had to meet specific criteria, which included demonstrating a financial need, academic merit, and have matriculated with an average mark of 60% in Mathematics, Science and English.

An amount of R1.6 million was advanced to educating 31 learners across seven provinces. These learners took up studying degrees in Engineering, Accounting Sciences, Medicine, Bachelor of Science and Bachelor of Arts. It is important to note that 61% of the learners supported in our inaugural year are female.

### Responsible Disposal of Electronic and Other Waste Material

The NEF has during the current financial year disposed 15 laptops, 12 desktops, five desk phones and one projector that had become obsolete. These assets were in poor quality and could not be repaired nor donated. It was decided and approved that they be disposed of in an environmentally responsible manner. As such a reputable IT equipment scrapping and recycling company was procured to dispose of the assets in compliance with environmental regulations.

The NEF further partnered with a black owned waste recycling company to promote constant and responsible disposal of waste by reducing and re-using waste to reserve natural resources for our environment. All waste papers including newspapers should now be placed in the containers provided in strategic areas within the building. Eco bags for unused plastic, cans, glass and batteries have also been provided. Employees are further encouraged to bring any recyclable items from home to promote a holistic eco-friendly behaviour within the NEF family.

# STAKEHOLDER ENGAGEMENT

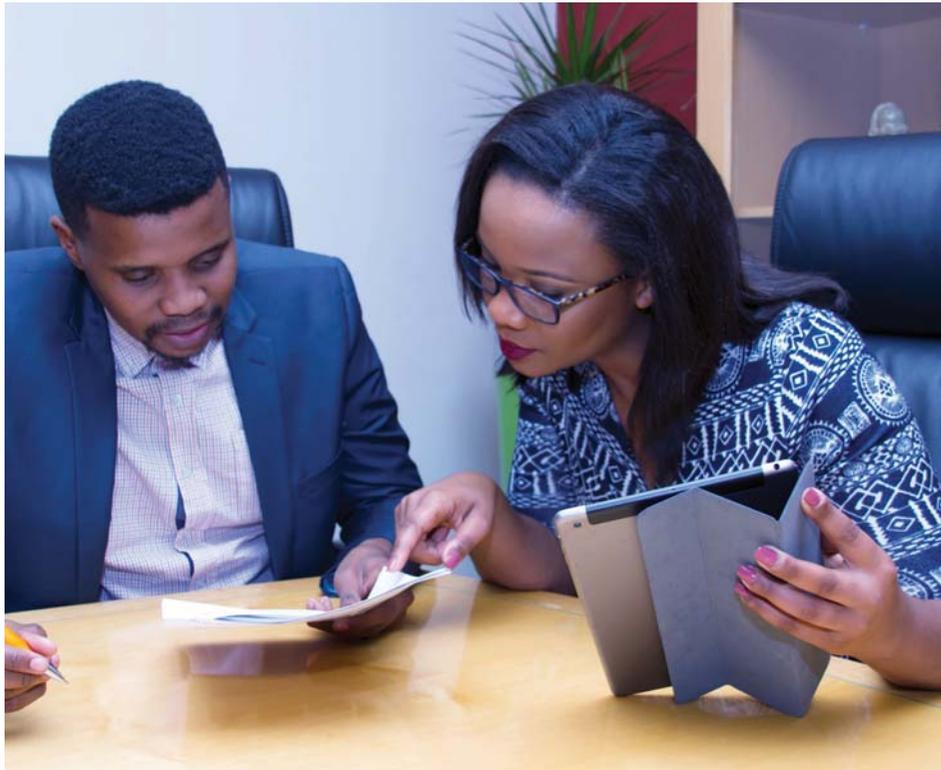
At the NEF we believe that our growth and continued existence depend on the strength of our relationship with all our stakeholders, which informs our ability to achieve our strategic objectives and to create value for both the organisation and our stakeholders. As such, our stakeholder management approach involves gaining a thorough understanding of our key stakeholder groups, assessing the issues that are material to them and the level of their impact on the NEF's ability to achieve its mandate. This has over the years informed the development and implementation of products and initiatives in response to identified stakeholder needs.

The main objective is to ensure the following:

- strategy is aligned and underpinned by the organisational values and code of ethics;
- strategies are aligned to Stakeholder objectives and expectations;
- ensure there is an embedded stakeholder relation and engagement strategy;

- encourage and motivate access to entrepreneurship and investment opportunities;
- ensure target is reached and deliver on set objectives; and
- capitalise on strategic partnerships.

Stakeholder engagement is a critical element to our value proposition and it informs our values and strategic objectives. The NEF continues through proactive engagement, to maintain strategic relationships with a broad range of stakeholder engagement through the management of stakeholder expectation and perception. On the next page is an overview of our key stakeholders, their expectations of the NEF, how we have engaged them, our assessment of their influence on the stability and sustainability of the NEF as well as some linkage to some of the results we have delivered or are working on as a result of our engagements:



“This principle of state-led radical transformation is particularly relevant for state owned economic institutions. These are institutions that have capacity to redirect investment towards a path that promotes black ownership and management of strategic industrial assets. It is for this reason that as government we have undertaken the task of facilitating the emergence of Black Industrialists in strategic industrial assets.”

Address by the Deputy Minister of Trade and Industry, Hon. Mr Mzwandile Masina at Metsimaholo Municipality Sasol Business Incubator Launch, 09 May 2016

Stakeholder	Expectations/ Reason for engagement	Key engagement events	Materiality	Outputs
Government (the dti, Parliament, National Treasury etc)	The South African government is the ultimate statutory principal of the NEF. The NEF has a statutory requirement, as captured in the National Empowerment Act of 1998, to report to <b>the dti</b> which is a custodian of other NEF critical policies and regulations like the B-BBEE Act, the Industrial Policy Action Plan and the Black Industrial Policy.	<ul style="list-style-type: none"> <li>• The government's interaction with the NEF occurs mainly through <b>the dti</b>.</li> <li>• GP Economic Plan Summit,</li> <li>• <b>the dti</b> COTTII Stakeholder Engagement</li> <li>• The Portfolio Committee on Small Business Development workshop</li> <li>• Project Kopano with Minister Patel and Minister Davies</li> <li>• SMME Business Network</li> <li>• SONA Dinner with Business Leaders and Politicians,</li> <li>• Post SONA breakfast with President J.G Zuma</li> <li>• My Business Expo with <b>the dti</b></li> <li>• Quarterly engagements with the Portfolio Committee</li> </ul>	Different government departments at national, provincial and local provides a critical network for the NEF to interact with the South African public.	Refer Performance Highlights and Performance Review sections for KPIs and other outputs from broader governmental alignment initiatives undertaken.
Employees	<p>Employees are the most valuable asset in the business of the NEF, through which it fulfils the mandate.</p> <p>The NEF is expected to present a compelling and relevant employee value proposition that drives talent attraction, engagement and retention.</p>	<ul style="list-style-type: none"> <li>• Brand audit surveys</li> <li>• CEO's staff addresses</li> <li>• Divisional &amp; group strategy sessions</li> <li>• Social activity forums</li> <li>• Performance management platforms</li> <li>• Newsletters and emails.</li> </ul>	Employees are a material stakeholder as the NEF will not be able to meet its mandate without healthy employee relations.	Refer Human Capital section for the NEF's value proposition to its employees.

“Our aim is to promote and enable the participation of black people in the manufacturing sectors of the economy to become giants through support from government and other related institutions. With the support of big business, this transformative programme will succeed.”

*His Excellency President Jacob Zuma during the convention of the South African Chamber of Commerce and Industry (Sacci) in Midrand on 26 May 2016*

Stakeholder	Expectations/ Reason for engagement	Key engagement events	Materiality	Outputs
<p>Beneficiaries</p> <ul style="list-style-type: none"> <li>▪ Business</li> <li>▪ Communities</li> </ul>	<p>Like any other service based operation, the NEF finds life through its clients. The NEF has two forms of beneficiaries as informed by the dual mandate. There are black enterprises that are provided with financial and non-financial support. There is also financial literacy where the NEF stands to promote the culture of saving and investment amongst black communities mainly rural and semi urban localities.</p> <p>The NEF engages its beneficiaries to maintain an educated understanding of their needs.</p>	<ul style="list-style-type: none"> <li>▪ Annual Africa Enterprise Development</li> <li>▪ Business Activation Summit</li> <li>▪ Tshwane SMME Roadshow</li> <li>▪ Small Business Development Institution Colloquium</li> <li>▪ Day to day walk-ins into all 9 offices across the country</li> <li>▪ Investor education and social facilitations</li> <li>▪ Brand audit surveys</li> <li>▪ Cell C Take a Girl Child</li> </ul>	<p>Clients are material to the NEF as we exist to serve them. Satisfied clients give credence to the organisation's ability to effectively discharge its mandate.</p>	<p>Refer to "Responding to the 2015 Brand Audit Survey" on page 16</p> <p>Disbursed over R5.1 billion to black businesses since inception, in support of over 86 000 job opportunities</p> <p>Launched the bursary scheme during the year in support of 31 learners across the country</p>
Influencers	<p>This stakeholder group includes lobby groups, media and various market players.</p> <p>Their general expectation is to understand what the NEF does with the aim of forming synergistic partnerships.</p>	<ul style="list-style-type: none"> <li>▪ Manufacturing Indaba</li> <li>▪ Young Entrepreneurs Expo</li> <li>▪ <b>the dti</b> My Business Expo</li> <li>▪ Launch of the Black Industrialist Policy from <b>the dti</b></li> </ul>	<p>They are significant group of stakeholders as they can influence the NEF's work and perception in the market.</p>	<p>These engagements provide an opportunity to showcase investees and their wares thus giving our investees potential access to markets and our stakeholders a deeper understanding of the work we do.</p>
Opinion Formers	<p>This stakeholder group includes analysts, business forums, commentators, other DFIs, financial institutions and the general public.</p> <p>They generally require accurate and regular communication.</p> <p>Collaboration and co-funding with other DFIs is a natural feature of the development facilitation mandate.</p>	<ul style="list-style-type: none"> <li>▪ Tourism Indaba</li> <li>▪ Small Business Network</li> <li>▪ NEF Parliament Exhibition</li> </ul>	<p>They are an important group through which positive developmental initiatives can be facilitated.</p>	<p>These engagements provide an opportunity to showcase investees and their wares thus giving our investees potential access to markets and our stakeholders a deeper understanding of the work we do</p>

### Responding to the 2015 Brand Audit Survey

The Brand Audit Survey conducted in 2015, indicated the following perceived key weaknesses:

- **Operational inefficiencies:** Especially around the funding application process where respondents lamented the NEF about excessive paperwork and perceived bureaucracy.
- **Lack of brand empathy:** This relates to a perception among stakeholders that as an institution the NEF and its representatives need to display respect, humane understanding, sensitivity and care in its dealings with customers.
- **Limited brand trust:** While seen to be serving a noble cause, the NEF has not convinced stakeholders to fully trust it on objectivity and transparency. There is a perception that only high profile individuals benefit from the work of the NEF.

The NEF appreciates and takes stakeholder feedback and has thus embarked on a few measures and projects to respond to these three key findings. Our responses to these key weaknesses are outlined below:

#### Operational inefficiencies:

- We are busy reevaluating our processes through a Business Process Reengineering (BPR) project. BPR is the elemental rethinking, analysing and radical redesigning of the organisation's core business processes in order

to achieve improvements in critical performance measures such as cost, service, quality, and speed. We believe that through this project, which is targeted to be finalised by the second half of this financial year, we will gain insights of how best to improve our processes to unlock any bottlenecks in the systems, while ensuring that the quality of our screening and deal evaluation is not compromised.

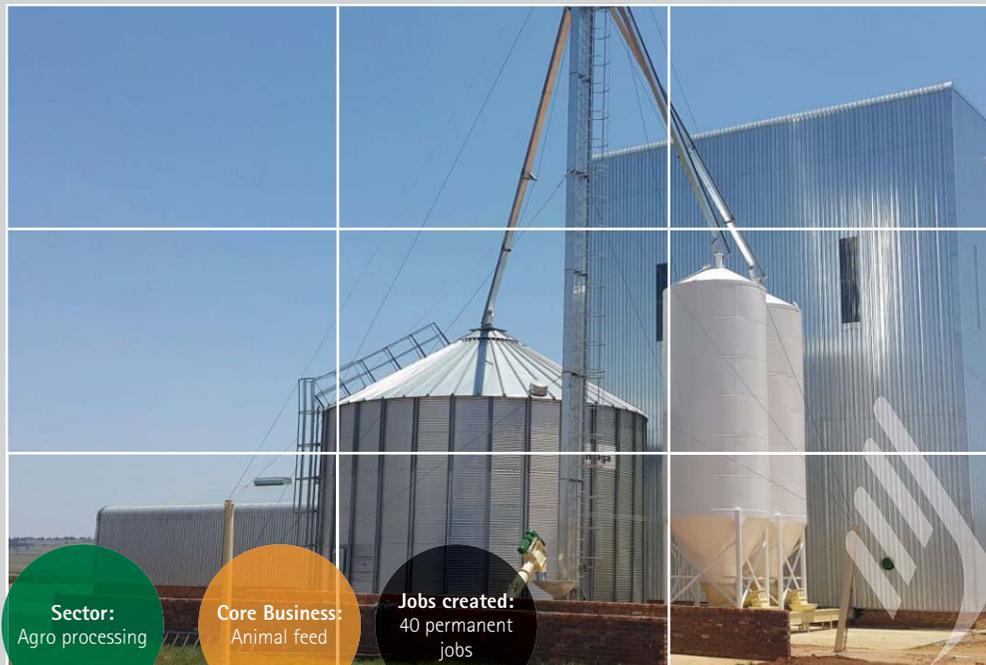
- Through Pre-Investment the NEF will establish structured customer centricity by providing training that is aimed at ensuring a positive NEF customer experience at the point of first contact with the organisation.

#### Lack of brand empathy:

- We are refining our protocol of communicating declined applications to clients and looking at enhancing reasons given for declines as well as providing referrals where applicable.

#### Limited brand trust:

- Proactive media coverage and profiling of our investees.
- Proactive stakeholder sessions to explain our processes and criteria.



**Sector:**  
Agro processing

**Core Business:**  
Animal feed

**Jobs created:**  
40 permanent jobs

#### Investee Profile:

## Rural and Community Development Fund

### Super Grand Agric

Super Grand Agric is an animal feed producer specialising in chicken feed as well as pig feed on special order. The company which is located in Bronkhorstpruit, Gauteng, and has received funding of R15 million from the NEF as well as R 17.5 million from the Department of Rural Development and Land Reform. The company is managed by a cooperative that has experience of running a smaller animal feed operation for the past five years. The NEF has warehoused a 20% stake on behalf of a workers Trust. The main product buyer is Kroon Gourmet chicken.

# 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 the high risk environment that the NEF operates in, a strong risk management process is required in order for the NEF to be sustainable and deliver on its mandate. The NEF staff and management have a strong culture of risk awareness. Risk management is the responsibility of all staff at the NEF. The NEF adopts an enterprise-wide approach to risk management. An enterprise-wide approach requires the NEF to cover all risks: strategic, operational, financial, market, credit, people and reputational risks.

As per the King III report, the Board of the NEF is responsible for the governance of risk within the NEF. To assist the Board in discharging its responsibilities regarding risk management, the Board has established a separate Risk and Portfolio Management Committee (RPMC) to review the risk management progress within the NEF, the effectiveness of risk management activities, key risks facing the NEF, responses to address these key risks and monitor the performance of the NEF's portfolio.

## Overview of 2015/16

The volatile international and local economic conditions have increased the risks under which businesses operate. The businesses funded by the NEF are more vulnerable to any external shocks and are not as resilient as established businesses. Volatile international and local economies have had a negative impact on the performance of these businesses. This has resulted in an increase in defaults and impairments for the NEF.

Recapitalisation of the NEF has remained a material issue on the Board's agenda. Whilst a few initiatives have been embarked on, none have been finalised yet to allow us to reduce this risk.

All other forms of risks have been adequately contained during the year. The management of people and reputational risks are unpacked in the Human Capital and Stakeholder Engagement sections respectively.

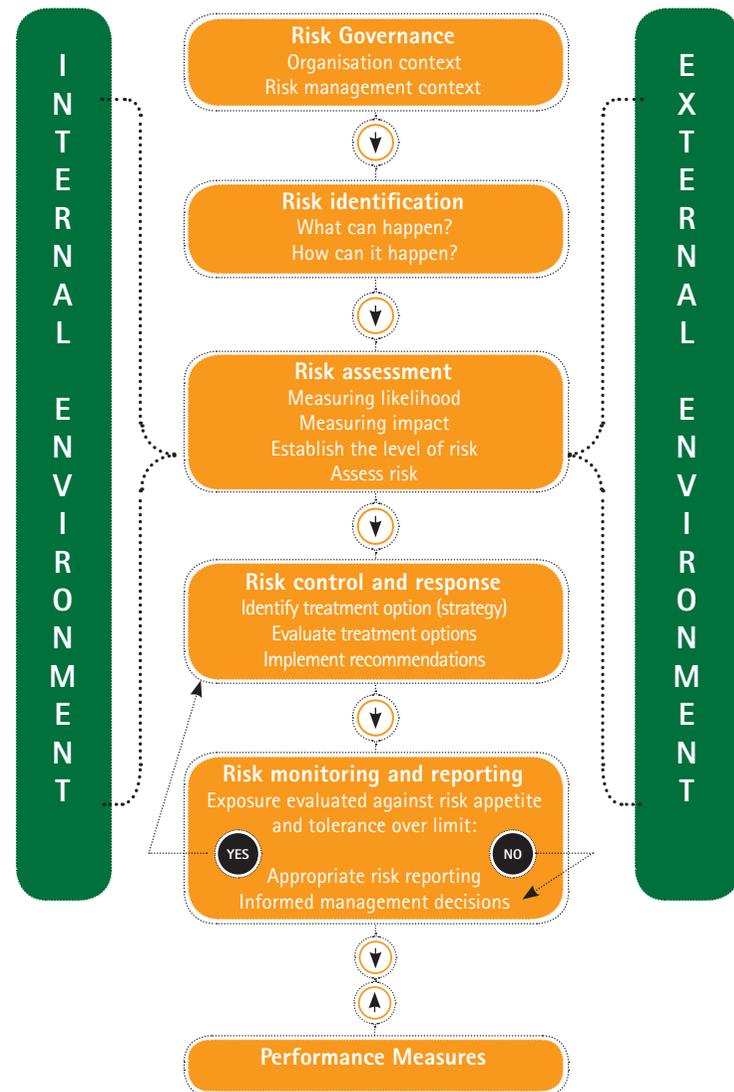
## Focus areas for 2015/16

During the past financial year our focus was on enhancing our Risk Management Framework, completion of Risk assessments, tracking of Key Risk Indicators (KRI's) continuing with discussions on Risk Appetite and Risk Tolerance with relevant Board committees, and working on developing a comprehensive approach to deal with Business Continuity.

## Risk Management Framework

The NEF's Risk Management Framework is based on COSO, Institute of Risk Management Standards of South Africa (IRMSA) Code of Practice and PFMA & 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 Framework (continued)

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

The Risk Management Framework was reviewed and updated during the current year and the updated Framework was approved by the NEF Board of Trustees.

### Key Risk Indicators

We have also developed a Key Risk Reporting Dashboard and Key Risk Indicators (KRI's) which we use to proactively identify, respond to and report on and track Key risks and any emerging risks.

The tracking of KRI's confirmed challenges being experienced by clients due to tough economic conditions. This has resulted in proactive interventions being instituted by management. The portion of the portfolio that received additional moratorium was at 26% as at the end of December 2015 indicating that clients were experiencing challenges. The impairments ratio increased from 19% in the previous financial year to 24% for the year ending March 2016, due to tough market conditions

The tracking of KRI's had also raised concerns regarding the portion of the portfolio that collections are raised on. This is primarily due to instruments used to fund transactions such as equity, shareholders loans and preference shares. These instruments are used in certain instances where clients funded by the NEF have limited own contribution. This percentage was at 21% as at 31 December 2015 but has improved to 32.7% as at 31 March 2016. Management is continuing to focus on this area, as it impacts on the cash flows of the NEF.

The rand value of funds collected in the last two quarters of the year was approximately R400 million. This was mainly due to certain transaction exits and partial exits from the Strategic Projects Fund. This accounted for approximately 75% of cash collected for the financial year ending March 2016. Management are actively pursuing opportunities to exit transactions where possible.

### Risk Appetite and Risk Tolerance

Defining an effective risk appetite statement is a critical component of a sound risk management framework. During the financial year, various possible risk appetite statements as well as various scenarios regarding the NEF's Risk Bearing Capacity were presented to the RPMC. The lack of clarity regarding the NEF's recapitalisation however made this a difficult task to perform. Until clarity regarding the recapitalisation process is obtained, it will be difficult to determine the acceptable level of risk to be taken by the NEF. Should the future funding come through borrowings, the level of risk that the NEF will be able to take on will be less than what it can take if the NEF were to receive grant income.

### Business Continuity

The NEF identified a need to implement a formal Business Continuity process. During the financial year a formal process to deal with Business Continuity was developed and approved by the RPMC. The Business Continuity process will provide guidance to the organisation as to what needs to happen in the event of a disaster. The IT disaster recovery plan was also updated and approved by RPMC. The plans are in the process of being implemented and tested.



### NEF Risk Assessment Process

The risk assessment process results in the output of the risk universe of the NEF. The key risks are identified from the risk universe. The risk assessment exercise is completed on an annual basis and the divisional risk registers are updated thrice a year to identify any emerging risks and track progress of identified actions.

### Our Material Issues

Our material issues are issues that we believe could adversely impact our viability as a sustainable DFI, and our ability to discharge our mandate or influence decisions of the Board of Trustees and its Stakeholders. They represent our primary risks which are identified through our on-going stakeholder engagements, both internal and external, as well as through the impact of external environment factors. Management of these material issues is critical to enable the NEF to achieve its strategic objectives and mandate, and to remain sustainable.

The process of identifying and assessing potential material matters is a responsibility of the Board of Trustees through its sub-committees and internal committees. We identified and prioritised five material matters for the NEF and these we believe will remain relevant for the foreseeable future.

1. Recapitalisation risk
2. Credit risk/Asset quality
3. Market risk
4. People risk
5. Reputation risk

Material issue/Risk	Implications of material issue	Mitigating controls	KPA affected
<b>Recapitalisation Risk</b>  The lack of adequate capitalisation of the NEF to fund future growth of the NEF	<p>The lack of clarity regarding the shape and form of the recapitalisation of the NEF will negatively impact on various areas of the NEF's business i.e. staff morale will be negatively impacted by the uncertainty regarding the recapitalisation of the NEF.</p> <p>In the past, this uncertainty led to an increase in resignations. Lack of adequate capitalisation of the NEF to fund transactions will also lead to a moratorium in funding new transactions, which was introduced previously when the NEF's cash reserves were low.</p> <p>This had a negative impact on the reputation of the NEF and it took some time for the market to have confidence in the NEF.</p>	<p>The Business combination process with the IDC has been approved and will need to be implemented to ensure the future sustainability of the NEF.</p> <p>In the interim, various engagements are being held with public entities such as IDC, PIC etc. to secure interim funding.</p> <p>The NEF is also focussing on exiting transactions where possible, resulting in improvements in cash collections.</p>	<p>Provide finance to business ventures established and managed by black people</p> <p>Support the participation of black women in the economy.</p> <p>Facilitate investment across all provinces in South Africa</p>



Material issue/Risk	Implications of material issue	Mitigating controls	KPA affected
<p><b>Credit Risk / Asset quality</b></p> <p>The risk that poor quality of transactions are funded and increasing number of clients are in distress due to tough economic conditions</p>	<p>The NEF has robust screening and due diligence processes, which assists in ensuring that poor quality transactions are not funded. The tough international and local economic conditions have however negatively impacted on the NEF's portfolio. This has resulted in an increase in impairments for the financial year.</p>	<p>The closer monitoring of transactions is resulting in transactions that need quicker interventions being identified early. These transactions are transferred to the TWR, which will implement measures to assist businesses that are struggling.</p> <p>The pricing of certain struggling clients has also been reviewed to assist them during this difficult economic climate.</p> <p>Mentorship support is also provided to clients who are experiencing challenges during this period.</p>	<p>Provide finance to business ventures established and managed by black people.</p> <p>Establish the NEF as a sustainable DFI</p> <p>Invest in black empowered businesses that have high employment creating opportunities</p>
<p><b>Market Risk</b></p> <p>Changes in Macro economic conditions negatively impacting on the NEF's client base</p>	<p>The volatile international and local economic condition is negatively impacting on the NEF's client base, which is not as resilient as established businesses in dealing with external shocks.</p> <p>The significant decline in the share price of MTN has also negatively impacted on the NEF's balance sheet for the financial year. The NEF has eroded approximately R700 million from its balance sheet mainly due to the decline in share price of MTN.</p>	<p>Post Investment unit is closely monitoring clients and identifying clients that require assistance sooner i.e. clients that need to be transferred to our TWR for specific interventions.</p> <p>The pricing of certain struggling clients has also been reviewed to assist them during this difficult economic climate.</p>	<p>Invest in black empowered businesses that have high employment creating opportunities</p> <p>Support the participation of black women in the economy.</p>
<p><b>People Risk</b></p> <p>Increased uncertainty with regards to implementation of the business combination process leading to staff resignations</p>	<p>The increased uncertainty with regard to implementation of the business combination process and recapitalisation will negatively impact on staff morale and may lead to an increase in resignations. Management engages staff on a regular basis regarding the business combination process. Further clarity will however need to be obtained from stakeholders regarding the status of the business combination process and feedback will need to be provided to staff</p>	<p>Performance management process which engages employees three times a year</p> <p>A remuneration framework that is benchmarked against other institutions</p>	<p>All KPAs are affected</p>
<p><b>Reputation Risk</b></p> <p>The risk that the NEF's brand is negatively impacted by media coverage</p>	<p>During the financial year the NEF had not received any significant negative media coverage. The delay in resolving the recapitalisation issue will possibly lead to a re-introduction of a moratorium on funding new transactions. This will negatively impact on the reputation of the NEF.</p>	<p>On-going engagements are held with stakeholders and the media to ensure that stakeholders and media understand the NEF's role. Actions are also being put in place to deal with findings of the Brand Audit done in 2015.</p>	<p>Establish the NEF as a sustainable DFI</p>

### Credit Risk Management

Credit Risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The NEF's Credit Risk Management (CRM) forms part of the key organisational risks as it relates to the core business of the NEF. CRM focusses on ensuring that the funds are invested to viable and credit worthy enterprises, this in turn also ensures that the liquidity risk and sustainability of the NEF are adequately mitigated and managed.

#### Credit risk management roles and responsibilities

The management and control of this risk is a collective responsibility and forms an integral part of all the relevant teams. The following is an overview of the processes which are in place to ensure adequate management and control of the credit risk throughout the life of each transaction:

#### Screening and Analysis

- Undertake desktop analysis to ensure an application meets the NEF's mandate and funding criteria.

#### Investment Team

- Identify risks and any mitigating measures on each transaction reviewed and conclude on viability of such transaction.

- Conduct an entrepreneurial assessment of the project sponsor(s).
- Perform adequate financial, technical and legal due diligence investigations to confirm existence of mitigating measures and viability.
- Structure transactions in a manner that will reduce the credit risk to an acceptable level.
- Prepare an investment approval report that is factual and assists the investment committees in making informed decisions.

#### Investment Committees

- Study investment approval reports to ensure that all risks have been adequately addressed.
- Make objective decision on the basis on commercial viability and acceptable risk exposure.

#### Credit Risk Division

- Thoroughly study investment approval reports prepared by the investment teams.
- Perform an independent assessment of credit risk for each transaction, and
- Support the approval committee by providing an independent and objective opinion on viability of the evaluated transaction with regards to the level of credit risk.



#### Investee Profile:

### uMnotho Fund

#### Smith Capital (Pty) Ltd.

The National Empowerment Fund funded Isipho Capital Engineering to acquire a 100% interest in Smith Capital Equipment, a company that manufactures aerial platforms, commonly known as cherry pickers, as well as drilling rigs used in mining exploration and installation of pylons and street poles.

With 42 years' experience, Smith Capital is a household name in the aerial platform market through its own brand, Superlift™ as well as its Hotline branded drilling rigs. The company also installs premium brands of aerial platforms and truck-mounted cranes from leading multinational companies around the globe. Isipho Capital owns 65% of the company while 35% is owned by staff and management.

### Post Investment Unit (portfolio management)

- Providing mentorship in areas in which the NEF investees lack adequate experience and skills and capacity to successfully run the business for which funding was provided.
- Providing continuous monitoring to ensure that the investees adhere to the business plan or address emerging investees' internal risks that have a potential of affecting their liquidity and ability to repay NEF loan.
- Following up on slow paying investees and collecting on outstanding debts promptly.

### Legal Unit

- Perform an independent legal due diligence for each transaction.
- Draft, negotiate and conclude legal documents with investees and other external stakeholders where relevant, e.g. suppliers
- Following up on investees transferred to the Legal Unit as a result of failure by investees to honour their obligations after all the turnaround options have been exhausted.
- Acting on securities or collateral and recovering some or all debts from investees failing to honour their debt obligations.
- Litigating on behalf of the NEF against investees to ensure all possible avenues are exhausted to ensure invested funds are collected or recovered.

### Turnaround, Workouts and Restructure Unit (TWR)

- Providing specialist service and intensive monitoring of investments experiencing cash flow or liquidity challenges and similar other challenges affecting debt repayment.
- This involves analysing causes of challenges, restructuring of business operations to ease the cash flow constraints and devising turnaround strategies.

### Fraud Risk Management

Fraud is defined as the unlawful and intentional misrepresentation or act which can lead to actual or potential disadvantage to another individual or group.

Fraud prevention forms part of the risk management process at the NEF. The following measures are in place to address the fraud risk at the NEF:

- Strong governance structures, such as the Audit committee and Social & ethics committee, that provide oversight over Fraud matters.
- Strong control environment subject to audit by our Internal Audit division.
- Code of Conduct and Conflict of Interest policy that form part of the NEF policies and serve to guide employees with regard to acceptable behaviour. The Code of Conduct and Conflict of Interest policy were reviewed during the year.
- During the completion of risk assessment with the various business units any new fraud risks are identified and monitored.



“Small businesses play a vital role in job creation, contributing to a skilled workforce, facilitating broader ownership, responding rapidly to market demands and increasing overall production. Because of this, Small Medium and Micro Enterprises (SMMEs) tend to be more effective in driving economic development than bigger businesses.”

*The Hon. Deputy President Mr Cyril Ramaphosa at the Shanduka Black Umbrellas National Development Awards, Sandton Johannesburg, 24 June 2015*

- Fraud awareness workshops are conducted annually to remind employees of the code of conduct and also to discuss case studies of fraud that were previously perpetrated at the NEF.
- A Fraud/Whistleblower program managed by Deloitte in collaboration with the Risk Division of the NEF is also used as a confidential means of reporting fraudulent activities perpetrated by employees and NEF investees. A need has been identified to increase the level of awareness of the Fraud hotline and additional fraud awareness sessions will be held in the new financial year.
- Fraud investigations are conducted by the Risk Division for each reported matter. This is sometimes performed using external forensic companies.
- Litigation and laying of criminal charges are carried out by the legal division following recommendations by the Post Investment unit and Risk Division. All litigation matters are approved by the Portfolio Management Committee (PMC).

The following are highlights relating to fraud risk management:

#### Fraud workshop

A Fraud awareness session was conducted with regional staff and communication regarding cybercrime was sent to all staff. A need was identified to increase the level of fraud awareness amongst staff, including raising awareness regarding the increasing risk relating to cybercrime. Fraud awareness and cybersecurity sessions are planned for the first quarter of the new financial year.

#### Fraud Tip-offs

The Risk Division received and followed up on three tip-off matters during the financial year. One matter related to material breaches by a client. This was reported to the NEF legal department who acted promptly and the NEF managed to recover all funds due. The other two matters related to Phishing attempts which were detected and no losses were suffered by the NEF.

#### Looking ahead:

- Closely monitor risk trends arising from macroeconomic uncertainty.
- Further enhance collection programmes to ensure appropriate management of investees in financial difficulty.
- Continue to focus on improvements to data sources and models/analytics to improve the portfolio risk profile, risk measurement, and risk-adjusted returns.
- Continue to improve internal risk measurement models and processes as part of the portfolio enhancement process.

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

The Board through the Audit Committee provides assurance over the risk management process at the NEF. An independent review is performed on the risk management process on an annual basis by Internal Audit.



**Business Sector:**  
Electronics  
Manufacturing

**Core Business:**  
Television screens  
manufacturing

**Jobs:**  
100

#### Investee Profile:

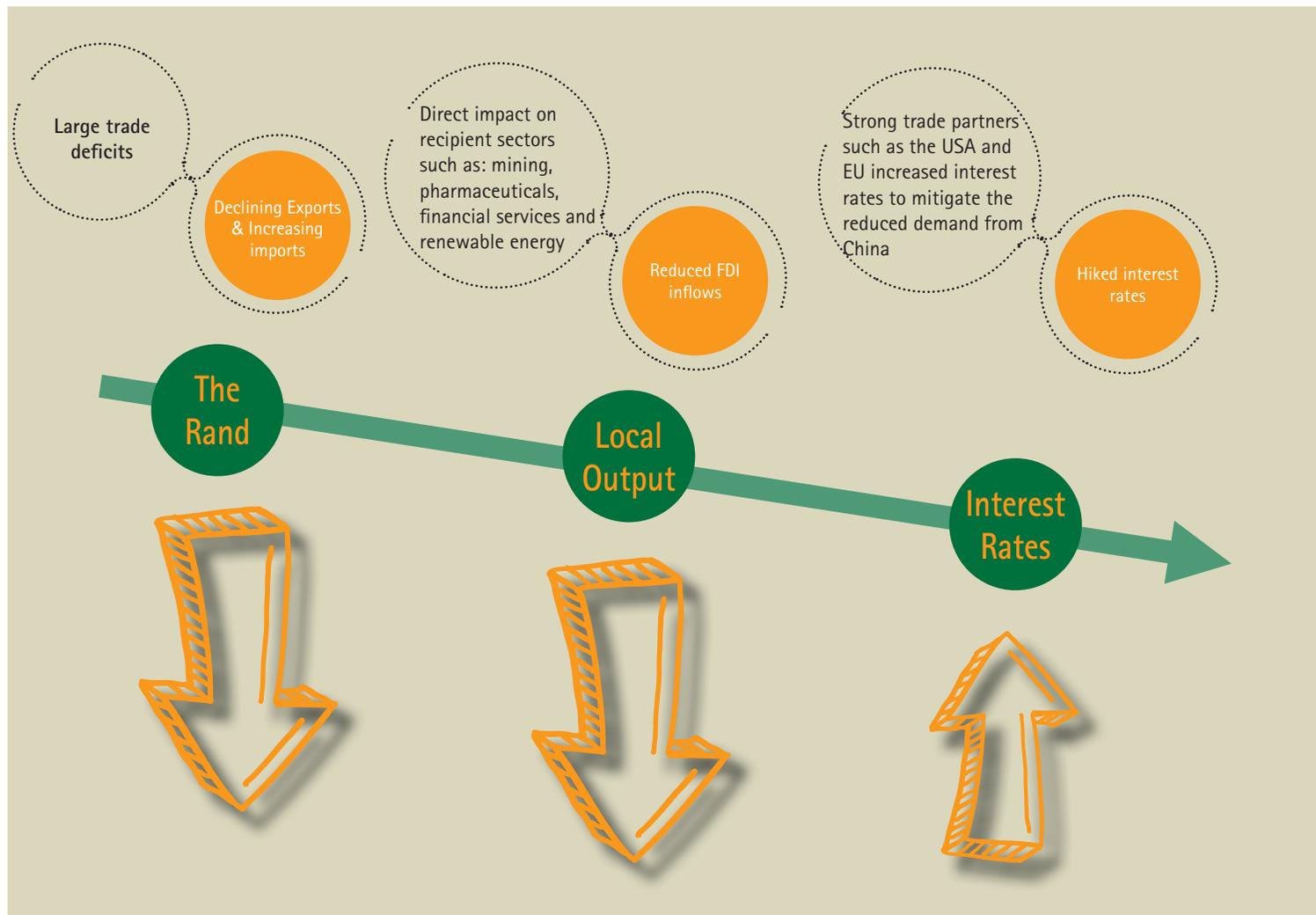
### uMnotho Fund Stylco Group:

Stylco Empowerment (Pty) Ltd ("Stylco Empowerment") is a majority youth-owned company (i.e. 75%), with the balance of equity being owned by Stylco (Pty) Ltd ("Stylco"), their technical partner. Stylco has alliance partners, Universal Exports Group, based in Hong Kong and China. Stylco manufactures and distributes many well-renowned brands under license. Stylco Empowerment has listed with Pick 'n Pay for the delivery of the Pick 'n Pay branded products (AIM), which it has exclusivity in manufacturing.

# OVERVIEW OF THE ECONOMIC ENVIRONMENT

South Africa's economy grew by 1.3% in 2015, lower than the 1.5% growth experienced in 2014. Globally, the 2015 economy was characterised by relatively weak growth in GDP. Uncertainty over emerging economies, fuelled by the global slowdown in growth as well as decreases in commodity prices had a negative impact on the South African economy. An economic slowdown in China was largely responsible to lowered demand for South Africa's commodity exports. Furthermore, interest rate increases in developed countries such as the USA seeking to normalise their economies, resulted in a capital flight from African and Asian markets as investment capital anticipated relatively better returns in the USA.

Figure 1: Impact of global market volatility on SA economy



Locally, the main contributor to the slowdown was in the agricultural sector which saw severe drought conditions contracting the sector by 8.4%, reportedly the largest annual fall in agriculture since 1995. Another sector that experienced a negative growth rate was the electricity, gas and water supply industry which shrank by 1%.

Growth in manufacturing was minimal, expanding by a mere 0.1%. Whilst other sectors recorded growth figures of less than 2%, the finance industry experienced growth levels of 2.8%. The highest growth recorded was in the mining sector which saw the industry expand by 3%. This growth was however a result of increased activity in the platinum mining sector following the low base created in 2014 when a crippling strike resulted in diminished production. Combined with a volatile currency that has seen a severely weakened Rand exchange rate, these dynamics have only served to reduce investor confidence.

Indicator 2015 (avg.)	% Rate	% Change from prior year
Unemployment	24.5	0.2 
Inflation	4.6	(1.5) 
Real GDP growth	1.3	(0.2) 
Real GDP per capita	0.48	(0.44) 

The economic downturn has had a negative impact on the performance of enterprises that cannot be ignored. Rising interest rates, ever-increasing input costs and a significant decline in spending threaten the profitability and sustainability of many enterprises. A weaker rand does not bode well for importers, whilst those operating in mining and steel manufacturing will no doubt be impacted by the slowdown in these sectors. The weaker exchange rate may also not necessarily spell an advantage for exporters as rising supply-side costs (notable examples being electricity and water) erode any exporting gains.

Analysts report that SMEs are likely to bear the brunt of the contracting economy. More businesses are struggling and this has been all too clear at the NEF as we witness increased distress in our current investees, resulting in potentially good business ideas losing their commercial viability. Management continues to dedicate its efforts towards vigilant monitoring of the portfolio and implementing various interventions in order to stabilise businesses in distress.

Economic analysts paint a subdued picture for South Africa's growth prospects in the next decade with the GDP growth rate forecast to reach 2.2% per annum by 2025. In the absence of radical interventions, South Africa will thus continue to fall short of NDP targets of 5.4% growth rate.

This poses a challenge to the NEF as a DFI with a clear mandate to drive economic transformation in alignment with the goals of the NDP. As a funder with a strictly black economic empowerment focus the NEF seeks to address market inefficiencies where private capital may be unwilling or unable to bear the risk of providing capital to black business that may be considered high risk – an increasing reality faced by black enterprises operating under the current economic climate.

In order to continue supporting current and future investees, as well as making a meaningful contribution to government's transformation agenda, the NEF is strategically positioning itself to not only identify but also take advantage of opportunities for growth. Government sponsored programmes such as the newly established Black Industrialists Programme as well as Operation Phakisa present opportunities for the NEF to expand its activities to tap into sectors that stand to benefit from these programmes. Other developments in the economy which may present as challenges have produced opportunities for entrepreneurs. An example is the electricity supply crisis which has spurred a growing need for alternative energy sources, giving way to opportunities for emerging gas fuel wholesalers and retailers to tap into both local and continental African markets.

The NEF also recognises the country's high unemployment rate as an obstacle toward real transformation and is proud of the progress it continues to make towards the creation and support of employment opportunities. The NEF therefore prioritises the maximisation of the empowerment dividend through targeted investment activities.

As we inch forward towards the greater goals of our national transformation agenda, it is crucial to highlight that the development space is however not only the ambit of the state or DFIs but big business too has a role to play in advancing inclusive growth.

“For the financial year 2015/16, the NEF has approved a total of one hundred and twenty-seven (127) transactions worth R1.2 billion. One hundred and twenty (120) transactions worth just over R1 billion were committed, and total disbursements amount to R819 million.”

*Performance Review, NEF Integrated Report 2016*

# REPORT OF THE CHAIRMAN OF THE BOARD OF TRUSTEES



Mr Rakesh Garach

## A beacon of hope for black entrepreneurs

### Overview

The year 2015/16 was a momentous one for the National Empowerment Fund (NEF). Not only did it achieve its highest levels of approvals since it lifted the funding moratorium in May 2014, the Fund also achieved record levels in its collections and marked a decade of operational excellence during the period under review. The NEF also forged a ground breaking partnership with the Department of Rural Development and Land Reform (DRDLR) and collaborated with its shareholder the Department of Trade and Industry (**the dti**) to launch the Black Industrialist Programme. The fund also consolidated its national footprint by opening the last of its provincial offices in the Northern Cape.

Despite the challenging economic times and its own testing circumstances, the NEF, continues to serve as a beacon of hope for black entrepreneurs of and plays a leading role in helping create opportunities for black, and especially female, entrepreneurs while

joining other development finance institutions in helping amass then channel resources to an area of important need: that of growing black entrepreneurs to create much needed employment in our economy.

### Economic Outlook

The South African economy continues to navigate its way through and recover from the effects of the 2008 financial crisis. GDP growth for 2015 was recorded at 1, 3% while the economy contracted by 1, 2% during the first quarter of 2016.

The two key events that are set to shape the global economic outlook is the decision by the United Kingdom to vote in a June 23 referendum to leave the European Union in an unexpected, semi cataclysmic event that has now come to be known as Brexit. While the other is the outcome of the United States general election set for November with markets keenly watching the threats by one of the candidates to renegotiate key trade agreements. Foreign

## Cumulative highlights to date

Approvals

**R7.6 billion**

Disbursed

**R5.1 billion**

**>R1.7 billion**

Received from investees

**86 859**

job opportunities supported  
(61 231 of which are new)

investor's search for yield in the wake of Brexit, meant the rand strengthened by early August, following the conclusion of peaceful local government elections.

Despite the recovery in the rand, economists are still bearish on South Africa's economic outlook with the International Monetary Fund and the July 2016 Beeld consensus forecast at 0.1% GDP growth for this year rising to just above 1% next year. Finance Minister Pravin Gordhan is more optimistic and expects South Africa to still achieve 1% growth this year.

The NEF commends the National Treasury and Government's successful efforts in warding off a threat of a possible sovereign rating downgrade. The truth is that South Africa has a dynamic, well-managed middle-income economy that is in the throes of being modernised through infrastructure investment and industrialisation while being transformed to be inclusive.

The cumulative job losses in the private sector between the fourth quarter 2008 and the fourth quarter 2014 amounted to 338 500, whereas the public sector added 336 800 jobs over the same period. The net effect is that there were 1 700 fewer jobs in the fourth quarter 2014 than in the fourth quarter 2008. Over this period the working age population (15 to 64 years old) expanded by more than 4 million people.

The South African Reserve Bank noted in its June 2016 Quarterly Bulletin that annual average growth in formal non-agricultural employment slowed

continuously from a rate of 2.3% in 2011 to 0.5% in 2015, consistent with the downward phase in the business cycle that commenced in December 2013

This poor jobs performance continued in 2016 with the second quarter Labour Force Survey showing that the number of employed fell by 112 000 year on year in the second quarter 2016 to 15.5 million, while the number aged 15 to 64 grew by 636 000 year on year to 36.5 million. This meant that the unemployment rate rose to 26.6% in the second quarter 2016 from 25% in the second quarter 2015.

This presents the NEF, other development finance institutions, all of government, the private sector and labour with a challenge to offer countercyclical intervention to grow entrepreneurs and help create employment.

### Helping to develop black entrepreneurs

The NEF now enjoys institutional maturity and the credibility from its record of accomplishment to help create black entrepreneurs. The NEF monitors global trends to better understand the policy requirements and instruments to help support the creation and sustenance of entrepreneurs.

The Global Entrepreneurship Monitor, one of the most comprehensive studies on entrepreneurship, continues to find that South Africa has a low entrepreneurial participation rate among working age adults compared to other middle-income countries. This is especially surprising, and worrying, when one considers South Africa's level of unemployment.



**Business Sector:**  
Construction

**Core Business:**  
Concrete Mixing

**Jobs Supported:**  
18

#### Investee Profile:

## uMnotho Fund

### Go2Market (Pty) Ltd (G2M)

G2M is a 100% black woman owned and managed concrete mixing company. The core product of the company is to provide onsite concrete mixing using the mobile OMEGA Volumetric Concrete Mixer (VCM). These mixers are capable of producing a wide range of volumetric mix designs, including standard concrete, high specification concrete, grout mixes, pump mixes efficiently according to complex construction specification. G2M is committed to revolutionizing the industry with new innovations while maintaining the highest quality standards. G2M systems allow for a quick set up and erection of the batch plant, reducing the costs of transport as compared to the conventional drum mixer. G2M has an exclusive contract to supply the VCM within the continent. Among the active projects that the company has completed in the South of Gauteng are 9600 residential units in Fleurhof Ext. 1 an integrated housing project in South Hills Moffit Park and the Jabulani central business district.

The NEF has grown to appreciate that entrepreneurship, beyond survivalist and informal mode, is rarely an immediate solution to escaping unemployment. Entrepreneurship requires skills, work experience and accumulated financial and professional capital as well as networks. This means that the long-term solution to improving entrepreneurship participation is improving skills and education, including introducing formal entrepreneurship education at the appropriate stage at school level.

The NEF can attest to the improving depth and quality of black entrepreneurs who have accumulated a wealth of experience and capital from long distinguished careers in the public and private sectors then branch out with a clear idea of the area of entrepreneurship they wish to break into.

### Black Industrialists

The development and implementation of the Black Industrialists Programme is a rational response to the socio-economic development challenges that the country faces. A small base of white industrialists cannot be expected to create the amount and type of wealth that will ensure economic success and prosperity for the majority.

In the realm of economic life, this implies the inevitable need to transform the patterns of asset ownership in a manner that reinforces the national objective of building a society that truly belongs to all who live in it. This derives from the recognition that the bulk of industrial assets in South Africa have been racially concentrated among a few, thereby generating uneven social and economic relations that undermine this national objective.

The NEF is proud to have played a part, with **the dti**, in the launch of the Black Industrialists programme. The NEF pioneered the programme through the launch of the Strategic Projects Fund in 2007/2008. As at year end, SPF had 31 projects, worth R29 billion. The NEF is ready to share its lessons and expertise in this area.

### B-BBEE and transformation

The NEF anticipates that, as economic conditions improve, the country is likely to see robust deal activity driven by Black Economic Empowerment and transformation will be a lived economic experience for millions of South Africans. It remains a strategic imperative whose needs remain in its nascent stages.

We look forward to intensified government support for the cause.

### Decade of excellence

During this financial year, the NEF also celebrated a decade of operational excellence, growth, investment and, of course, creating entrepreneurs. Since inception, the Fund has approved R7.6 billion worth of transactions through 770 transactions. In the process, the NEF has supported over 86 000 jobs nationwide, which in turn support an estimated 260 000 beneficiaries. In a reflection of the improved quality of its transactions as well as the maturity of its own systems and processes, the NEF investees have repaid R1.7 billion, including a record R541 million for this financial year.

These accomplishments are set on a robust governance framework that has seen the NEF earn unqualified audits for 11 consecutive years. We look forward to the decade ahead with enthusiasm.

### Recapitalisation and the proposed SME Venture Capital Fund

In this financial year, the NEF approved R1.2 billion worth of deals in 127 transactions. This is just shy of its record of R1.3 billion in approvals. This, plus a record R541 million in collections is the most compelling case the NEF can present for its recapitalisation. The Board recognises recapitalisation as a strategic imperative and is continually engaged with government to find a long-term resolution. The National Treasury and the Department of Trade and Industry issued directives to help facilitate the NEF's recapitalisation. We remain confident that, if acted upon, these could offer short to medium term stability for the NEF.

The year also witnessed the launch of a proposed Venture Capital Fund aimed at assisting Small and Medium sized enterprises. This followed a meeting between President Jacob Zuma and leaders of business ahead of the State of the Nation address in February in Cape Town. The publicly disclosed amount on the fund of R1.6 billion has been pledged by the private sector, with government expected to announce its contribution at the next budget and the fund is expected to reach R10 billion, ultimately.

Players including the Black Business Council have made a call and observation that the NEF would be better placed to manage the proposed fund.

The NEF concurs with this view and affirms that it has the capacity, track record and expertise to manage the entire value spectrum of a transaction and

“*Fundamental to our economic transformation programme in particular, is the need to broaden the ownership, control and management of the economy. The black industrialists programme falls within this policy framework.*”

*His Excellency President Jacob Zuma at the inaugural Black Industrialists Indaba, Gallagher Convention Centre, Midrand 25 March 2015*

is open to have scrutiny and have its performance benchmarked against peer organisations within both public and private sector.

### Partnership with DRDLR

The NEF's partnership with the Department of Rural Development and Land Reform (DRDLR) solves a number of policy challenges, starting with helping improve the valuation of some of the concluded transactions. It also addresses the long-standing challenge of having re-allocated land lying fallow and not in productive use. Most importantly, it affirms the dignity of the farm workers, one of the most historically exploited and downtrodden.

### Rural and Township economies

The NEF is excited by the renewed focus on township economies, most notably by the Gauteng Province. The Fund has long seen value in investing in township economies. Through its Rural and Community Development Fund, the NEF has a portfolio of five shopping malls in various towns across the country with an investment value of R213 million. These are in Orange Farm, Gauteng, Umlazi and Greytown in Kwa-Zulu Natal as well as Qumbu and Willowvale in the Eastern Cape.

### Legal framework

The legal and regulatory framework in which we operate continues to evolve and this will hopefully improve the impact of the work that we do.

- This financial year saw the BEE Commission commence formal operations and the NEF played host to one of its sessions. One of the important outcomes of its work is the criminalisation of fronting practices. As an organisation we remain vigilant against this practice,
- The Commission will also play a critical role in the monitoring of BEE transactions,
- It will also help monitor the state of compliance with the B-BBEE Act and highlight any areas of improvement,
- The tax system, while progressive, continues to be simplified to benefit small businesses.

### Governance

The NEF Board is committed to sound corporate governance practices and subscribes to the principles of good corporate governance as recommended in the King III Report on Corporate Governance. The Board Continually reviews the organisation's policies to ensure compliance and relevance. The improvement in collections and attaining unqualified audits for the past 11 years is a reflection of the NEF's robust governance framework. The Board works together with the shareholder ministry and the executive to uphold the highest standards of governance.

### Appreciation

It would be improper to conclude the report without noting that this is the year in which my appointment as Chairman of the Board of Trustees was confirmed as permanent, after two years of acting. This gives greater urgency and certainty to our work as a Board. I would like to express my gratitude to the Minister and all of Cabinet for having faith in my leadership.



Mr Rakesh Garach

*Chairperson of the Board of Trustees  
National Empowerment Fund*

“The NEF is proud to have played a part, with the dti, in the launch of the Black Industrialists programme. The NEF pioneered the programme through the launch of the Strategic Projects Fund in 2007/2008. Today, the SPF has 26 projects, worth R29 billion. The NEF is ready to share its lessons and expertise in this area.”

*Mr Rakesh Garach*

# REPORT OF THE CHIEF EXECUTIVE OFFICER



Ms Philisiwe Mthethwa

## An enduring commitment to excellence

### Creating real economic value

This Integrated Report 2016 of the National Empowerment Fund (NEF) is an account of how a small organisation with a big mandate has bucked the trend of a global economic slowdown, defying the tide of a distressed national economy that has had to downscale its growth projections amid the face of rising unemployment and falling commodity prices.

This is the story of a development finance institution that has continued to create jobs and real economic value, bringing hope to many who are driven by the knowledge that because they are still disadvantaged economically on the basis of race, gender and geography, they have nowhere else to run to but to the funder with a soul.

### Performance Highlights

The year under review saw the matter of the NEF's recapitalisation continuing to be a critical priority for implementing the mandate of providing financial and non-financial support to black entrepreneurs.

The primary architecture of this report rests on the following pillars:

- Highlights of the year's performance,
- The work in progress with the Department of Rural Development and Land Reform (DRDLR) to empower farmworkers to become entrepreneurs,
- Reflection on the Performance per fund and the related consolidated analyses,
- Lastly we will focus attention on the organisation's Recapitalisation Initiatives.

## 2016 Highlights

Approved

**R1.2 billion**  
39% up on 2015

Approved

**R154 million**  
partnership with the DRDLR

**Launch of  
the Black  
Industrialist  
Programme**

I wish to acknowledge the entire staff compliment of the NEF across all the levels who are the glory behind the NEF's performance excellence. These patriots are the jewel on the crown of the Empowerment Dividend

The total value of approvals since inception to the 2015/16 financial year is R7.6 billion towards 770 black businesses; while R5.1 billion has been disbursed into the national economy.

It is pleasing to report that in the year under review the NEF approved 127 deals worth R1.2 billion against a target of 111 deals worth R880 million. The annual disbursements amounted to R819 million against a target of R691 million.

In accordance with national priorities job-creation remains one that is central to our purpose, and in this regard the NEF supported 4 938 job opportunities, of which 3 377 were new. This brings total job opportunities geared to be supported since inception in excess of 86 859.

The NEF's performance in advancing the frontiers of black women empowerment this year was reticent, but this remains an area that receives dedicated attention through the Women Empowerment Fund.

30% of commitments made in the year were towards businesses partially or wholly owned by women, against a target of 45%. Total women ownership disbursed in the year is 29% vs target of 40%.

The NEF is a key role player in the Black Industrialists Programme which aims to promote and ensure the participation of black entrepreneurs in key strategic sectors of the economy.

The commitment to developing black industrialists saw the NEF increasing its tally on this important national imperative. As a result, the NEF can today speak of 31 strategic and industrial projects worth R29 billion, with the potential to support over 86 500 jobs.

The launch of the Northern Cape regional office in the third quarter of the financial year means that the NEF is now a fully-fledged national organisation with an office network that cuts across the length and breadth of our beloved republic.

In relation to geographic activity we can report that since inception to financial year end, Gauteng now comprises 45% of the NEF's total invested portfolio, which is a great improvement from the days when the NEF's presence in Gauteng accounted for over 60%. The point must however be made that this is not as a result of a reduction of funding in Gauteng. This is a direct consequence of planned, targeted and increased funding in the other 8 provinces because they too are integral to South Africa's economy. Over 76% of the country's population resides collectively in the Northern Cape, the North West, Limpopo, Mpumalanga, Free State, Eastern Cape, KwaZulu-Natal and the Western Cape, and the point cannot be overemphasized that our national office network is indeed a historic achievement.



Investee Profile:

**Strategic Projects Fund**  
**iVAC BIO(PTY) LTD**

iVac Bio (Pty) Ltd's vision is to establish a biotech Advanced Pharmaceutical Ingredient (API) and vaccine manufacturing facility using plant production system, instead of the conventional (animal) production methodology, which results in lower capital expenditure and production costs. In the short term iVac Bio will be a bulk antigen manufacturing company involved in the production of vaccine API used to manufacture zoonotic animal and human health vaccines and in the long-term the company will become a vaccine production facility. The NEF has invested R7 million, in this black woman-led transaction, towards the bankable feasibility studies towards the production facility, which will be completed by December 2016.

To increase economic activity in the Northern Cape, North West, Limpopo, Mpumalanga and Free State the NEF aimed to disburse a minimum of 25% of its disbursement target of R691 million in these provinces. This was exceeded with R361 million disbursed instead of R173 million.

Regional Offices and the Pre-Investment Unit achieved approval of 60 deals worth R427 million against the broader organisational target of 111 deals worth R880 million. Similarly, we are pleased that regional offices were instrumental in the collection of R33.94 million, representing a 98% collection rate of the regional portfolios.

Rural and Community Development remains a cornerstone of our development and funding philosophy, and we are pleased that since inception, rural deals are geared to empower 30 communities and over 1.8 million individuals.

Entrepreneurial Development has continued to gain momentum, with 26 business training sessions having been provided countrywide, and 36 entrepreneurs having been successfully incubated.

Another achievement worthy of mention is that as a result of the enterprise-wide focus on collections, over R1.7 billion has been repaid by investees. The litigation pipeline increased by 17 transactions with a value of R84.3 million, signalling a robust commitment to collect more. R48.5 million was collected on deals in litigation during the year.

In terms of active portfolio management, impairment has increased to 24%, while ROI at 9.5% is within the targeted range of 8 to 10%. Collection ratio stands at 97% against a target of 80%. There are 26 successful exits at 1.25 times money back and repeat business to the value of R135 million has been created.

In terms of **Preferential procurement** it gives us pleasure to report on improvement in procurement from black women-owned entities at 29.18% as compared to 14.53% in 2014/15. The NEF management continues to keep a close watch on this key performance indicator to ensure meaningful and continuous improvement.

On the **Socio-Economic Development** front we are pleased to report on 44 Investor education seminars that were held across the country, which include 8 Industrial Theatre presentations. The Industrial Theatre production is targeted primarily at youth in Universities and other educational institutions, who have a hunger for knowledge and inspiration on entrepreneurship and aims to further inculcate the culture of savings.

Since the Investor Education campaign began some eight years ago, the NEF has now reached over **30 000 people** in villages and townships through 120 community seminars on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets.

### Supporting Black Industrialists

The NEF has for the past eight years been hard at work carving a space for the development of black industrialists through the Strategic Projects Fund

(SPF). This makes the NEF a pioneer in the space identified by the new Black Industrialist Policy.

Through SPF, the NEF has made important steps in seeking competitive opportunity for the South African economy and the inclusion of black participation in opportunities at the outset of projects, as opposed to doing so during equity closure.

SPF approved 12 new projects during the year under review which was a remarkable achievement as it happens under slowing economic activity.

These Industrial projects typically undergo an extensive and rigorous development cycle prior to reaching a bankable stage at which point they can be evaluated for commercial viability and for funding by investors.

The NEF's commitment to black industrialisation saw the NEF progressing a total of 10 SPF projects to subsequent development stages. Our commitment is ultimately to commercialise the SPF portfolio so that the NEF may contribute towards the reindustrialisation and growth of our economy, with black people at the centre.

### Partnership with the Department of Rural Development and Land Reform (DRDLR)

Among achievements for the year under review is the NEF's partnership with the DRDLR after the Hon. Minister Gugile Nkwinti invited the NEF to become a partner in the pilot implementation of the programme called *STRENGTHENING OF RELATIVE RIGHTS OF PEOPLE WORKING THE LAND*, also known as the 50/50 project.

There are a number of key strategic and patriotic considerations that attracted the NEF to this partnership. These include:

- The Department of Rural Development and Land Reform plays an important role in terms of redressing the injustices of the past in the areas that were devastated more severely by apartheid.
- The objectives of the pilot project that we have partnered on with the Department, are at the heart of the existence of the NEF, because they seek to empower farmworkers to become entrepreneurs.
- We value the potential progressive outcomes of this historic programme, which include objectives such as:
  - economic development;
  - job creation;
  - enhancing food security;
  - broadening entrepreneurship; and
  - growing women's economic participation.

We believe that there were several factors that distinguished the NEF as a worthy partner, and these include the following:

- The NEF has a track-record of success in structuring start-ups, expansion and equity acquisition deals;
- With a dedicated Rural and Community Development Fund the NEF possesses consummate expertise in unlocking economic value in peri-urban and rural areas; and
- The NEF is highly proficient in facilitating community and worker ownership and participation in BEE transactions. Our skills include providing entrepreneurial training, incubation support, drawing up social and labour plans and broadly safeguarding the interests of communities and workers in business.

Through the partnership, the NEF assisted in the facilitation of approving and finalising legal agreements for five deals worth R154 million.

This milestone would not have been possible had we not invested significant time and effort in building relations with the broadest spectrum of stakeholders across the Government sphere, in the private sector and across organised commerce, in civil society, across communities and indeed in the mass media.

I believe that Government, Parliament, the Board and the broader South African public, including our targeted entrepreneurs, can take pride in the phenomenal growth and institutional maturity of the NEF since operational inception in 2004.

### Public Advocacy

The NEF has continued to raise concerns in the public sphere in respect of matters that confront the transformation landscape. Among these we can sight concerns regarding the use of equity calls in terms of how some partners are diluting black shareholders in empowerment transactions. While equity calls are perfectly, normal, universal and widespread in the world of commerce, the NEF has observed situations where equity calls appear to have been carefully designed and calculated to bring about financial leakage against black partners. Due to historical reasons many black entrepreneurs or investors have no capital reserves to tap into in order to follow their rights when equity calls are made, leading to them losing their rights to shareholders with deep pockets. Transformation then gets diluted whilst the enterprise continues to enjoy the benefits of an empowered company.

Another concern of critical national importance relates to the "once empowered always empowered" principle. As the custodian of the implementation of Broad-Based Black Economic Empowerment in South Africa the NEF took a principled stand on the legal dispute between the Department of Mineral Resources and the Chamber of Mines regarding the implementation of the mining charter in order to safeguard and uphold the legitimate aspirations of inclusive growth. We are not at liberty at this juncture to divulge the content of our contestation, but can confirm that the NEF has been admitted in the case as a friend of the court.

While consensus abounds regarding the need to transform the South African economy, from time to time disputes will emerge, and the NEF will continue to uphold its responsibility to lead the path.

### Fraternal relations

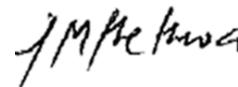
The NEF has continued to cement relations with a range of key stakeholder entities, among whom we acknowledge the Black Business Council, Association of Black Securities and Investment Professionals, Africa Women Chartered Accountants, Business Women Association of South Africa, National African Federated Chamber of Commerce, Black Management Forum, Business Unity South Africa, Progressive Professionals' Forum, South African National Editors' Forum, journalists and many other esteemed stakeholders across the regions.

We acknowledge the BBC for the powerful messages of endorsement and recommendation for the NEF to be entrusted with the management of the funds that have been earmarked for the anticipated public-private SME venture-capital fund.

### Acknowledgements

The NEF is grateful for Government's continued guidance in the implementation of our mandate, in particular the Ministers, Deputy Ministers, Directors General and officials in **the dti**, National Treasury, Economic Development, Small Business Development and many other departments. We also value the esteemed oversight of the committees and chairpersons in the national legislature, as well as the partnerships of provincial governments, Traditional Leaders and municipalities.

We acknowledge the worthy leadership of the Board of Trustees, and congratulate the Chairman on his appointment. We look forward to serving under his wise stewardship. I am privileged to work alongside executives, managers and colleagues whose commitment to excellence is without peer. Your collective values and vision are reflected in our work, and in our performance to date. To the South African entrepreneurs it is our privilege to be at your service.



Ms Philisiwe Mthethwa  
Chief Executive Officer

“Among achievements for the year under review is the NEF's partnership with the DRDLR after the Hon. Minister Gugile Nkwinti invited the NEF to become a partner in the pilot implementation of the programme called **STRENGTHENING OF RELATIVE RIGHTS OF PEOPLE WORKING THE LAND**, also known as the 50/50 project.”

Ms Philisiwe Mthethwa

# REPORT OF THE CHIEF FINANCIAL OFFICER



Ms Innocentia Pule

## Embedding integrated thinking

### New Developments and Updates

The 2016 Group results include two investment entities that the NEF has taken control over. These are Zastrovect Investment (Pty) Ltd (trading as Goseame Open Market - Goseame) and Delswa (Pty) Ltd. Goseame is a fresh produce retailer based in Limpopo while Delswa is in textile manufacturing, more specifically corporate wear, based in the Northern Cape. Delswa went into distress due to poor management. Like in the case of Goseame, which was taken over in 2014, the NEF stepped into the management role of the entity mainly to preserve the jobs that were at risk especially in that part of the country.

The accounting treatment of investments that are temporarily taken over by the Trust is in terms of GRAP100: Discontinued Operations by treating such entities as disposal groups acquired exclusively with a view to dispose of them once they have been stabilised. The Minister of Finance has granted PFMA

compliance exemption of Goseame and Delswa for a period of three years, ending June 2017 and July 2019 respectively. The Trust is actively pursuing the disposal of both entities hence the application of GRAP100 accounting treatment.

National Empowerment Fund Corporation SOC Limited (NEFCorp SOC Ltd) is a wholly owned established subsidiary of the Trust which was incorporated in 2002 to facilitate asset management activities of the Trust. The company currently owns an investment property, which is the property on which Goseame conducts business. The rental income from Goseame is currently the only source of income for this entity. GRAP6 consolidation was performed for this subsidiary.

My report will however only focus on the performance and financial position of the Trust, and not go into any detail regarding the Group results.

## Annual highlights

Portfolio collections

**R541 million**

20% up on 2015

**R103 million**  
raised for Enterprise &  
Supplier Development

**29.18%**  
procurement from  
black women-owned  
entities  
(14.53% in 2015)

### Financial Performance Overview of the Trust

A five year snapshot of the results and financial performance of the Trust is as follows:

Rm	5 year CAGR	5 year average	Annual Growth	2015/16	2014/15	2013/14	2012/13	2011/12
<b>Financial Position</b>								
Cash and Cash equivalents	-8%	1 648	-2%	1 419	1 448	1480	1 689	2 202
Financial market assets	0%	1 774	-33%	1 412	2 116	2254	1 686	1 403
Investment in development activities	8%	2 123	1%	2 368	2 344	2284	1 976	16 40
Other assets	10%	48	1331%	93	6	14	71	58
<b>Total assets</b>	<b>0%</b>	<b>5 593</b>	<b>-11%</b>	<b>5 292</b>	<b>5 915</b>	<b>6 032</b>	<b>5 422</b>	<b>5 303</b>
<b>Financial Performance</b>								
Current liabilities	34%	80	198%	188	63	56	49	44
Trust capital & reserves	-1%	5 634	-13%	5 104	5832	5976	5 976	5 259
<b>Financial Performance</b>								
Interest on development activities	13%	177	-5%	206	218	193	146	112
Interest on cash investments	-10%	96	0%	83	83	76	102	147
<b>Total interest</b>	<b>3%</b>	<b>273</b>	<b>-4%</b>	<b>289</b>	<b>301</b>	<b>269</b>	<b>258</b>	<b>249</b>
Dividends from development activities	627%	5	-4%	7	7	7	3	0
Dividends from financial market assets	10%	110	5%	137	130	109	86	86
Other income	83%	31	3 526%	101	3	20	24	5
Fair value gains/(losses)	80%	-10	302%	-656	-163	550	251	-34
(Loss)/Profit on disposal of investments	-231%	9	-	58	-	-	-	-15
Operating expense	4%	211	15%	237	206	200	219	192
Impairments	33%	238	127%	445	196	152	290	105
<i>Surplus/(deficit) for the year</i>	163%	-32	499%	<b>-747</b>	<b>-125</b>	<b>604</b>	<b>114</b>	<b>-6</b>
<i>Operating surplus/(deficit) for the year</i>	-226%	-22	-339%	<b>-91</b>	<b>38</b>	<b>53</b>	<b>-138</b>	<b>28</b>
<b>Financial Ratios</b>								
Cash and Cash equivalents to total assets		29,7%		26,8%	24,5%	24,5%	31,2%	41,5%
Net Return on assets		-0,8%		-14,1%	-2,1%	10,0%	2,1%	-0,1%
Return on investment (before impairments)		8,7%		9,5%	9,4%	8,8%	8,8%	6,8%
Return on investment (after impairments)		-1,3%		-3,5%	1,3%	2,1%	-6,6%	0,4%
Operating expenses to income		50,3%		40,2%	46,9%	49,2%	59,0%	56,4%
Impairment charge ratio		11,0%		18,8%	9,3%	6,7%	14,7%	6,4%

Net development investment portfolio kept steady at 1% increase year on year while interest income on development activities declined by 5%, mainly due to increasing impaired loans since the prior year. Portfolio income earned in the year was however boosted by R58 million realised profit on a partial disposal of one of our associates, resulting in pre-impairment return of 9.5% (9.4% in 2015) which is 17bps below average prime interest rate over the financial year. This below prime result is an indication of the distress that our investments have gone through in an environment of interest rate hikes. Rates are forecasted to continue on an upward trajectory for the rest of the 2016 calendar year, before any reprieve is expected.

Cash balances were maintained around R1.4 billion over the year, following a net decrease/consumption of R29.7 million in the year. It should however be noted that about R1.1 billion of this cash was committed as at year end. Whilst disbursements increased by 36% to R683.9 million in 2016, collections from investments as well as proceeds from sale of investments comprised 79% (89% in 2015) of disbursements made in the year. This combined with Enterprise and Supplier Development (ESD) contributions received in the year of R103 million (R6.25 million in 2015) have mainly assisted in moderating the net cash consumption for the year. We have managed to innovatively work with the legislative amendments made to the Codes of Good Practice to continue partnering with all our contributors in the future.

The majority of our dividend income continues to flow from MTN shares, R132.5 million accrued for the year; with the rest flowing from other listed and unlisted investments.

At 68% (67% in 2015), human capital costs continue to be the single largest overhead for the NEF. This proportion continues to be favourably maintained below the global average of 70%. The proportion of support staff to professional staff has been maintained at two professional staff to one support staff member.

Operating expenses have increased by 15% mainly as a result of the continued recruitment for key vacancies. As indicated in the prior year, the cost of new staff members who joined the organisation during the second half of the 2015 financial year was fully incurred during 2016. Despite this increase in costs, the Trust has reported a healthy jaws ratio (difference between growth in income and operating expenses) of 19% (6% in 2015). The reported 34% increase in

total income was mainly driven by unconditional grants received as well as the realised profit on disposal of investments.

Cost to income ratio has also reduced to 40.2% from 46.9% reported last year, remaining comfortably below the long term targeted range of between 54% and 58%. The NEF will continue to sustainably enhance its income sources while managing its costs to ensure that these positive gains are not eroded in the medium to long term horizons.

Despite increased active portfolio management interventions over the past three years, we have seen more and more of our investees struggling. Market conditions, which are mostly marred by slow economic growth, high inflation and an upward interest rate environment, have resulted in provision impairments charge of R407.2 million (R167.4 million in 2015) and write offs of R37.4 million (R28.3 million in 2015).

The Trust delivered an operating deficit (i.e. net result before fair value gains) of R91.4 million which is a material shift from the R38.1 million operating surplus reported in 2015, mainly as a result of increased impairment and write off charges.

Net fair value losses of R655.8 million are mainly made up of the mark to market (mtm) valuation of the MTN shares (from share price decrease R205.00 in 2015 to R135.20 in 2016), and represent unrealised net losses in equity positions. These fair value entries are in compliance with GRAP requirements and are the main contributor to the net reported deficit for the year at R747.2 million. This material deficit has resulted in the reduction of total assets of the Trust from R5.9 billion to R5.3 billion.

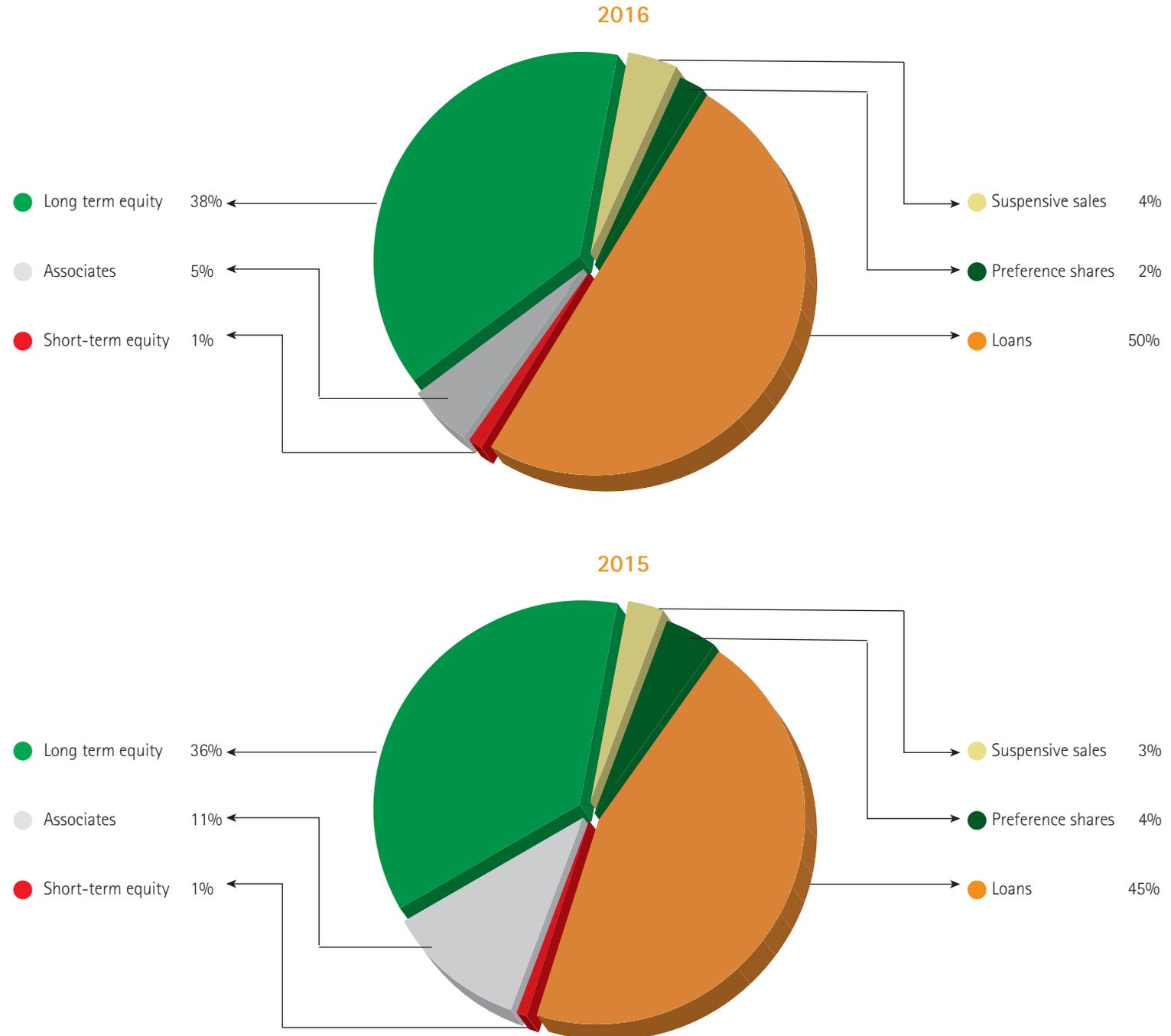
### Sustainability of our Portfolio

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 mtm impact in respect of the MTN shares since 2013) have increased to 56% from 52%. The portfolio skew in favour of non-equity instruments provide 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.

“As a country, we should be proud of the successes gained through the broad-based black economic empowerment legislative framework so far. But, despite the much celebrated gains, there are still segments of our economy that experience major challenges. This is evidenced by the low participation of black people in critical economic spheres”

*His Excellency President Jacob Zuma at the inaugural Black Industrialists Indaba, Gallagher Convention Centre, Midrand 25 March 2015*

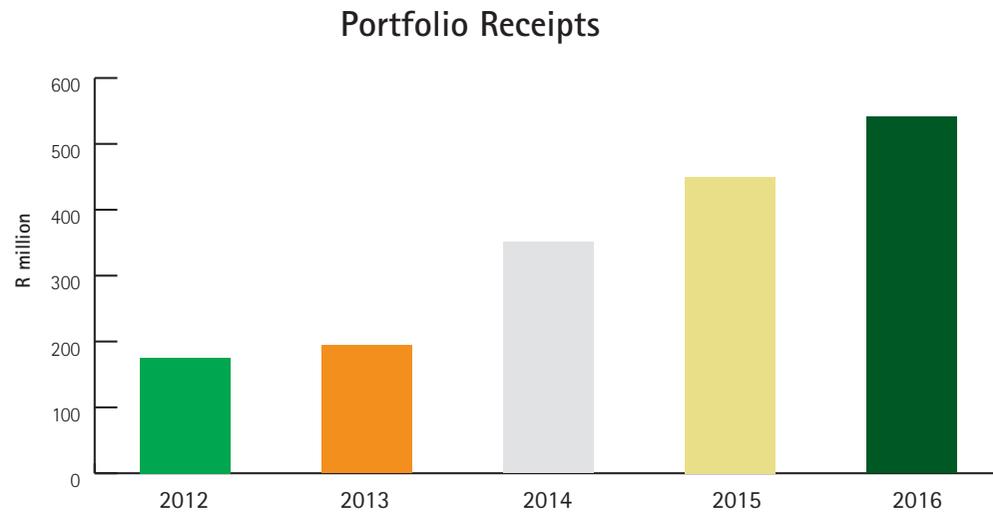
Figure 1: Portfolio Make-up (Gross Amortised Cost/Fair Value)



Reported income before impairments, fair value movements and dividends, is a key indicator of the operational sustainability of the fund. At R210 million (2015:R97 million), this indicator accounts for the ability for cash and investments to sustain the operational overheads of the NEF.

The collection ratio (measured as receipts as a percentage of installments raised) at 97% has increased from the prior year's 84%. Total portfolio collection and proceeds from disposal of equity investments at R540.6 million is 20% higher than total portfolio collections made in 2015 and is the highest ever recorded collection amount since inception. Figure 2 below demonstrates collections made by the NEF since 2012. Over the last five years, the NEF has collected over R1.7 billion from its investees.

Figure 2: Portfolio Receipts per year



We have further continued to closely monitor the level of loans in moratorium, which we aim to keep ranging between 35% and 40% of the carrying value of the loan book. We have managed to reduce this ratio to 31% (30% in 2015) as the impact of new disbursements were tampered down by existing loans that came out of moratorium and started paying as scheduled.

Portfolio impairment provisioning in the year increased to 24.41% from prior year's 19.08%; mainly as a result of the tough economic environment. Write offs of R119.7 million were made in the year (R193.8 million in 2015) 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. Whilst impaired loans have increased to 29% by number from 17% (refer note 3.2.1 of Consolidated Annual Financial Statements), it is pleasing to note that performing loans have been maintained around 70% year on year.

Fair value movements on equity positions (excluding MTN) at an unrealised gain of R50.3 million have materially increased from prior year's unrealised loss of R31.6 million. This was mainly as a result of unrealised fair value gains from associates which are largely SPF operational projects where new equity partners were introduced during the year. These fair value gains are a demonstration of the value that the NEF's seed capital has unlocked for these projects.

### 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 National Empowerment Fund 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.

The committee is constituted as 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.



**Sector:**  
Telecoms  
Infrastructure

**Core Business:**  
Telecoms  
Infrastructure  
installation

**Jobs supported:**  
130 (70 existing  
and 60 new after  
NEF funding)

#### Investee Profile:

### iMbewu Fund

## Boniswa Corporate Solutions (Pty) Ltd

Boniswa Corporate Solutions (Pty) Ltd is a 100% black woman owned business with a staff complement of 130 employees. The company is a multi-disciplinary telecommunications services and resources company that was established in 2004 and has experience in various disciplines of telecommunications including wireless technologies, optic fibre, copper cable works, civil works and network support services for both fixed line and wireless systems. Boniswa Corporate Solutions provides site infrastructure to Vodacom and other telecommunication companies in South Africa and the SADC region. The company currently has its head offices in the Gauteng Province, with satellite offices in their

Great work was delivered in respect of the four priority projects that the committee set for the year. These projects were split as follows:

- two business application projects (version upgrades)
- two infrastructure related projects (Electronic back-up solution and related disaster recovery plans)

The IT department under the guidance of the IST Steering Committee managed to fully deliver 3 of the 4 (75%) of set projects by year end. The only project that was outstanding at year end which was initially intended to be fully commissioned by August 2015 experienced further delays due to staff resignations and lack of capacity in finalising the testing. The cost of the project has however not been impacted by these delays.

We continued to enhance IT governance through the formulation or updating of policies and standard operating procedures. Whilst the general control environment continues to be assessed as weak by internal auditors, we have managed to clear 10 of the 12 (83%) of the findings that we had at the beginning of the year. Continued enhancement of our control environment and overall risk management will main a key focus in the year ahead. We aim to achieve this through three major projects during the 2017 financial year, namely:

- an independent governance review of our IT environment;
- a holistic infrastructure management review; and
- a business process re-engineering review.

We remain committed to ensuring stability of the IT systems, with 99.63% system availability attained during the year as well as securing our IT environment with regular penetration testing and annual health checks and constant monitoring of both our IT infrastructure and applications. With cybersecurity remaining a key risk for all organisations, we have ensured that there is a raised level of awareness of this risk within the NEF and will continue to enhance our controls to mitigate this risk in our environment.

### 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 five (05) public tenders (Request for Proposals - RFP) 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: Public Tenders issued and considered (RFP)**

Tender	Tender Number
On-Line Business Planner Toolkit	RFP: NEF 01/2015
Simulated Entrepreneurial Training	RFP: NEF 02/2015
Business Process Re-engineering	RFP: NEF 03/2015
Social Facilitation Panel	RFP: NEF 04/2015
Security Services	RFP: NEF 05/2015

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

The Procurement Committee is tasked with monitoring progress against Broad Based Black Economic Empowerment (B-BBEE) procurement targets and for the financial year R56.5 million of our procurement spend was procured from 319 suppliers. R34.2 million (60.56%) (reduced from 62.9% in 2015) of our procurement expenditure has been with majority (50.1% to 100%) black owned suppliers. Of this amount, we procured R16.5 million (29.18%) from Black Women Owned businesses. We are proud of the current year achievement which is a significant shift from the 14.53% achieved in 2015.

**Table 3: BEE Ownership levels reported**

BEE Status –Ownership	Number of suppliers	Percentage by number	Value (Rm)	Percentage by value
1. 75.1% - 100%	158	49.53%	32.2	56.95%
2. 50.1% - 75%	9	2.82%	2.0	3.61%
3. 25.1% - 50%	36	11.29%	8.5	14.97%
4. 0% - 25%	116	36.36%	13.8	24.47%

Supply Chain Management practices have been maintained at the highest levels of good governance and the Procurement Committee is able to report that no procurement irregularities were identified in the financial year ending 31 March 2016.

### Focus for the year ahead

The NEF's recapitalisation and sustainability remains a key focus for the Board. There has been very little progress on the business capitalisation process since the preferred decision for the NEF to be an arm's length subsidiary of the IDC. Management, with the guidance of the Board has continued to tightly manage available resources, source long term capital and explore innovative ways to ensure that we continue with our work.

Our power is in our human capital capabilities which have allowed us to synergistically support other public entities to roll out their programmes. Through some of the programmes we have been involved in, for example the work done with the Department of Rural Development and Land Reform (DRDLR), we have demonstrated that the NEF is ready and able to broadly contribute to governmental policies and priorities around the transformation of our economy.

The South African economic outlook remains subdued in the short term, we will therefore continue to closely support our investees to ensure both their and our sustainability through the trough in preparation for when the tide turns.

The continued enhancement of our IT environment, more specifically around governance, security and improving efficiencies is also a major focus for us in the medium term.

### Acknowledgements

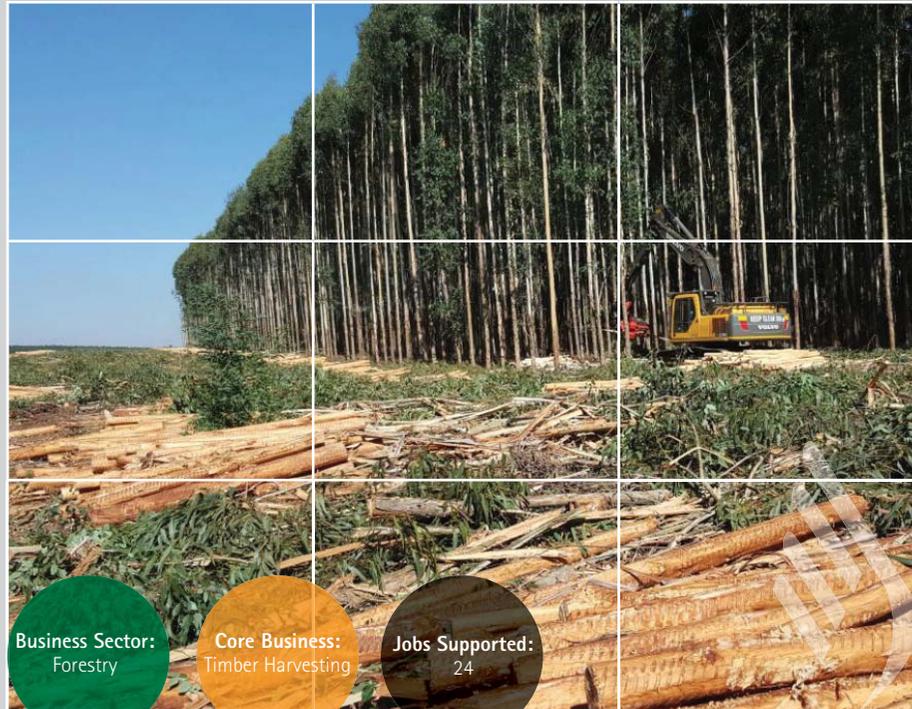
Rolling out the Integrated Report and observing the transformation with which integrated thinking is being increasingly embedded within the organisation has been the most fulfilling part of this journey. To the staff that have assisted to put this report together, following a sterling first report issued in 2015, thank you!

I'm grateful to all dedicated staff of the NEF who hold the NEF flag high in their patriotic delivery of the results we have profiled in this report. Difficult economic and business conditions are set to continue, I am however confident in our resolve and capabilities as a team to weather the storm. To the Executive team, the Board and the Audit Committee, thank you for your continued support through the year. It is a privilege to serve alongside you.



**Ms Innocentia Pule**

*Chief Financial Officer*



**Business Sector:**  
Forestry

**Core Business:**  
Timber Harvesting

**Jobs Supported:**  
24

#### Investee Profile:

## iMbewu Fund

### Dikwata Harvesting (Pty) Ltd

Dikwata Harvesting (Pty) Ltd (Dikwata Harvesting) is a newly established company that has an off-take agreement with SAPPI Forests (SAPPI). The business is a registered entity owned by Emmanuel Tokollo Mashile who is a 100% shareholder. The business specialises in mechanised harvesting of timber in the Highveld. They are harvesting different species of Eucalyptus trees, transporting the timber to the depot, offloading and loading of timber from the depot into train wagons to Sappi Saiccor. The business operations are based in Piet Retief Mpumalanga.

Dikwata Harvesting will employ 24 people, most of whom will have forestry and harvesting background and former employees of the previous contractor. The NEF has invested R9.9million for the acquisition of plant equipment, trucks to transport timber and for working capital.

# PERFORMANCE REVIEW

The NEF proudly presents its performance for the year 2015/16 financial year. This performance report is based on the revised targets as approved by the Minister of Trade and Industry.

The NEF has done well in discharging its financial support part of the mandate despite the tough economic conditions that continue to prevail both globally and in South Africa. During the course of the year, the NEF focused on building a healthy deal pipeline. This allowed the organisation to exceed its financial targets for the year. The Northern Cape office was opened in the third quarter of the year meaning that the NEF now has presence in all nine provinces. The NEF continues to excel in discharging non-financial support to investees and their communities through investor education, business incubation, business development and social facilitation training.

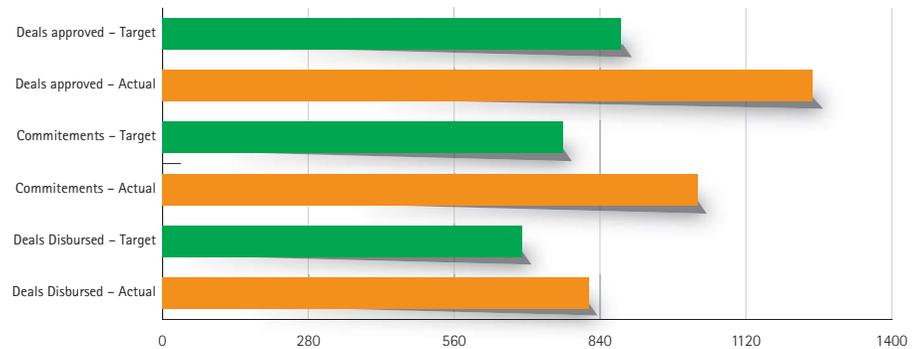
### Advancing B-BBEE: Provide finance to business ventures established and managed by black people

For the financial year 2015/16, the NEF has approved a total of one hundred and twenty-seven (127) transactions worth R1.2 billion. One hundred and twenty (120) transactions worth just over R1 billion were committed, and total disbursements amount to R819 million. The NEF exceeded its targets against all financial KPIs as it continues in its quest to facilitate investment in the economy in support of black economic participation as illustrated by Figure 1 below.

“30% of commitments made in the year were towards businesses partially or wholly owned by women, against a target of 45%. Total women ownership disbursed in the year is 29% vs target of 40%.”

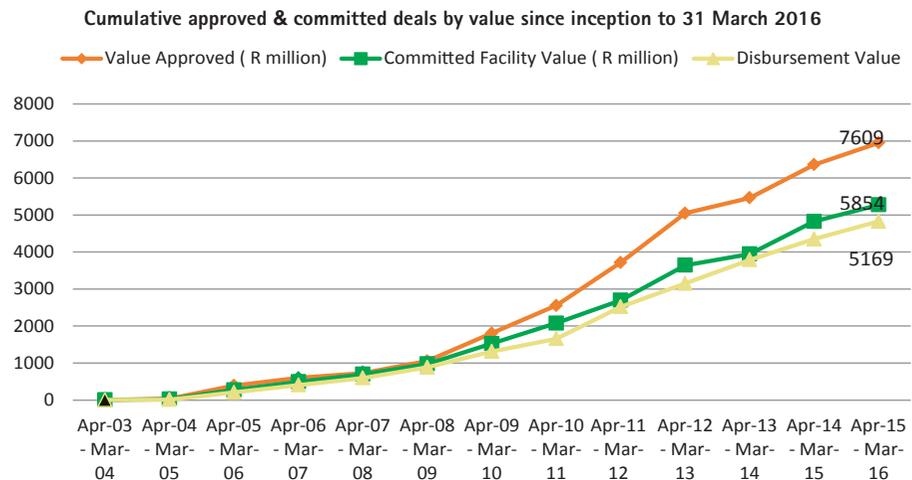
Ms Philisiwe Mthethwa

Figure 1: Actual Investment Performance against Targets 2015/16



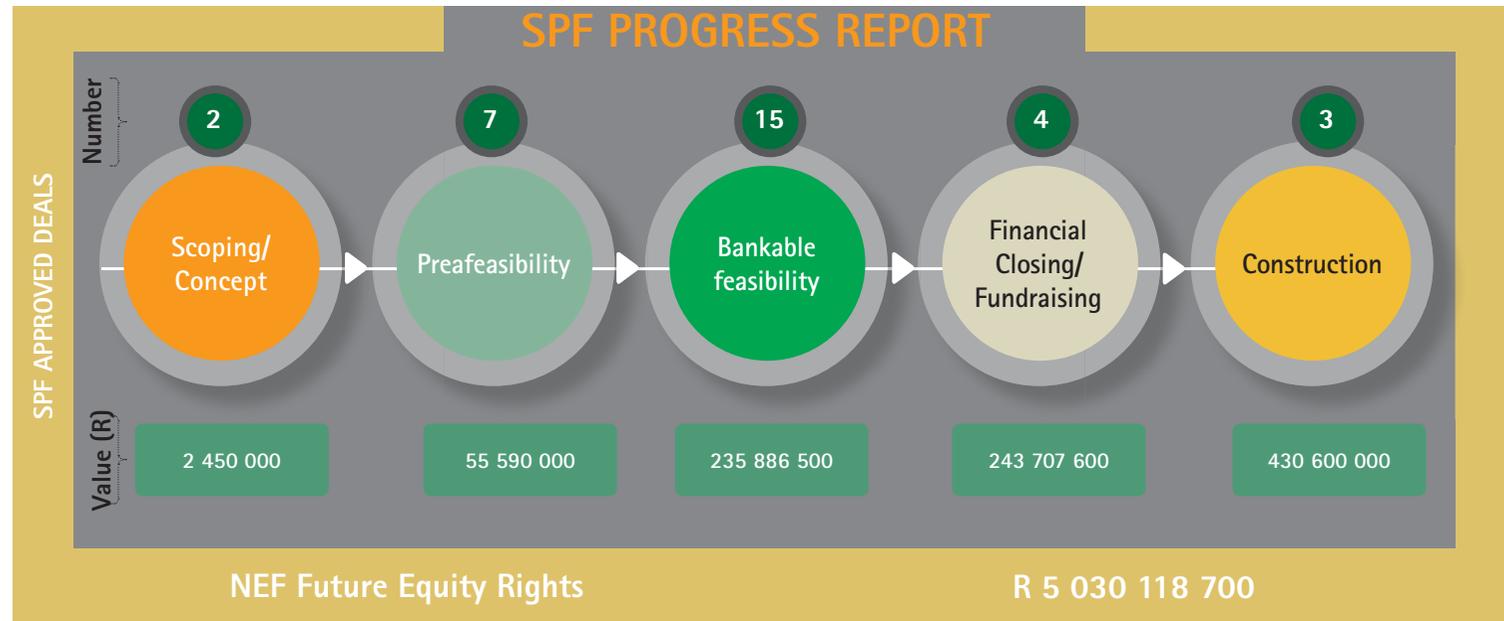
Using these base targeted milestones assuming adequate capital resources being made to the organisation in the short term, the NEF aims to approve and disburse in excess of R4.1 billion and R3.2 billion respectively into the economy between the 2017 and 2019 financial years. Through these activities, the NEF aims to support about 19 500 job opportunities during the same period.

Figure 2: NEF Investment Performance Since Inception



The NEF continues to support the initiatives and intentions of the Black Industrialists Programme through the progress made in our SPF pipeline. Deals in our pipeline have been progressed through various stages of the project development phases (Figure 3).

Figure 3: Strategic Projects Fund Process Report as at 31 March 2016



The current SPF portfolio consists of 31 projects spread across the respective development stages. 70% of the portfolio (by value) is at advanced development stages (i.e. financial close and construction). The approvals in the SPF portfolio are valued at R900 million, which has unlocked R5 billion in third party funding. Furthermore, the portfolio is expected to create 86 500 jobs at financial close, and 3 600 jobs opportunities have been created to date.

#### Maximising the empowerment dividend

Through its financial activities, the NEF is geared to support 4938 job opportunities, of which 3 377 are new. This brings the number of job opportunities geared to be supported since inception to 86 859 (of which 61 231 are new). The South African Institute of Race Relations (SAIRR) says not only does every worker in South Africa support themselves but three additional unemployed people on average. This means that the job opportunities supported by the NEF in the year are in fact geared to support 14 814 individuals and 260 577 individuals since inception.

Twenty-nine percent (29%) of the portfolio disbursed in the 2015/16 financial year is owned by black women and 30% of committed deals were to businesses owned by black women. It is taking time to build a deal pipeline that has

increased women ownership, and the NEF continues to make dedicated efforts towards facilitating women participation in the economy and strive to meet its targets.

Studies from the Organisation for Economic Cooperation and Development (OECD) have shown low female participation rates in entrepreneurship largely due to a number of market failures. Besides lack of access to information as compared to male counterparts, women face an acute lack of finance. Few women sit on the boards of finance institutions and this seems to have an impact on the amount of funding allocated to women entrepreneurs with women receiving up to 67% less funding from finance institutions than men. Other studies have shown that women are often reluctant to use family assets as collateral and in many cases would need to obtain spousal agreement in order to apply for loans.

The NEF established the Women Empowerment Fund (WEF) in order to address some of these market failures and accelerate the provision of funding support to women. Women ownership has thus largely been driven through the WEF, which is in its second year running. Administered through the other four funds, the NEF exceeded all its WEF targets.



**Table 1: WEF performance against targets**

Women Empowerment Fund	Approvals		Commitments		Disbursements	
	Target	Actual	Target	Actual	Target	Actual
<b>Total</b>	<b>220</b>	<b>252</b>	<b>192</b>	<b>194</b>	<b>174</b>	<b>202</b>

The NEF has made great strides towards increasing the value of the collective portfolio outside of Gauteng province. Gauteng's proportion of the portfolio has decreased from about 60% in 2009 and currently stands at about 45%. During the third quarter, the NEF opened its Northern Cape branch, making it a truly national organisation. Our regional presence has contributed to us significantly exceeding our targets with regards to the percentage of the portfolio disbursed to the underrepresented provinces of Eastern Cape, Limpopo, Mpumalanga, Northern Cape, North West and Free State.

### Optimising non-financial support

The NEF acknowledges that non-financial support is as crucial to the success of an enterprise as financial support. As such, we further contribute to the delivery of our mandate through a variety of programmes that offer entrepreneurial development and support as well as promote a culture of savings and investment amongst black people. These include:

- Investor Education campaigns that are accessible to the general public and include Industrial Theatres delivered to the youth in tertiary institutions in various locations around the country. The NEF offered 44 Investor Education seminars, exceeding its target of 32 seminars.
- Business training activities enhance NEF's impact in developing entrepreneurship in South Africa. To this end the NEF conducted 25 training sessions against a target of 18.

- Business Incubation supports the development of aspirant black entrepreneurs by nurturing entrepreneurial ideas into feasible business opportunities. The NEF facilitated the incubation of 36 entrepreneurs against a target of 10.
- Social Facilitation also supports the development of NEF investees and promotes sustainable entrepreneurship through corporate governance training. There were 25 training sessions against a target of 18 during the financial year.

### Establish the NEF as a sustainable DFI

The sustainability of the NEF is vital and is monitored through performance indicators such as impairments, return-on-investments (ROI) and collection ratios.

Despite active portfolio monitoring, the tough economic climate continues to exert pressure on our investees and contributes to increased distress, accounting for a higher impairment provision of 24% against a target of 18%. NEF Management continues to actively work on various interventions to remedy issues that have arisen in our investee companies. Our Post-Investment and Turnaround, Workouts and Restructures Units are intervening where necessary to stabilise investee companies and ensure that loan impairments are kept at a minimum.

ROI for the year was 9.5%, falling within the targeted range of 9-10%. The collections ratio is 97% against a target of 80%, and this is directly attributable to early interventions in the portfolio.

Performance against the Annual Performance Plan

The NEF has met twelve of fifteen (80%) targeted performance indicators. These are outlined below:

Output	Performance Measure or Indicator	Annual Target	YTD Annual Achievement	Reason for Variance
Provide finance to business ventures established and managed by black people	Value of deals approved by the NEF (R million)	R880 million	R1 248 million	The deal pipeline progressed very well through various committees particularly during the last quarter, allowing the NEF to exceed annual targets.
	Value of new commitments (R million)	R770 million	R1 028 million	Commitments are in response to the number of and value of approved transactions in the pipeline.
	Value of new Disbursements (R million)	R691 million	R819 million	Collection of conditions precedent was expedited to allow disbursements.
<b>Strategic Objective 2: Maximising the empowerment dividend</b>				
Invest in black empowered businesses that have high employment creating opportunities.	Number of jobs expected to be supported or created	Support 4 252 new or existing job opportunities	4 938 (of which 3 377 are new)	No significant variance noted
Support the participation of black women in the economy	Percentage of portfolio disbursement owned by women	40% (on annual disbursements)	29%	The NEF continues to make efforts towards facilitating women participation in the economy and strives to meet its target.
	Percentage of committed deals partially/ totally owned by women	45%	30%	
Facilitate investment across all provinces in South Africa	Percentage of disbursement target to be invested in EC, NC, NW, MP, FS and LP	25% of disbursement target to be invested in EC, NC, NW, MP, FS and LP	Year-to-date, a total of 75 deals worth R367 million is invested as follows: NC: 6 worth R31 million FS: 8 worth R24 million LP: 16 worth R96 million MP: 20 worth R87 million NW:7 worth R76 million EC: 18 worth R53 million This represents 45% of the YTD disbursements	The presence of the regional offices continues to enhance our efforts to increase investments across all provinces in South Africa enabling the NEF to exceed its target.



Output	Performance Measure or Indicator	Annual Target	YTD Annual Achievement	Reason for Variance
<b>Strategic Objective 3: Black economic empowerment is advanced through commercially sustainable enterprise</b>				
The provision of non-financial support and training for black owned businesses and entrepreneurs	Number of Business Today Training sessions provided	18 training sessions per year, with an average score of 60% required in the post-training assessment	A total of 26 training sessions have been conducted, with an average score of 71%	No significant variance noted
	Number of entrepreneurs who successfully complete business incubation	10 entrepreneurs in the final incubation stage	36 entrepreneurs have made it to the final incubation stage	
	Number of Social Facilitation Sessions for NEF investees	18 Social Facilitation Sessions	25 Social Facilitation sessions for the year to date	
Conduct investor education seminars in provincial towns and increase understanding by participants	Number of seminars held across the country	32 Investor education seminars per year	44 Sessions completed, (made up of 36 seminars and 8 Industrial Theatres)	
<b>Strategic Objective 4: Financial efficiency and sustainability</b>				
Establish the NEF as a sustainable DFI.	Percentage of portfolio impaired	18%	24%	Tough economic climate contributes to increased distress of NEF investee companies
	Target ROI before impairments (to be reviewed annually)	9-10%	9.5%	No significant variance noted
	Collections ratios	80%	97%	Active portfolio management
	Manage portfolio risk	High risk clients: <35%	High risk clients: <27%	Target is based on active portfolio.



Investee Profile:

## Rural and Community Development Fund

### Halala Shopping Centre

The shopping centre is located in Soshanguve, Gauteng Province. Halala shopping centre is a 100% black owned project measuring 5 000 m<sup>2</sup> in building size and the current Gross Lettable Area (GLA) is 1 578 m<sup>2</sup>. The second phase expansion is geared to increase GLA from 1 151 m<sup>2</sup> to 2 729 m<sup>2</sup>. New tenants will take the new GLA. Increase in the GLA will result in an increase in the monthly revenue and sustainability of the project.

The property has a 100% tenancy confirmed, with 63% national tenants and 37% regional. Among the tenants listed are *Shoprite Usave*, *TAB Horse Racing and Betting*, *Halala Pharmacy*, *Standard Bank*, *Spykos Foods*.

# INVESTING IN HUMAN CAPITAL

Our people are our single most important resource. The NEF recruits and develops self-starters who have a passion for what they do. We ensure that our people are competent, placed in the right roles, at the right time, are committed to what they do by being engaged in the work that they do and are remunerated accordingly. We deal with people issues in terms of the **core values** of the NEF. We value diversity in our people. The NEF has a performance driven culture with consequences for performance and non-performance. Our HR Strategy ensures that the NEF competes favourably for scarce critical skills, by offering an employee value proposition that is appealing to prospective employees.



### NEF Values

Outlined below are the NEF core values that all the NEF employees are expected to live by whilst in the employ of the NEF.

E M P O W E R	
ETHICS MOTIVATION PERFORMANCE OWNERSHIP WORTHY EXCELLENCE RESPECT	
Ethics	Choosing to do what's right over what's wrong
Motivation	Being self-driven and passionate in what we do
Performance	Achieve results timeously, accurately and performing to create an impact
Ownership	Own the mandate of the organisation
Worthy	Recognising the value of others' contribution
Excellence	Exceeding our clients' expectations
Respect	Treat everyone with dignity and meaning

These values are a covenant between the NEF and its employees, which culminated in employees signing a pledge declaring that:

"As a member of the NEF family, I solemnly pledge to remain faithful to the values and ethos of the NEF, because as an instrument in the quest for inclusive growth, I recognise that the economic dreams and aspirations of black people depend on my willingness to serve with truth in my heart. In taking the hopes

of black economic freedom to greater heights, I undertake that as a patriot I will perform my call to duty with integrity and honour, with empathy and dedication to excellence, inspired by the vision of a growing and inclusive economy. This is my oath, my vocation, my contract with the nation."

### Our People

The NEF prides itself with a Human Capital resource that is diverse and possesses an array of qualifications. These individuals with their qualifications, skills and expertise enable the NEF to carry out its mandate of transforming the South African economy by bringing black people to the forefront of the economic mainstream participation.

The NEF employees are in a class of their own in that they provide service beyond our client's expectations by staying true to our mandate and values. They go above and beyond the call of duty in the day-to-day activities. They provide a service that is second to none and these skills are jealously guarded by the NEF. The table below illustrates the qualifications held by various employees at the NEF.

Qualifications	Number
Master's degrees	14
Chartered Accountants and Admitted Attorneys	24
Engineers	6
Honours degrees	16
Bachelors	48
Diplomas	16
Certificates	34
Adult Basic Education and Training (Abet)	3
	<b>161</b>

### Headcount

The NEF's head count as at 31 March was 161 employees. The employees are split (59%) women and (41%) men. During the financial year under review the vacancy rate was 12% with a staff turnover of 16%.

*"After 20 years of democracy, significant challenges remain in creating an enabling environment for entrepreneurship and the creation of successful and sustainable black-owned small businesses. Levels of entrepreneurship have consistently been around only 50% of where they should be given South Africa's per capita GDP, and around 75% of emerging businesses continue to fail in the first two and a half years of their existence."*

*The Hon. Deputy President Cyril Ramaphosa at the Shanduka Black Umbrellas National Development Awards, Sandton Johannesburg on 24 June 2016*

## Current employee split by occupation level

Employee level	Headcount as at 31 March 2014	Headcount % per band as at 31 March 2014	Headcount as at 31 March 2015	Headcount % per band as at 31 March 2015	Headcount as at 31 March 2016	Headcount % per band as at 31 March 2016
	146	100%	152	100%	161	100%
Executive Management	5	3	5	3	5	3
Senior Management	21	14	24	16	24	15
Middle Management	20	14	23	15	29	18
Professional Staff	49	34	52	34	56	35
Skilled	47	32	44	29	38	24
Semi-skilled/Unskilled	4	3	4	3	9	5

## Racial Analysis

Below is the employment equity statistics of the NEF. The figures demonstrate that the NEF complies with the Employment Equity legislation.

TOTAL NO OF EMPLOYEES (Permanent)	Number	Percentage
African	148	91.9%
White	1	0.6%
Indian	6	3.7%
Coloured	6	3.7%
<b>GRAND TOTAL</b>	<b>161</b>	<b>100%</b>

## Gender and age distribution

The table below shows the distribution of NEF employees by age and gender. The average age of the NEF employee is 39 years, which demonstrates that the NEF is a maturing organisation.

GENDER	AGE			
	20-29	30-39	40-49	50-59
Male	9	32	20	5
Female	11	64	17	3
<b>TOTAL</b>	<b>20</b>	<b>96</b>	<b>37</b>	<b>8</b>

## Investment in People vs Returns

## Engagement &amp; attraction

During the year under review the NEF recruited 35 new employees. Their skills range from Legal Advisor, Chartered Accountants and Engineers. Of these new employees 14 (40%) were female and 21 (60%) male.

## Training and development

As part of the HR strategy which is to deliver business results through an integrated people, the NEF supports its employees by providing training and development opportunities. This investment in human capital ensures that the NEF is able to grow its timber thereby fostering a culture of dependability between the NEF and its employees.

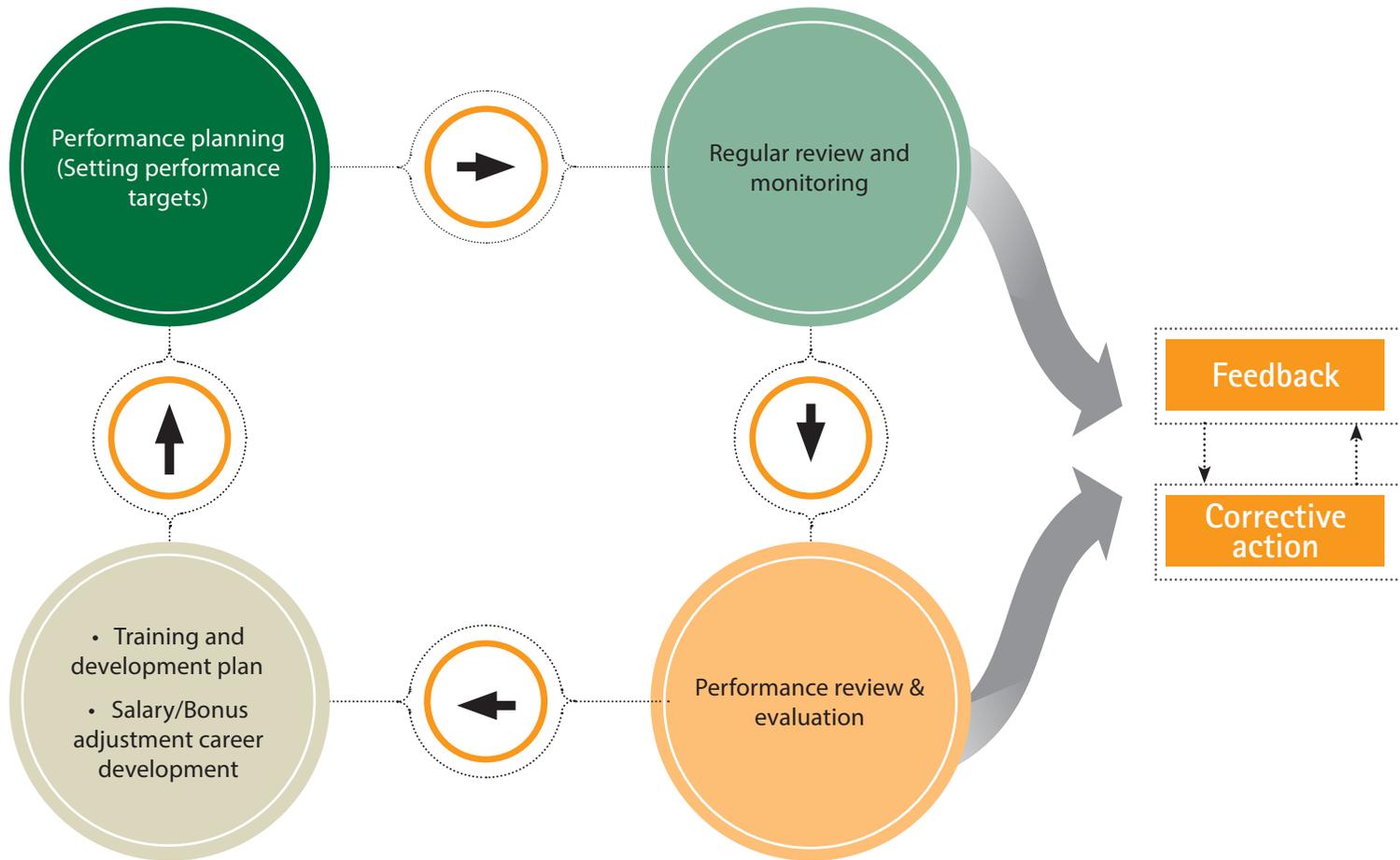
During the financial year, the NEF invested R1.3 million on training interventions for its employees, as follows:

	Training Expense R	% of Training Cost	Number of training interventions
Female	835 340	63%	89
Male	492 067	37%	61
<b>Total</b>	<b>1 327 407</b>	<b>100%</b>	<b>150</b>

## Performance Management

The NEF is committed to administering a performance management system that will improve strategic focus and organizational effectiveness through continuous improvement in the performance of individuals and teams. It is the philosophy of the NEF to have an effective performance management system that offers a means of providing continuous feedback to employees. The performance management system is intended as a positive means of promoting career development and job satisfaction, as well as a management tool that supports people management decisions.

## Performance Management Cycle



In order to achieve and sustain the vision of the NEF, a performance management system is adopted to provide alignment of individual objectives with the NEF Strategic and Business Plan. This is done by formulating employee objectives and expectations for the following year; linking performance with pay (i.e. salary review and bonus award); ensuring that employees focus and contribute to the NEF's mandate by monitoring performance throughout the year.

The promotion and constant demonstration of the culture of accountability and good performance through transparent and trustworthy relationships between staff and management, development of constructive and open relationships between managers and employees, enables employees to develop their abilities, increase their job satisfaction and achieve their full potential so that both the employee and the NEF benefit.

### Employee Wellness

The NEF wellness program continues to yield positive results, in that employees are encouraged to develop suitable coping mechanisms and accept personal responsibility. Some of the positive spin-offs of the Wellness Program include but are not limited to decreased absenteeism, increased employee engagement, increased staff morale, greater employee retention and fewer labour disputes.

Furthermore, there were 324 interactions between the NEF employees and the Wellness provider which amounted to the utilisation of the wellness program of 202.5% of employees out of a total of 161 employees. These interactions ranged from financial advice, legal advice, telephonic counselling and offsite face to face counselling.

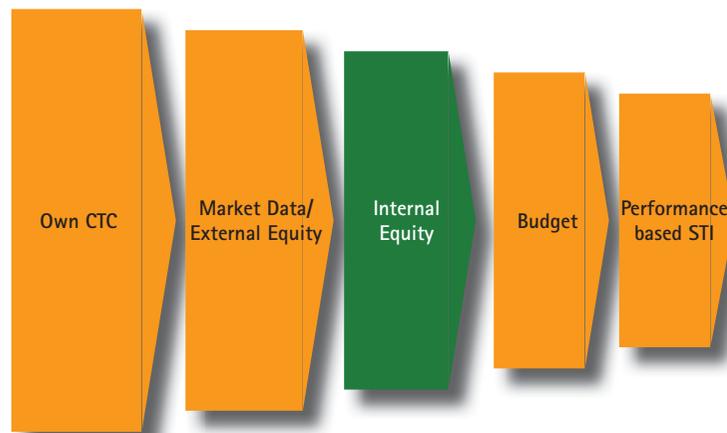
### Internal Control Environment

The NEF HR Department has put in place relevant policies and procedures to facilitate compliance throughout the organisation. Consequently, with this high level of being vigilant and cautious, HR continues to have zero audit findings in its internal audit tracking register.

### Reward, Recognition and Retention

#### Remuneration Adjustments

In order to match current market trends and practices in the financial services sector, SOE's, and other DFI's and present a good chance of being able to retain core staff, the NEF generally maintains employees' guaranteed packages at least at the median level of remuneration scales and with respect to core, critical and selected key senior staff, at between the Median and 75<sup>th</sup> percentile.



The diagram above illustrates on a high level the remuneration process that is undertaken by the NEF when appointing new employees and the subsequent short term incentive when performance targets are met and exceeded.

The above process ensures that the NEF competes favourably with other DFI's and financial institutions with regards to offering market related salary packages. This also serves as a staff retention mechanism for the core and critical skills that are highly sought-after.

### Staff turnover

During the year under review the NEF experienced a staff turnover of 26 employees which amounted to 16% staff turnover rate. Our staff turnover analysis demonstrates that individuals who left the organisation have been with the NEF for an average of 5 years. Globally, the norm is that employees on average spend 4.4 years in their roles. Thus the employees who exited the NEF could be attributed to natural attrition which is supported by global trends.

### Succession Planning and Talent Management

The NEF is cognisant of the war on talent and as such has put in place measures to ensure that it minimises the loss of critical skills. Part of the succession plan and talent strategy involves deliberate efforts to ensure that employees and management alike are aware of employees' personal development plans and that these well-sought-after skills are continuously nurtured and recognised. Exceptional performance remains a major yardstick with which performance and ultimately succession planning and talent management is measured, albeit there are other key factors that assist in determining the suitability of the targeted employees.

The NEF has a talent pool of exceptionally good employees who can be readily available for leadership roles, and the below matrix is utilised to measure readiness.

PERFORMANCE	+	Exceptional Performer	Exceptional Performance/ Mastery Potential (Super Keeper)	Exceptional Performance/ Growth Potential (Moving star)	Exceptional Performance/ Turn Potential (Radiant star)
		Full Performer	Full Performance/ Mastery Potential (Core Contributor)	Full Performance/ Growth Potential (Solid Contributor)	Full Performance/ Turn Potential (Rising Star)
		Below Performer	Below Performance/ Mastery Potential (Potential Contributor)	Below Performance/ Growth Potential (Developing Contributor)	Below Performance/ Turn Potential (Potential Star)
	↕		MASTERY	GROWTH	TURN
			POTENTIAL		Learning Agility +
			Learning Capacity		

### External bursaries

In keeping up with its slogan, that of being a **Funder with a Soul**, the NEF has established an external bursary scheme to fund deserving learners. This was a culmination of having been engaged in various human capital development and capacity building initiatives to address the skilling of young people in various disciplines and qualifications. With the realisation that education is a critical intervention in creating a sustainable future and improving employment prospects for the South African youth, the NEF sought to implement this initiative. This initiative will mostly benefit young people that are from previously disadvantaged backgrounds.

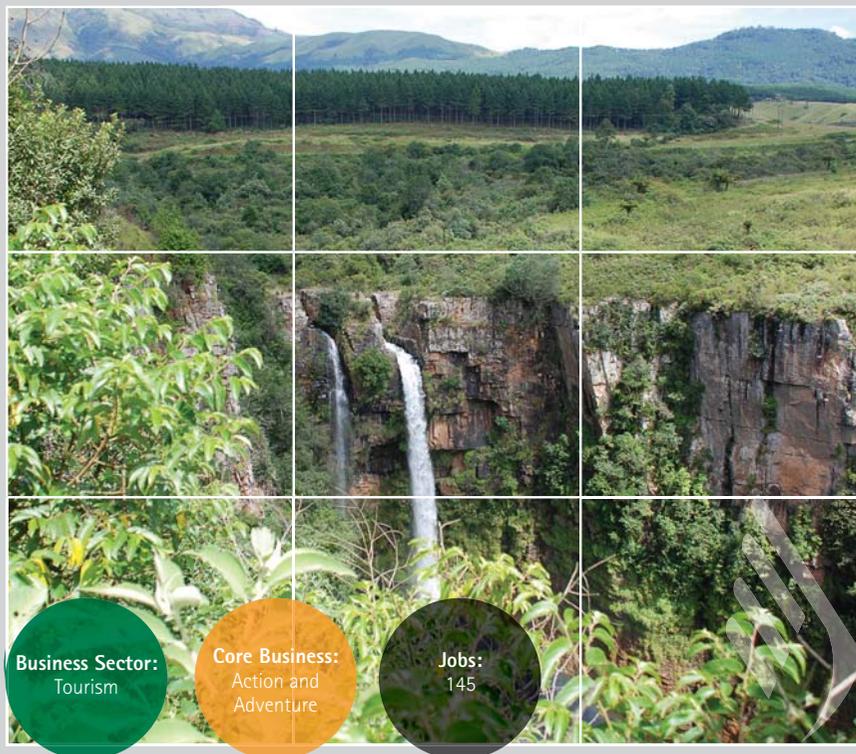
Many young South Africans still experience challenges in accessing higher education. Despite the excellent results which are achieved by learners who complete their Grade 12 studies, funding remains an impediment on achievement of their dreams.

The NEF's external bursary scheme is aimed at focusing on the recruitment and financing of qualifying young people to further their studies and obtaining

qualifications identified as critical in the development of South Africa. The development of the NEF's external bursary scheme is motivated by its core mandate of empowerment of Black People and its values of **EMPOWER** underpinning the purpose, vision and mission of the NEF.

By implementing this initiative, the NEF will be contributing towards closing the gap on equity programs (inequalities); contribute towards the National Development Plan and Skills Development Plan; assisting the learners in the Accounting, Science, Technology, Engineering, Law faculties, Entrepreneurial studies but not limited to Humanities, Green Economy, Infrastructure, Agriculture, Manufacturing and other studies; and empowered communities wherein professionals funded by the bursary scheme can go invest back in their communities by offering mentorship, tutoring, etc.

In its year of inception, the NEF external bursary advanced R1.6 million to fund 31 worthy learners who come from previously disadvantaged backgrounds across South Africa. Sixty one (61%) of these learners are female.



#### Investee Profile:

## Strategic Projects Fund Graskop Gorge Lift Company

The project objective is to develop the Graskop Gorge area into a major tourism node on the Panorama Tourist Route in Mpumalanga through the new Lift & Retail Centre. The main feature of the project is the construction of an outdoor lift system that will be able to ferry people up and down off the cliff face into the forest environment below, where various elevated walkways and ground walkways will allow visitors to explore this unique environment. This experience will be enhanced with various information boards and other value added activities such as guided tours. Supporting this outdoor lift system will be a newly constructed tourism centre that will provide a multitude of tourism products and services including a restaurant, bar, retail outlets, kids play area and centre management offices that will support the entire development. In the medium term the project will be constructing a 36 beds hotel in the Gorge, which will support the project through the provision of additional support infrastructure such as the hotel guest parking, laundry, offices. The NEF has approved the investment of R33.4 million towards the construction and operation of the project, which will be opened in September 2016.

# GOVERNANCE

The NEF Board is committed to sound corporate governance practices and subscribes to the principles of good corporate governance as recommended in the King III Report on Corporate Governance. 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.

## GOVERNANCE STRUCTURES

The NEF's 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's Performance Compact (Shareholder's Compact) was concluded with **the dti** for the year under review. The purpose of the document is to define and regulate the mandate from **the dti** to the NEF; document the parameters of the relationship between the NEF and **the dti**; and outline the roles and responsibilities of the two parties. The Board finalised and submitted its Annual Performance Plan and the Strategic Plan for the years 2016/17 – 19 to **the dti**. These plans were duly authorised by the Minister of Trade and Industry.

## Board of Trustees Composition

The Board of Trustees is appointed in terms of the National Empowerment Fund Act. Board members possess expertise in the fields of, amongst others, law, economics, business practice, development practice and finance. The Board currently comprises 5 independent non-executive Trustees and 2 executive Trustees. The roles of the chairman and CEO are separate and the composition of the Board ensures a balance of authority precluding any one Trustee from exercising disproportionate power of decision making.

Mr Rakesh Garach, who had been acting in the role of chairman since March 2014, was appointed as the permanent chairman of the Board on 11 December 2015.

During the year **the dti** withdrew the membership on the Board of the three government representatives with reason that their participation was no longer required as the NEF had stabilised over the years. Mr Allon Raiz who had been a Trustee since 2009 resigned with effect from 1 July 2015.

The removal of the government representatives and the resignation of Mr Raiz resulted in the loss of resources and key skills, which affected the Board's representation in its subcommittees. In the latter part of the 2015 calendar year, **the dti** commenced with the process of identifying candidates with the required skills and experience to fill the current vacancies on the Board. This process is still ongoing.

## Board Meetings

The Board holds regular meetings to ensure that it meets its objectives as outlined in the Board charter. The elements of the Board charter are derived from the NEF Act 105 of 1998 and the Shareholders Compact concluded between **the dti** and NEF.

Board Members	Meeting Attendance
Rakesh Garach (Chairman)	10/10
Philisiwe Mthethwa (CEO)	10/10
Nomalanga Pascal	10/10
Zukiswa Ntlangula	9/10
Jacqueline Williams	10/10
Innocentia Pule (CFO)	10/10
Angelina Makwetla	10/10
*Allon Raiz	1/1
**Avril Halstead	3/10
**Jacqueline Molisane	1/10
**Sipho Zikode	3/10

\* Resigned with effect from 1 July 2015

\*\*Government representatives withdrawn with effect from 6 November 2015

In addition to continued monitoring of the implementation by management of the organisation's current strategy, the Board at its strategic session held during the year also considered the current poor economic environment and how the NEF could respond to the job losses in the mining and steel manufacturing sectors. Consideration was also made to possible attractive investment opportunities for the NEF that could contribute towards stimulating the economy and creating jobs.

Amongst other activities Board and its committees reviewed their terms of reference to ensure alignment with the principles of good corporate governance.

Lack of recapitalisation remained a major concern for the Board throughout the year. The Board continues to support management in engagements with various government departments and other entities in efforts to raise funding.



Board Subcommittees



Audit Committee

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

The Audit Committee has adopted comprehensive terms of reference that have been approved by the Board of Trustees. The committee has conducted its work over the past financial year and discharged its responsibilities in accordance with those terms of reference and has reported quarterly in this regard to the Board of Trustees.

Audit Committee members

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

- Anthony Coombe (Independent Non-Trustee member and Acting Chairman)
- Zukiswa Ntlangula (Trustee)
- Rene van Wyk (Independent Non-Trustee member)
- Jacqueline Williams (Trustee)
- Kumaran Naidoo (Ex-officio member)

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

Member	Meeting attendance
A Coombe*	5/5
Z Ntlangula	2/5
R Van Wyk	5/5
J Williams	5/5
K Naidoo**	0/5

\*With effect from 22 April 2014, A Coombe was appointed as Acting Chairman of the Audit Committee.  
 \*\* K Naidoo was granted official leave not to attend meetings during the current financial year.

Assessments of the effectiveness of the finance function and of the external audit function will be conducted in August 2016, following approval of the 2015/16 annual financial statements by the Board.

The Audit committee conducted the following assessments for the 2015/16 financial year:

- Individual performance of each member by the chairman.
- The effectiveness of the internal audit function.

In the 2016/17 year the Audit Committee will focus on new revenue recognition standards and will also consider how the organisation's disclosures could better tell the NEF's story.

### Risk & Portfolio Management Committee (RPMC)

The core function of the RPMC is to ensure appropriate risk management and to provide an oversight role regarding the performance of the NEF's invested portfolio.

The RPMC comprising 4 members, met 3 times during the year.

Name	Meeting Attendance
* Zola Fihlani (Chairman)	3/3
**Jacqueline Molisane	2/2
Rakesh Garach	3/3
Simon Harford	3/3

\* Chairman with effect from 6 November 2015

\*\*Chaired until 6 November 2015 when her participation on the Board was withdrawn by the dti

During the year the RPMC focused on:

- Reviewing the NEF's Empowerment Dividend model;
- The appropriateness of transaction structuring; and
- In-depth portfolio analysis since inception and the strategic decisions for future implementation.

Focus for FY2017 will be on assisting management to adequately capacitate the Post Investment Unit to ensure proactive identification of early signs of distress in investees and implement appropriate interventions. The RPMC will also consider ways in how the NEF could maximise the empowerment dividend.

### Board Investment Committee (BIC)

The BIC assesses, evaluates, approves (where appropriate) and recommends to the Board investments in accordance with the Board approved Delegation of Authority framework.

The BIC comprised 7 members in the year under review and held 9 meetings:

Name	Meeting Attendance
Nomalanga Pascal (Chairman)	9/9
Philisiwe Mthethwa (CEO)	9/9
*Sawa Nakagawa	4/5
Pani Tyalimpi	7/9
Zukiswa Ntlangula	8/9
Claire Busetti	8/9
** Zola Fihlani	1/1

\* On maternity leave from 1 August to 30 November 2015

\*\* Appointed as a member with effect from 1 March 2016

### Human Capital & Remuneration Committee (HCRC)

The HCRC oversees and monitors the level and remuneration structures of the NEF in line with overall performance; and reviews compliance to appropriate policies, procedures and structures relating to human capital.

The HCRC comprising 4 members, met 3 times in the year under review as follows:

Name	Meeting Attendance
* Jacqueline Williams (Chairman)	4/4
** Avril Halstead	2/2
Angelina Makwetla	4/4
Sonja Stojanovic	4/4

\* Chairman of the HCRC with effect from 6 November 2015

\*\* Chaired until 6 November 2015 when her participation on the Board was withdrawn by the dti

“To accelerate inclusive growth we must expand investments. The focus must be to provide venture capital-type funding and monitoring to these target groups – especially black entrepreneurs.”

*His Excellency, President Jacob Zuma, during a meeting with business and labour leaders at the Union Buildings in Pretoria on 9 May 2016*

In the 2016/17 financial year the HCRC will focus on:

- Emerging strategic HR trends; and
- HR as a strategic business partner and how the HR unit could be transformed.

### Social & Ethics Committee (SEC)

The SEC assists the Board with the oversight of social and ethical matters relating to the NEF, including the statutory duties as required by the Companies Act No 71 of 2008.

The Social & Ethics Committee met 4 times during the year with attendance as follows:

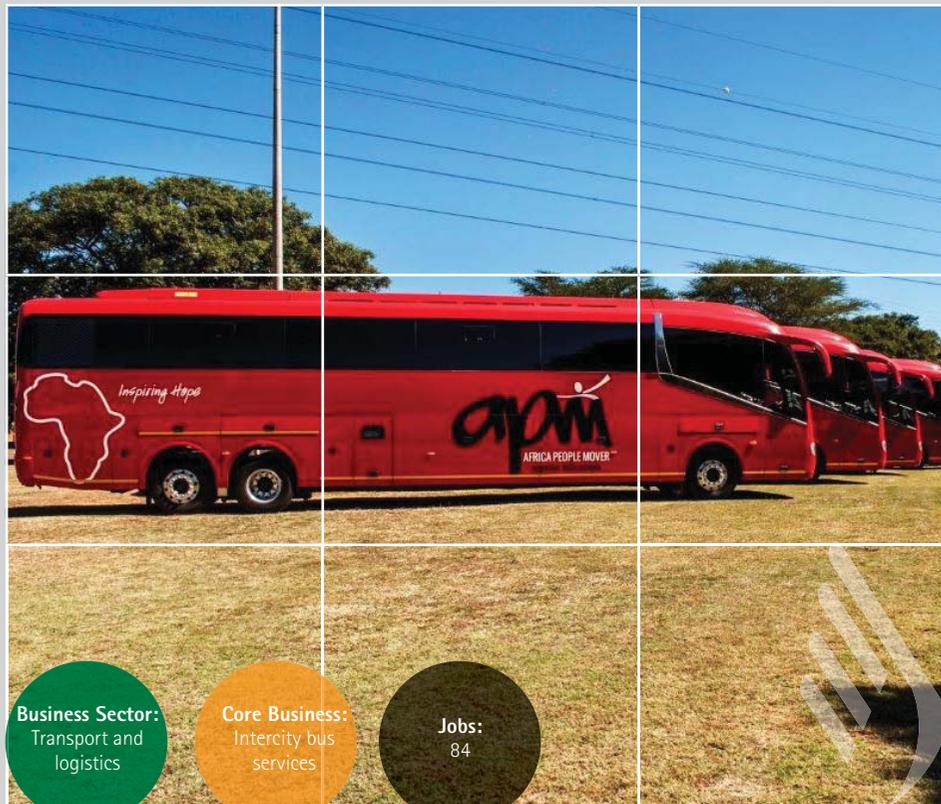
Name	Meeting Attendance
Angelina Makwetla (Chairman)	4/4
Jacqueline Williams	4/4
Michelle Mbaco	4/4

The SEC's key focus areas for the year included:

- Reviewing the NEF's Corporate Social Responsibility and Investment Policy; and
- Employment equity.

In the next financial year the Committee intends focussing on the following:

- Monitoring the implementation of the NEF's strategic responses to the brand audit findings;
- The NEF's media relations;
- Reviewing policies relating to conflicts of interests and code of conduct to ensure that best practice is adopted; and
- Ethics awareness in the workplace (to be determined from the results of the ethics survey).



#### Investee Profile:

### uMnotho Fund

## Africa People Mover (Pty) Ltd. (APM)

Africa People Mover (Pty) Ltd is a black majority owned and managed enterprise which provides intercity passenger transport services within South Africa. Established in 2014, Africa People Mover (APM) has developed a service model that revolves primarily around the passenger whilst ensuring commercial and social sustainability for the organisation in the long term.

APM has a mission to unlock and deliver value to the stakeholders by consistently ensuring that the intercity passenger service remains relevant to intercity travellers. This mission is underpinned by our commitment to on time departures, newness and the reliability of our fleet, service excellence, passenger safety and bus cleanliness. The company is has a vision to be an intercity passenger service alternative of choice by raising the benchmark in intercity travel, adopting sustainable work methods, encouraging continuous improvement and being an honourable corporate citizen.

# ASSURANCE

## Internal controls

The Board, through the Audit Committee, ensures that internal controls are effective and adequately reported on for auditing and regulatory purposes. In line with King III, the NEF applies a combined assurance model to ensure coordinated assurance activities. This model gives the Audit Committee and the Risk and Portfolio Committee an overview of significant risks, as well as the effectiveness of critical controls to mitigate these risks. The principles for the combined assurance model are embedded in the combined assurance framework. NEF's internal audit function is managed by the Internal Audit department which reports directly to the Audit Committee.

The Internal Audit department's risk-based plan for technical and financial reviews of internal control systems is approved by the Audit Committee on an annual basis. The NEF keeps a database of all internal and external audit findings called the Tracking Register. The database is monitored on a monthly basis by Internal Audit and management, and progress on resolving audit findings is reported to the Audit Committee on a quarterly basis. The NEF also provides the Auditor-General of South Africa with a quarterly assessment on the control environment.

## Combined assurance

Combined assurance assists management in identifying duplication of assurance work, any potential assurance shortfall, and improvement plans for those areas identified. It also helps focus assurance providers to better achieve consensus on the key risks the NEF faces and reduce the risk of failing to identify significant risks. The combined assurance model provides three lines of defence against risk:

- Line 1: Line management and managerial controls. Line management is responsible for managing risk and performance
- Line 2: Functional areas like risk management, compliance and oversight. This function supports management in executing its duties and provides a layer of control over risk management
- Line 3: Internal Audit which is independent of management and provides independent, objective assurance

The NEF has fully embedded the combined assurance model (CAM). The CAM view as at 31 March 2016 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.

## Non-financial information

The organisation's performance against KPIs as outlined in the Annual Performance Plan is reviewed by Internal Audit to ensure that the integrity of the data therein is credible and accurate. This information is reviewed by the Audit Committee and approved by the Board of Trustees prior to being reported to our stakeholders.

## On the horizon: King IV

The Audit Committee welcomes this draft version of the King Code as it not only provides a more practical and principle based approach to good corporate governance, but also incorporates both global public sentiment and international regulatory changes since King III was issued in 2009.

King IV has refined the concept and requirements of combined assurance, as it expands on the traditional "three line of defence" by introducing a "five lines of defence" to incorporate all assurance role players. The lines of defence are separated by the level of risk ownership as well as independence of assurance.

King IV also has new focus on opportunity management and is proposing a name change from risk committee to risk and opportunity committee. Furthermore, the Code recommends the overlap of membership of the risk and audit committees where these function as separate committees, for better functioning. If the roles are combined in a single committee, the meeting agendas to address audit, and risk and opportunity, should be separate.

The NEF plans to unpack and adopt this new approach in the new financial year.

“All credit should deservedly go to government for the recent changes to the Broad-Based Black Economic Empowerment Codes of Good Practice with respect to enterprise and supplier development, which will have a significant impact on the development of small businesses. This demonstrates government's commitment to the development of small business. It is also clear proof that government is not only concerned about supporting small businesses but also job creation.”

*The Hon. Deputy President Cyril Ramaphosa at the Shanduka Black Umbrellas National Development Awards, Sandton Johannesburg, 24 June 2016*

# REPORT OF THE AUDIT COMMITTEE

## 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 terms of reference are set out in the Audit Committee Charter, which is approved by the Board of Trustees and is continuously reviewed and updated for changes in legislation, business circumstances and corporate governance practices. 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.

## 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.

The combined assurance framework that was designed and implemented in previous years is being monitored 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 Annual Performance Plan. The Audit Committee is satisfied with the content and quality of quarterly management reports as prepared by management and approved by the Board of Trustees.

## Evaluation of Consolidated Annual Financial Statements

The Audit Committee has:

- reviewed the appropriateness of accounting policies and practices;
- reviewed the independence of the External Auditors;
- reviewed and discussed with the External Auditors and Management the audited consolidated annual financial statements to be included in the annual report;
- reviewed the External Auditors' management letter and Management's responses thereto; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee has discussed and agreed the conclusions of the External Auditors on the consolidated annual financial statements, read together with the report of the External Auditors and has recommended these to the Board of Trustees for acceptance.

The NEF has embarked 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 businesses. 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. The going concern principle can be adopted in the financial reporting of the NEF.



**Anthony Coombe**

*Acting Chairman of the Audit Committee*

29 July 2016

# PROFILES OF THE BOARD OF TRUSTEES



**Mr Rakesh Garach**

*Chairman*

Initially appointed as a  
Trustee in December 2009

### Qualifications and memberships

- CA(SA)
- Member of NEF Risk & Portfolio Management Committee
- Director of Pacific Wildcat Resources Corp
- Board member and chairman of Audit Committee of the KZN Growth Fund
- Board member of U Bank Limited



**Ms Zukiswa Ntlangula**

*Trustee*

Appointed in December 2009

### Qualifications and memberships

- B.Juris
- LLB degree
- Masters Diploma in Human Resources
- Diploma in Project Management
- Member of the NEF Board Investment Committee
- Member of the NEF Audit Committee
- Director of Ntlangula Inc.
- Chairman of Black Conveyancers Association (BCA)
- Director of Alexkor SOC Ltd
- Director of Glencore Operations South Africa (GOSA)
- Trustee of Katlego Trust ESOP



**Ms Philisiwe Mthethwa**

*Executive Trustee (CEO)*

Appointed in July 2005

### Qualifications and memberships

- MBA Corporate Finance
- MSc Economics (thesis not defended)
- Chairman of Group Five
- Director of Industrial Development Corporation (IDC)
- Member of the BRICS Financial Services Working Group
- Chairman of the Financial Services and Insurance sub-committee for the SA-India CEO's forum



**Ms Angelina Makwetla**

*Trustee*

Appointed in December 2009

**Qualifications and memberships**

- BA degree (Social Sciences)
- Management Certificate
- SMME Management Certificate
- Chairman of the NEF Social & Ethics Committee
- Member of the NEF Human Capital & Remuneration Committee
- Member of the NEF Risk & Portfolio Management Committee
- Chairman of the National Arts Council
- Member of the Thusang Women's Club
- Board member of the Business Women's Association (BWA)
- Chairman of Dr Motsuenyane Rural Development Foundation
- President of the Catholic Women's League



**Ms Nomalanga Pascal**

*Trustee*

Appointed in December 2009

**Qualifications and memberships**

- Chairman of NEF Board Investment Committee
- Strategic Partner to the Department of Rural Development and Land Reform (DRDLR) to mentor land reform beneficiaries to implement business plans
- Director of NCT Forestry Co-operative Limited and the mills: and Durban Wood Chip
- Chairman of Nomalanga Estate - a mixed farming operation
- Director and Chairman of Msunduzi Forestry Company
- Nguni cattle stud breeder
- Human resources practitioner



**Ms Innocentia Pule**

*Executive Trustee (CFO)*

Appointed in September 2012

**Qualifications and memberships**

- CA(SA)
- Certificate in Global Executive Development
- Certificate in Transition to General Management
- Director of Nurture Care Group
- Director of Global Wheel (Pty) Ltd
- Director of Somlolo Group Investment Holdings



Ms Jacqueline Williams

Trustee

Appointed in October 2012

**Qualifications and memberships**

- MA MDiv
- Social entrepreneur
- Co-owner of Williams & Calmer Management and Training Consultants
- Member of the NEF Human Capital & Remuneration Committee
- Member of the NEF Audit Committee
- Member of the NEF Social & Ethics Committee
- Chairman of COMANCO

“ Appreciation

*"The Chief Executive Officer, Ms Philisiwe Mthethwa, her Executive team, management and staff of the NEF are highly dependable catalysts in taking our mandate to greater heights. On behalf of the Board, I thank them immensely for their commitment, loyalty and tireless efforts in delivering on the radical transformation mandate.*

*To our investees, new and existing, thank you for entrusting us with your dreams.*

*I also extend my appreciation to my fellow Trustees for their continued support, their multi-faceted insights underpinned by vast knowledge, experience, continued wisdom and integrity in their oversight role."*

*Chairman of the Board of Trustees, National Empowerment Fund  
Rakesh Garach*



**Business Sector:**  
Property Development

**Core Business:**  
Shoe manufacturing

**Jobs Supported:**  
81

Investee Profile:

**Rural and Community Development Fund  
Allimor Footwear**

Allimor Footwear is an established textile industry player that manufactures various types of fashion footwear for the low income market. NEF funded the company R12.2 million for expansion of their operations to establish a factory in Ladysmith, KwaZulu-Natal in addition to an existing one in Chatsworth, also in KwaZulu-Natal. The project will generate 60 new jobs in addition to supporting 60 existing ones. The NEF funding facility will also be used to fund and warehouse a 30% shareholding for the workers.

The NEF supported the transaction because it is financially sound to meet its obligations, has sustainable market buyers and potential to create sustainable employment.

All the above complement government efforts to revitalise the textile sector. The company has good customer support from the top retailers in the country.

# PROFILES OF THE EXECUTIVE COMMITTEE



**Ms Philisiwe Mthethwa**

*Chief Executive Officer*

### Qualifications and memberships

- MBA Corporate Finance
- MSc Economics (thesis not defended)
- Chairman of Group Five
- Director of Industrial Development Corporation (IDC)
- Member of the BRICS Financial Services Working Group
- Chairman of the Financial Services and Insurance sub-committee for the SA-India CEO's forum



**Ms Innocentia Pule**

*Chief Financial Officer*

Appointed in September 2012

### Qualifications and memberships

- CA(SA)
- Certificate in Global Executive Development
- Certificate in Transition to General Management
- Director of Nurture Care Group
- Director of Global Wheel (Pty) Ltd
- Director of Somlolo Group Investment Holdings



**Ms Hlengiwe Makhathini**

*Divisional Executive: Venture Capital and Corporate Finance*

Appointed in April 2011

### Qualifications and memberships

- CA(SA)
- Chairman of the Dube Trade Port Corporation Investment Committee
- Director of Modular Industries Building Technologies (Pty) Ltd
- Member of Audit Committee of the Road Traffic Infringement Agency



**Mr Setlakalane Molepo**

*Divisional Executive: SME and Rural Development*

Appointed in November 2010

### Qualifications and memberships

- Civil Engineer (PrEng)
- Master of Business Leadership
- National Diploma in Civil Engineering
- Certificate in Financial Management
- Director of Busamed Holdings (Pty) Ltd
- Director of Zastrovect Investments (Pty) Ltd
- Director of South African Metals Equity (Pty) Ltd
- Director of Small Enterprise Finance Agency SOC Ltd

“ We acknowledge the worthy leadership of the Board of Trustees, and congratulate the Chairman on his appointment. We look forward to serving under his wise stewardship. I am privileged to work alongside executives, managers and colleagues whose commitment to excellence is without peer. Your collective values and vision are reflected in our work, and in our performance to date. To the South African entrepreneurs it is our privilege to be at your service. ”

*Ms Philisiwe Mthethwa, Chief Executive Officer*



# NATIONAL EMPOWERMENT FUND TRUST CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended  
31 March 2016

## CONTENTS

Trustee statement of responsibility.....	66
Auditors report.....	67
Statement of financial position .....	70
Statement of financial performance .....	71
Statement of changes in net assets .....	72
Cash flow statement .....	73
Statement of comparison of budget and actual.....	74
Notes to the financial statements.....	75

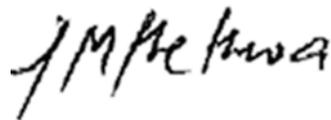
# Trustees' Statement of Responsibility

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 70 to 126 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 has been audited by the independent auditors, SizweNtsalubaGobodo Inc, who 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 consolidated annual financial statements, as set out, have been approved by the Board of Trustees and are hereby signed on its behalf.



**Ms Philisiwe Mthethwa**  
*Chief Executive Officer*



**Mr Rakesh Garach**  
*Chairman of the Board of Trustees*

# Report of the Independent Auditors to the Board of Trustees of the National Empowerment Fund Trust

## Report on the consolidated and separate financial statements

### Introduction

We have audited the consolidated and separate financial statements of the National Empowerment Fund Trust set out on pages 70 to 126, which comprise the consolidated and separate statement of financial position as at 31 March 2016, the consolidated and separate statement of financial performance for the year ended, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as 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 and the requirements of the Public Finance Management Act of South Africa and the National Empowerment Fund Act, and for such internal control as the Trustees determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' 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 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, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the National Empowerment Fund Trust and its subsidiaries as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with Generally Recognised Accounting Practices, the requirements of the Public Finance Management Act of South Africa and the National Empowerment Fund Act.

### Report on other legal and regulatory requirements

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual report, compliance with legislation and internal control. The objective of our tests was 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 Integrated Report of the Trust for the year ended 31 March 2016:

- Strategic Objective 1: Advancing B-BBEE: Provide finance to business ventures established and managed by black people;
- Strategic Objective 2: Maximising the empowerment dividend;
- Strategic Objective 3: Black economic empowerment is advanced through commercially sustainable enterprise and;
- Strategic Objective 4: Financial efficiency and sustainability

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPP)*.

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not identify any material findings on the usefulness and reliability of the reported performance information for all the above mentioned objectives.

### *Additional matters*

Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, we draw attention to the following matters:

### *Achievement of planned targets*

Refer to the annual performance report on pages 45 to 46 for information on the achievement of the planned targets for the year.

### Compliance with legislation

We performed procedures to obtain evidence that the Trust had 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, Performance Review and compliance with legislation. We did not identify any significant deficiencies in internal control.



SizweNtsalubaGobodo Inc.

Darshen Govender

*Director*

Chartered Accountant (SA)

Registered Auditor

29 July 2016

Woodmead



## STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	Group		Trust	
		2016 R	2015 R	2016 R	2015 R
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>3 316 188 049</b>	<b>3 850 686 093</b>	<b>3 264 781 273</b>	<b>3 861 749 105</b>
Property and equipment	4	23 770 180	3 235 729	2 110 180	3 235 729
Intangible assets	5	3 309	20 325	3 309	20 325
Investments in associates	6	189 587 768	461 384 457	189 587 768	461 384 457
Investment in subsidiary	11	–	–	6 178 104	6 178 104
Investments at fair value	7	1 597 159 359	2 083 270 341	1 597 159 359	2 083 270 341
Originated loans	8	1 262 422 516	1 051 564 386	1 344 763 684	1 131 154 356
Preference shares	9	43 600 060	129 842 034	43 600 060	129 842 034
Finance lease receivables	10	81 378 809	46 663 758	81 378 809	46 663 758
Non-current asset classified as held for sale	11	118 266 047	74 705 062	–	–
<b>Current assets</b>		<b>2 027 251 053</b>	<b>2 071 503 471</b>	<b>2 027 250 953</b>	<b>2 052 503 471</b>
Current portion of originated loans	8	435 622 956	512 728 067	435 622 956	512 728 067
Current portion of finance lease receivables	10	38 172 930	46 427 520	38 172 930	46 427 520
Investments held-for-trade	12	44 104 960	41 859 309	44 104 960	41 859 309
Current asset held for sale	13	3 000 000	2 065 850	3 000 000	2 065 850
Trade and other receivables	14	87 583 421	975 839	87 583 421	975 839
Cash and cash equivalents	16	1 418 766 786	1 467 446 886	1 418 766 686	1 448 446 886
<b>TOTAL ASSETS</b>		<b>5 343 439 101</b>	<b>5 922 189 564</b>	<b>5 292 032 226</b>	<b>5 914 252 576</b>
<b>NET ASSETS AND LIABILITIES</b>					
<b>Net Assets</b>		<b>5 121 613 315</b>	<b>5 844 518 888</b>	<b>5 103 948 032</b>	<b>5 851 147 094</b>
Trust capital	17	2 468 431 472	2 468 431 472	2 468 431 472	2 468 431 472
Accumulated surplus		2 653 181 843	3 376 087 416	2 635 516 560	3 382 715 622
<b>Non-Current liabilities</b>		<b>42 989 677</b>	<b>14 565 194</b>	<b>9 249 151</b>	<b>–</b>
Deferred tax	35	514 155	–	–	–
Liabilities directly associated with non-current assets classified as held for sale	11	42 475 522	14 565 194	9 249 151	–
<b>Current liabilities</b>					
Trade and other payables	18	178 836 109	63 105 482	178 835 043	63 105 482
<b>Total Liabilities</b>		<b>221 825 786</b>	<b>77 670 676</b>	<b>188 084 194</b>	<b>63 105 482</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>5 343 439 101</b>	<b>5 922 189 564</b>	<b>5 292 032 226</b>	<b>5 914 252 576</b>

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2016

	Notes	Group		Trust	
		2016 R	2015 R	2016 R	2015 R
Revenue	20	422 479 770	430 887 898	432 021 038	437 524 825
Sundry income	21	158 558 173	2 669 395	158 558 173	2 669 395
<b>Total Revenue</b>		<b>581 037 943</b>	<b>433 557 293</b>	<b>590 579 211</b>	<b>440 194 220</b>
Administration expenses	22	(237 373 978)	(206 470 506)	(237 372 912)	(206 470 506)
<b>Net Operating Income</b>		<b>343 663 965</b>	<b>227 086 787</b>	<b>353 206 299</b>	<b>233 723 714</b>
Impairment charge	23	(370 138 869)	(167 366 825)	(407 211 166)	(167 366 825)
Investment write-offs		(37 364 093)	(28 311 676)	(37 364 093)	(28 311 676)
<b>Net Income (loss) before fair value adjustments</b>		<b>(63 838 997)</b>	<b>31 408 286</b>	<b>(91 368 960)</b>	<b>38 045 213</b>
<b>Fair value gains/(losses)</b>		<b>(646 580 952)</b>	<b>(163 131 479)</b>	<b>(655 830 103)</b>	<b>(163 131 479)</b>
- Investments in associates	6	72 679 211	(24 206 898)	72 679 211	(24 206 898)
- Investments at fair value - non associate equity investments	7.1	(703 829 973)	(131 512 615)	(703 829 973)	(131 512 615)
- Investments at fair value - unincorporated equity investments	7.2	(5 425 841)	(3 502 000)	(5 425 841)	(3 502 000)
- Day 1 Loss - Acquisition of Delswa (Pty) Ltd	11	-	-	(9 249 151)	-
- Investments held-for-trade	12	(10 004 349)	(3 909 966)	(10 004 349)	(3 909 966)
<b>Deficit before non-current asset held for sale</b>		<b>(710 419 949)</b>	<b>(131 723 193)</b>	<b>(747 199 063)</b>	<b>(125 086 266)</b>
Income Tax	35	(514 155)	-	-	-
Surplus/(deficit) from non-current asset held for sale	11	(2 722 318)	3 511 435	-	-
<b>Deficit for the year</b>		<b>(713 656 422)</b>	<b>(128 211 758)</b>	<b>(747 199 063)</b>	<b>(125 086 266)</b>

## STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2016

Group	Trust capital	Accumulated surplus	Total
	R	R	R
<b>Balance at 31 March 2014</b>	<b>2 468 431 472</b>	<b>3 504 299 174</b>	<b>5 972 730 646</b>
Deficit for the year	-	(128 211 758)	(128 211 758)
<b>Balance at 31 March 2015</b>	<b>2 468 431 472</b>	<b>3 376 087 416</b>	<b>5 844 518 888</b>
Amounts recognised directly in net assets in relation to non-current assets held for sale	-	(9 249 151)	(9 249 151)
Deficit for the year	-	(713 656 422)	(713 656 422)
<b>Balance at 31 March 2016</b>	<b>2 468 431 472</b>	<b>2 653 181 843</b>	<b>5 121 613 315</b>
	Note 17		
Trust	Trust capital	Accumulated surplus	Total
	R	R	R
<b>Restated balances at 31 March 2014</b>	<b>2 468 431 472</b>	<b>3 507 801 888</b>	<b>5 976 233 360</b>
Deficit for the year	-	(125 086 266)	(125 086 266)
<b>Balance at 31 March 2015</b>	<b>2 468 431 472</b>	<b>3 382 715 622</b>	<b>5 851 147 094</b>
Deficit for the year	-	(747 199 063)	(747 199 063)
<b>Balance at 31 March 2016</b>	<b>2 468 431 472</b>	<b>2 635 516 560</b>	<b>5 103 948 032</b>
	Note 17		

# CASH FLOW STATEMENT

For the year ended 31 March 2016

	Notes	Group		Trust	
		2016 R	2015 R	2016 R	2015 R
<b>Cash outflows from operating activities</b>	<b>26</b>	<b>(24 769 345)</b>	<b>(195 535 447)</b>	<b>(24 769 445)</b>	<b>(195 535 447)</b>
Cash receipts from other income		94 061 559	2 669 395	94 061 559	2 669 395
Cash paid to suppliers and employees		(118 830 904)	(198 204 842)	(118 831 003)	(198 204 842)
<b>Cash inflows/(outflows) from investing activities</b>		<b>(23 910 755)</b>	<b>182 949 899</b>	<b>(4 910 756)</b>	<b>163 949 899</b>
Additions to property, plant and equipment	4	(22 643 711)	(1 052 946)	(983 711)	(1 052 946)
Additions to intangible assets	5	(188 100)	-	(188 100)	-
Investment disbursements	27	(681 270 022)	(485 283 030)	(683 930 022)	(504 283 030)
Dividends received		57 284 408	136 996 576	57 284 408	136 996 576
Interest receipts		82 318 247	82 504 328	82 318 247	82 504 328
Repayments on Originated Loans, Leases and Preference shares		318 782 863	440 587 199	318 782 863	440 587 199
Proceeds from sale of investments		221 805 560	9 197 772	221 805 560	9 197 772
<b>Decrease in cash and cash equivalents</b>		<b>(48 680 100)</b>	<b>(12 585 548)</b>	<b>(29 680 200)</b>	<b>(31 585 548)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>1 467 446 886</b>	<b>1 480 032 434</b>	<b>1 448 446 886</b>	<b>1 480 032 434</b>
<b>Cash and cash equivalents at end of the year</b>	<b>16</b>	<b>1 418 766 786</b>	<b>1 467 446 886</b>	<b>1 418 766 686</b>	<b>1 448 446 886</b>

## STATEMENT OF COMPARISON OF BUDGET & ACTUAL

for the year ended 31 March 2016

	Notes	Trust		
		Approved Final Budget R	Actual R	Variance R
<b>Revenue</b>	<b>28.1</b>	<b>433 244 842</b>	<b>432 021 038</b>	<b>(1 223 804)</b>
Sundry income	28.2	5 020 160	158 558 173	153 538 013
<b>Total Income</b>		<b>438 265 002</b>	<b>590 579 211</b>	<b>152 314 209</b>
<b>Expenses</b>				
Compensation of employees		(194 289 973)	(159 897 409)	34 392 564
Use of goods and services		(92 660 828)	(77 475 503)	15 185 325
<b>Total Expenses</b>	<b>28.3</b>	<b>(286 950 801)</b>	<b>(237 372 912)</b>	<b>49 577 889</b>
<b>Net Operating Income</b>		<b>151 314 201</b>	<b>353 206 299</b>	<b>201 892 098</b>
Impairment charge	28.4	(150 807 997)	(407 211 166)	(256 403 169)
Write-offs		-	(37 364 093)	(37 364 093)
<b>Net Income before fair value adjustments</b>		<b>506 204</b>	<b>(91 368 960)</b>	<b>(91 875 164)</b>
Net fair value losses	28.5	-	(655 830 103)	(655 830 103)
<b>Surplus/(deficit) for the year</b>		<b>506 204</b>	<b>(747 199 063)</b>	<b>(747 705 267)</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The accounting policies below, are those employed by National Empowerment Fund Trust (NEF) and National Empowerment Fund Corporation SOC Limited. The accounting policies employed by Delswa (Pty) Ltd and Zastrovect (Pty) Ltd may differ from those of National Empowerment Fund Trust.

#### 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 owned and managed businesses through the Fund Management Division and Strategic Projects Fund, which provides funding for venture capital activities in the priority 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 IPSAS 20 - Related Parties from International Public Sector Accounting Standards (IPSAS) in the absence of an applicable GRAP Standard.

#### 1.4 Consolidation

##### Investments in associates

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

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

Once an investment in associate is initially designated at fair value through profit and loss it is recognised at fair value. Subsequent measurement will thereafter be in terms of GRAP 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.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### 1.4 Consolidation (continued)

##### Investments in associates (continued)

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.

National Empowerment Fund Corporation SOC Ltd is a subsidiary that was created by the NEF to fulfil specific functions of the NEF. The subsidiary is treated as a normal investee in the separate financial statements and consolidated under GRAP 6 in the Group financial statements.

#### 1.5 Revenue recognition

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

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

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

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

Sundry income comprises 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 are 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.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 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%
Property	N/A

Investment property is held by National Empowerment Fund Corporation SOC Ltd at fair value and is accounted for at cost in the group. 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 asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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 purchased in order to distinguish from any internally generated assets which are not capitalised and is amortised on a straight-line basis over the expected useful lives of the assets, usually 3 to 5 years. Intangible assets with an indefinite useful life are not amortised. The useful lives of intangible assets that are not being amortised are reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets as well as whether there is evidence that may indicate impairment of the asset.

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

Item	Rate p.a
Computer software	33.30%

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### 1.8 Non-current assets held for sale

Non-current assets held for sale comprises of group subsidiaries that the National Empowerment Fund Trust acquired through exercising its rights when investees defaulted on the terms on their loans. These subsidiaries are temporary in nature while the National Empowerment Fund Trust seeks suitable buyers. These disposal groups are accounted for in terms of GRAP 100 Discontinued Operations. In terms of GRAP 100 Discontinued Operations 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

##### Investments carried at fair value

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

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### 1.10 Financial assets (continued)

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

##### Embedded derivative financial instruments

The Trust has invested in instruments which in some instances contain embedded derivatives. These derivatives are part of the equity exit and conversion mechanisms used by the NEF. In such instances where an embedded derivative is identified, these are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a stand alone derivative; and the combined contract is recognised at fair value with any gains or losses from the change in fair value being recognized in the statement of financial performance (profit and loss). Upon identification and separate disclosure, the host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument with the embedded derivate portion being recognized 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, receivables and preference share investments are carried at amortised cost, less accumulated impairments, using the effective interest rate method. Gains and losses arising from changes in the fair value of the financial assets at fair value category are included in the Statement of Financial Performance in the period in which they arise.

##### Fair value

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

These valuation techniques are commonly used by market participants and based on South African Private Equity and Venture Capital Association guidelines.

##### Fair value estimation – day 1 profit

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

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### 1.10 Financial assets (continued)

##### Impairment of financial assets

##### (a) Assets carried at amortised cost

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

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

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

If there is objective evidence that an impairment loss on loans and receivables or preference share investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Financial 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.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### 1.10 Financial assets (continued)

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

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

When a loan becomes uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised as bad debts recovered in the Statement of Financial Performance. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the Statement of Financial Performance.

#### (b) Investments held at cost

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

#### (c) Renegotiated originated loans

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

Reversals of impairment losses are recognised in profit or loss.

#### Impairment of non-financial assets

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

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

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.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### 1.11 Trade and other payables

Trade and other payables relate to goods and services for operating expenses incurred before year end but not settled as at reporting date. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate.

#### 1.12 Leases

Leases, where the significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the Statement of Financial Performance on the straight line basis over the period of the lease.

Suspensive sale agreements are primarily stand alone financing transactions, with rentals and installments 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.

##### (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:

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 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 (continued)

- 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 notes 6 and 7.

#### 1.16 Taxation

##### (a) Income tax

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

##### (b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 2. NEW STANDARDS AND INTERPRETATIONS

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

The Group and Trust have adopted the provisions of GRAP 18. The standard does not have a material impact on the Group and Trust's annual financial statements. The Group and Trust has disclosed Geographical areas of operations, Expenditure per region and Non-current assets per region in accordance with this standard.

#### 2.2 Standards and interpretations not yet effective or relevant

##### 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. For the current period the related party accounting policies and disclosures in Note 19 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.

##### 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.

##### GRAP 109 – Accounting by Principals and Agents

The Objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal - agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The effective date of this Standard is still to be determined by the Minister of Finance. This Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and /or liabilities that result from principal - agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and /or liabilities should be recognised by an agent or principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent. It is likely that this Standard will have a material effect on the Group and Trust annual financial statements, especially in relation to enterprise and supplier development funds received from third parties.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 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 follows:

	Credit Ratings	Trust	
		Closing balances 2016 R	Closing balances 2015 R
Standard Bank	BBB-	544 687 646	140 821 402
First National Bank	BBB-	110 473 754	101 903 135
South African Reserve Bank	BBB	718 292 977	917 349 494
Rand Merchant Bank	BBB-	45 312 289	288 369 555
<b>Total Cash held with banks (Trust)</b>		<b>1 418 766 666</b>	<b>1 448 443 586</b>
Subsidiary current account		100	19 000 000
<b>Total balance for Group</b>		<b>1 418 766 766</b>	<b>1 467 443 586</b>

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

The impairment methodology utilized by the Trust results in Originated Loans that are in excess of 60 days in arrears i.e., two repayment instalments in arrears, being subjected to a level of impairment, in line with the overall period in arrears. The Originated Loans that have not been impaired all remain at the 60 day period of ageing, in that they remain regularly monitored with a high likelihood that some repayment instalments in the future will be missed by the borrowers. This risk of default is further managed with ongoing feedback on repayment activity to the Post Investment Department of the Trust.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 3. RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

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

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

	Group		Trust	
	2016 R	2015 R	2016 R	2015 R
<b>Originated Loans</b>				
Normal monitoring and performing loans	1 472 527 980	1 343 924 692	1 580 100 084	1 423 514 662
Close monitoring	8 147 787	166 529 136	8 147 787	166 529 136
Partly/fully impaired	849 126 938	441 543 509	860 968 299	441 543 509
	<b>2 329 802 705</b>	<b>1 951 997 337</b>	<b>2 449 216 170</b>	<b>2 031 587 307</b>
<b>Finance Leases</b>				
Normal monitoring and performing leases	92 017 894	86 426 131	92 017 894	86 426 131
Close monitoring	-	6 665 147	-	6 665 147
Partly/fully impaired	83 958 123	38 459 958	83 958 123	38 459 958
	<b>175 976 017</b>	<b>131 551 236</b>	<b>175 976 017</b>	<b>131 551 236</b>
<b>Preference Shares</b>				
Normal monitoring and performing preference shares	76 820 682	124 841 488	76 820 682	124 841 488
Close monitoring	24 186 551	22 405 506	24 186 551	22 405 506
Partly/fully impaired	8 236 345	32 717 755	8 236 345	32 717 755
	<b>109 243 578</b>	<b>179 964 749</b>	<b>109 243 578</b>	<b>179 964 749</b>

The average loan disbursed is R5 721 070 (2015: R7 328 213), with the minimum being R11 980 (2015: R204 547), and the maximum being R36 285 933 (2015: R86 680 800).

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 3. RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

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

2016	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	537 676 639	367 379 606	44 827 721	60 711 590	1 010 595 556
Fair value	376 373 647	122 447 623	11 121 137	20 235 172	530 177 579

2015	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	166 904 179	405 687 102	45 266 470	69 793 984	687 651 735
Fair value	116 832 925	135 215 511	11 769 682	23 262 335	287 080 453

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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 3. RISK MANAGEMENT (continued)

#### 3.2 Market risk (continued)

##### 3.2.1 Interest rate risk (continued)

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 (2016 - 90%; 2015 - 88%) 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 2016, the portfolio was assessed from this risk rating approach as follows:

Category	Trust			
	2016		2015	
	% by number	% by value	% by number	% by value
Performing	69%	64%	70%	63%
Impairments	29%	35%	17%	21%
Close Monitoring	2%	1%	13%	16%

Category	Group			
	2016		2015	
	% by number	% by value	% by number	% by value
Performing	69%	63%	69%	63%
Impairments	29%	36%	18%	21%
Close Monitoring	2%	1%	13%	16%

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

In response to the effects that the global economic crisis was having on the originated loans portfolio, the Trust approved an originated loans restructuring programme for potentially eligible investments. This programme allows for originated loans that would be performing if it were not for the impact of the economic downturn conditions to undergo a restructuring resulting in the deferment of up to half of outstanding capital for up to three years with the coupled conversion of interest charges from variable to fixed rates.

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

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 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:

	Trust					
	2016			2015		
	Carrying Amount R	Interest earned R	Sensitivity of 1% effective adjustment R	Carrying Amount R	Interest earned R	Sensitivity of 1% effective adjustment R
Originated loans	1 780 386 640	177 964 423	17 803 866	1 643 882 423	172 010 742	16 438 824
Cash and cash equivalents	1 418 766 686	82 527 661	14 187 667	1 448 446 886	82 613 419	14 484 469
<b>Total effect on Profit/Loss</b>	<b>3 199 153 326</b>	<b>260 492 084</b>	<b>31 991 533</b>	<b>3 092 329 309</b>	<b>254 624 161</b>	<b>30 923 293</b>

	Group					
	2016			2015		
	Carrying Amount R	Interest earned R	Sensitivity of 1% effective adjustment R	Carrying Amount R	Interest earned R	Sensitivity of 1% effective adjustment R
Originated loans	1 698 045 472	168 423 155	16 980 455	1 564 292 453	165 373 815	15 642 925
Cash and cash equivalents	1 418 766 786	82 527 661	14 187 668	1 467 446 886	82 613 419	14 674 469
<b>Total effect on Profit/Loss</b>	<b>3 116 812 258</b>	<b>250 950 816</b>	<b>31 168 123</b>	<b>3 031 739 339</b>	<b>247 987 234</b>	<b>30 317 394</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 3. RISK MANAGEMENT (continued)

#### 3.2 Market risk (continued)

##### 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.

Listed Investments	Number of shares	Share price at	Market Value of	10% increase in	10% decrease in
	at year end	year end	Listed Portfolio	share price	share price
		R	R	R	R
Hospitality Property Fund A	2 523 165	11.00	27 754 815	30 530 297	24 979 334
Hospitality Property Fund B	1 261 583	3.25	4 100 145	4 510 159	3 690 130
Interwaste Holdings Limited	12 500 000	0.98	12 250 000	13 475 000	11 025 000
MTN Ltd	10 116 355	135.20	1 367 731 196	1 504 504 316	1 230 958 076
<b>Total</b>			1 424 086 156	1 553 019 771	1 270 652 540

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 3.3 Liquidity risk

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

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

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

All current operating liabilities are expected to be contractually due in 7 days and current fund management commitments are expected to be due within 30 days of these 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 (2015:R2 297 431 472 - note 17). 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.

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. The Trust has since 2010 funded its activities through internally generated cash flows, and has not received any capital transfers from **the dti**/National Treasury.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

Notes to the Financial Statements, where not specifically stated, are recorded for both the Group and the Trust.

### 4. PROPERTY AND EQUIPMENT

	Owned							Total R
	Motor Vehicles R	Computer Equipment R	Audio Visual Equipment R	Office Equipment R	Furniture & Fittings R	Leasehold Improvements R	Paintings R	
<b>2016</b>								
<b>Opening Balance</b>								
Cost	1 291 157	4 895 750	539 952	1 290 870	4 054 274	5 866 161	181 454	18 119 618
Accumulated depreciation	(1 110 139)	(3 500 454)	(503 631)	(920 443)	(3 358 366)	(5 449 351)	(41 505)	(14 883 889)
<b>Net Book Value</b>	<b>181 018</b>	<b>1 395 296</b>	<b>36 321</b>	<b>370 427</b>	<b>695 908</b>	<b>416 810</b>	<b>139 949</b>	<b>3 235 729</b>
<b>Movement for the year:</b>								
Additions	–	924 286	–	26 836	32 589	–	–	983 711
Disposals/ Derecognition at cost	–	(1 237 106)	(511 040)	(1 209 686)	(951 592)	(938 089)	(34 566)	(4 882 078)
Depreciation on disposed/derecognised assets	124	670 032	474 720	853 262	1 235 165	811 436	6 544	4 051 282
Depreciation	(124 855)	(678 365)	–	(8 640)	(276 371)	(187 295)	(2 938)	(1 278 464)
	<b>(124 732)</b>	<b>(321 153)</b>	<b>(36 320)</b>	<b>(338 228)</b>	<b>39 791</b>	<b>(313 948)</b>	<b>(30 960)</b>	<b>(1 125 549)</b>
<b>Closing Balance</b>								
Cost	1 291 157	4 582 930	28 912	108 020	3 135 271	4 928 072	146 888	14 221 250
Accumulated depreciation	(1 234 871)	(3 508 787)	(28 911)	(75 821)	(2 399 572)	(4 825 210)	(37 899)	(12 111 070)
<b>Net Book Value</b>	<b>56 286</b>	<b>1 074 143</b>	<b>1</b>	<b>32 199</b>	<b>735 699</b>	<b>102 862</b>	<b>108 989</b>	<b>2 110 180</b>
Group property includes an investment property in the separate financial statements of National Empowerment Fund Corporation SOC Limited. Another group subsidiary, Zastrovect Proprietary Limited operates on this property, hence the GRAP 17, Property Plant and Equipment measurement criteria.								21 660 000
								23 770 180
Gross carrying amount of fully depreciated assets still in use.	793 100	2 619 232	28 912	66 833	1 459 512	4 393 066	–	9 360 655

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

2015	Motor	Computer	Audio visual	Owned			Paintings	Total
	Vehicles	Equipment	Equipment	Office	Furniture	Leasehold		
	R	R	R	Equipment	& Fittings	Improvements	R	R
<b>Opening Balance</b>								
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)
<b>Net Book Value</b>	<b>399 354</b>	<b>1 322 282</b>	<b>114 080</b>	<b>601 697</b>	<b>1 028 360</b>	<b>1 175 518</b>	<b>143 576</b>	<b>4 784 867</b>
Movement for the year:								
Additions	-	1 047 505	-	5 441	-	-	-	1 052 946
Disposals/ Derecognition at cost	-	(1 976 626)	-	(1 766 819)	(197 028)	(39 853)	-	(3 980 326)
Re-classification	-	-	-	-	-	-	-	-
Depreciation on disposed/derecognised assets	-	1 951 550	-	1 718 760	160 529	38 473	-	3 869 312
Depreciation	(218 336)	(949 414)	(77 759)	(188 652)	(295 953)	(757 328)	(3 627)	(2 491 069)
	<b>(218 336)</b>	<b>73 015</b>	<b>(77 759)</b>	<b>(231 270)</b>	<b>(332 452)</b>	<b>(758 708)</b>	<b>(3 627)</b>	<b>(1 549 137)</b>
<b>Closing Balance</b>								
Cost	1 291 157	4 895 750	539 952	1 290 870	4 054 274	5 866 161	181 454	18 119 618
Accumulated depreciation	(1 110 139)	(3 500 454)	(503 631)	(920 443)	(3 358 366)	(5 449 351)	(41 505)	(14 883 889)
<b>Net Book Value</b>	<b>181 018</b>	<b>1 395 296</b>	<b>36 321</b>	<b>370 427</b>	<b>695 908</b>	<b>416 810</b>	<b>139 949</b>	<b>3 235 729</b>
Gross carrying amount of fully depreciated assets still in use.	793 100	3 543 070	403 275	2 339 467	2 439 355	3 680 978	-	13 199 245

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	2016 R	2015 R
<b>5. INTANGIBLE ASSETS</b>		
<b>Computer software</b>		
<b>Opening Balance</b>		
Cost	14 058 045	14 058 045
Accumulated amortisation	(14 037 720)	(13 864 479)
<b>Net Book Value</b>	<b>20 325</b>	<b>193 566</b>
<b>Movement for the year:</b>		
Additions	188 100	-
Reclassification - Cost	(437 324)	-
Reclassification - Depreciation	352 261	-
Amortisation	(120 053)	(173 241)
	(17 016)	(173 241)
<b>Closing Balance</b>		
Cost	13 808 821	14 058 045
Accumulated amortisation	(13 805 512)	(14 037 720)
<b>Net Book Value</b>	<b>3 309</b>	<b>20 325</b>

The intangible assets comprise purchased computer software and software development customised for use in the Trust's operations. The reclassification arose from the year-end verification and reconciliation processes.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	2016 R	2015 R
<b>6. INVESTMENTS IN ASSOCIATES</b>		
Investments at cost	<b>231 964 756</b>	<b>488 724 666</b>
- Opening balance	488 724 666	446 372 918
- Additions	23 939 811	21 750 799
- Transfers to non-associate equity investments	(130 000 051)	-
- Transfers from non-associate equity investments	330	40 000 000
- Transfer to / (from) originated loans	11 300 000	(30 000)
- Write off	-	(19 369 051)
- Disposal	(162 000 000)	-
	<b>(42 376 988)</b>	<b>(27 340 209)</b>
Fair value adjustments		
- Opening balance	(27 340 209)	(22 502 362)
- Disposal / Write-off	-	19 369 051
- Transfers to non-associate equity investments	(87 715 990)	-
- Fair value gains	72 679 211	(24 206 898)
<b>Net investment in associates</b>	<b>189 587 768</b>	<b>461 384 457</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 6 INVESTMENT IN ASSOCIATES (continued)

The Trust's associates are all incorporated in the Republic of South Africa and have been listed below:

Name	Principal activity	2016 Interest held (%)	2015 Interest held (%)
<b>Unlisted:</b>			
Africa Rising (Pty) Ltd	Financial Services	25.0%	25.1%
Amazin Hotels (Pty) Ltd	Tourism & Entertainment	20.0%	0.0%
Basfour (Pty) Ltd	Engineering	49.0%	49.0%
Blue Glamour (Pty) Ltd	Manufacturing	32.4%	32.4%
Busamed (Pty) Ltd*	Healthcare	18.7%	49.0%
Business Venture Investments (Pty) Ltd	Agro Processing	30.0%	30.0%
Colliery Dust Control (Pty) Ltd	Mining	40.1%	40.1%
Crowie Holdings (Pty) Ltd	Construction	25.8%	25.1%
Cyclocor Motlekar (Pty) Ltd	Manufacturing	30.0%	30.0%
Delswa Trading (Pty) Ltd - moved to subsidiary	Manufacturing	100.0%	40.1%
Drifts Brands Holdings (Pty) Ltd	Manufacturing	26.0%	0.0%
False Bay Bricks (Pty) Ltd	Construction	30.0%	30.0%
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	Construction	30.0%	30.0%
Global Wheel (Pty) Ltd	Manufacturing	32.0%	32.0%
Golden Dice Foods (Pty) Ltd	Agro Processing	49.0%	0.0%
Gradoscope (Pty) Ltd	Tourism & Entertainment	49.0%	0.0%
IM Capital (Pty) Ltd	Engineering	49.0%	49.0%
Imbaza Mussel (Pty) Ltd	Agro Processing	30.0%	30.0%
Inca Concrete Masonry (Pty) Ltd	Construction	35.0%	35.0%
iVac Bio (Pty) Ltd	Energy	45.0%	0.0%
Janitone (Pty) Ltd*	Telecommunication	41.0%	29.0%
Karbochem Co-generation (Pty) Ltd	Energy	30.0%	30.0%
Kenako (Pty) Ltd	Pharmaceuticals	49.0%	49.0%
Lak Investment T/A Stone Age (Pty) Ltd	Construction	25.0%	25.0%
Link Africa Group (Pty) Ltd	Telecommunication	0.0%	30.0%
Mabele Fuels (Pty) Ltd	Energy	20.1%	20.1%
Mayborn Investments 67 (Pty) Ltd **	Tourism & Entertainment	33.4%	33.4%
M-Care Operating Company (Pty) Ltd	Healthcare	25.1%	0.0%
Middeldrift Dairy (Pty) Ltd	Agro Processing	40.0%	40.0%
Mohale (Pty) Ltd	Agro Processing	45.0%	45.0%
Mopadi Molamu (Pty) Ltd	Agro Processing	20.0%	20.0%
Nyonende Investments (Pty) Ltd *	Agro Processing	30.0%	15.0%
Petrocom (Pty) Ltd	Energy	30.0%	30.0%

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 6 INVESTMENT IN ASSOCIATES (continued)

The Trust's associates are all incorporated in the Republic of South Africa and have been listed below:

Name	Principal activity	2016 Interest held (%)	2015 Interest held (%)
Pretamix (Pty) Ltd	Services	24.0%	24.0%
Pyratrade (Pty) Ltd	Agro Processing	30.0%	0.0%
Quartile Capital (Pty) Ltd	Financial Services	30.0%	0.0%
Rapid Purple Waters Trading (Pty) Ltd	Agro Processing	45.0%	45.0%
Rhino Ridge Lodge (Pty) Ltd	Tourism & Entertainment	33.3%	0.0%
SA Metals (Pty) Ltd	Mining	29.0%	29.0%
Safepak (Pty) Ltd	Manufacturing	34.0%	34.0%
Sizovuna Investments Holding (Pty) Ltd	Property	49.0%	49.0%
Stutt Brick Company (Pty) Ltd	Construction	45.0%	45.0%
Trennplast (Pty) Ltd	Manufacturing	26.5%	26.5%
Unique Engineering (Pty) Ltd	Engineering	49.0%	49.0%
Value Cement (Pty) Ltd	Construction	25.8%	25.8%
Vastek Trading (Pty) Ltd	Mining	30.0%	30.0%
Western Breeze Trading 297 (Pty) Ltd*	Agro Processing	12.7%	12.7%
White Heat Trading 4 (Pty)Ltd	Manufacturing	30.0%	34.5%
Willowvale (Pty) Ltd	Property	45.0%	45.0%
Zulimar Trading (Pty) Ltd*	Property	19.0%	44.0%

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 6 INVESTMENT IN ASSOCIATES (continued)

The Trust's associates are all incorporated in the Republic of South Africa and have been listed below:

Name	Voting power		Equity at Fair Values	
	2016	2015	2016 R	2015 R
<b>Unlisted:</b>				
Africa Rising (Pty) Ltd	25.0%	25.1%	2 511	2 510
Amazin Hotels (Pty) Ltd	20.0%	0.0%	19 138 388	-
Basfour (Pty) Ltd	49.0%	49.0%	1	146
Blue Glamour (Pty) Ltd	32.4%	32.0%	1	4 219 976
Busamed (Pty) Ltd*	18.7%	49.0%	-	260 000 000
Business Venture Investments (Pty) Ltd	30.0%	30.0%	1	30
Colliery Dust Control (Pty) Ltd	40.1%	40.1%	8 750 272	12 984 766
Crowie Holdings (Pty) Ltd	25.8%	25.1%	49 106 250	27 761 526
Cyclocor Motlekar (Pty) Ltd	30.0%	30.0%	1	-
Delswa Trading (Pty) Ltd - moved to subsidiary	100.0%	40.1%	-	1
Drifts Brands Holdings (Pty) Ltd	26.0%	26.0%	1	-
False Bay Bricks (Pty) Ltd	30.0%	30.0%	1	300
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	30.0%	30.0%	1	300
Global Wheel (Pty) Ltd	32.0%	32.0%	1	32
Golden Dice Foods (Pty) Ltd	49.0%	0.0%	1	-
Gradoscope (Pty) Ltd	49.0%	0.0%	1	-
IM Capital (Pty) Ltd	49.0%	49.0%	1	146
Imbaza Mussel (Pty) Ltd	30.0%	30.0%	1	300
Inca Concrete Masonry (Pty) Ltd	35.0%	35.0%	1	350
iVac Bio (Pty) Ltd	45.0%	0.0%	1 000 000	-
Janitone (Pty) Ltd *	41.0%	29.0%	34 783	-
Karbochem Co-generation (Pty) Ltd	30.0%	30.0%	1	12 000 000
Kenako (Pty) Ltd	49.0%	49.0%	1	6 071 189
Lak Investment T/A Stone Age (Pty) Ltd	25.0%	25.0%	1	25
Link Africa Group (Pty) Ltd	0.0%	30.0%	-	32 000 000
Mabele Fuels (Pty) Ltd	20.1%	20.1%	111 555 000	61 750 000
Mayborn Investments 67 (Pty)Ltd **	33.4%	33.4%	1	334
M-Care Operating Company (Pty) Ltd	25.1%	0.0%	1	-
Middeldrift Dairy (Pty) Ltd	40.0%	40.0%	1	4 589 036
Mohale (Pty) Ltd	45.0%	45.0%	1	450
Mopadi Molamu (Pty) Ltd	20.0%	20.0%	1	200
Nyonende Investments (Pty) Ltd *	30.0%	15.0%	1	-
Petrocom (Pty) Ltd	30.0%	30.0%	1	30

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 6 INVESTMENT IN ASSOCIATES (continued)

The Trust's associates are all incorporated in the Republic of South Africa and have been listed below:

Name	Voting power	Equity at Fair Values		
	2016	2015	2016 R	2015 R
Pretamix (Pty) Ltd	24.0%	24.0%	1	240
Pyratrade (Pty) Ltd	30.0%	0.0%	30	-
Quartile Capital (Pty) Ltd	30.0%	0.0%	1	-
Rapid Purple Waters Trading (Pty) Ltd	45.0%	45.0%	450	-
Rhino Ridge Lodge (Pty) Ltd	33.3%	0.0%	1	-
SA Metals (Pty) Ltd	29.0%	29.0%	1	40 000 000
Safepak (Pty) Ltd	34.0%	34.0%	1	20
Sizovuna Investments Holding (Pty) Ltd	49.0%	49.0%	49	49
Stutt Brick Company (Pty) Ltd	45.0%	45.0%	1	45
Trennplast (Pty) Ltd	26.5%	26.5%	1	265
Unique Engineering (Pty) Ltd	49.0%	49.0%	1	490
Value Cement (Pty) Ltd	25.8%	25.8%	1	31
Vastek Trading (Pty) Ltd	30.0%	30.0%	1	309
Western Breeze Trading 297 (Pty) Ltd *	12.7%	12.7%	-	51
White Heat Trading 4 (Pty)Ltd	30.0%	34.5%	1	300
Willowvale (Pty) Ltd	45.0%	45.0%	1	450
Zulimar Trading (Pty) Ltd*	19.0%	44.0%	-	560
			<b>189 587 768</b>	<b>461 384 457</b>

\* Transferred to / from other equity class.

\*\*Warehoused shares of Mayborn Investments is 16.7% held in favour of the Jozini Community Trust.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	2016 R	2015 R
<b>7. INVESTMENTS AT FAIR VALUE</b>		
<b>7.1 Non-associate equity investments</b>		
Opening Balance	2 083 259 341	2 254 771 956
Movements	(486 113 982)	(171 512 615)
MTN shares - fair value adjustments	(706 121 579)	(131 512 615)
Transfers (to) / from Associates	217 715 991	(40 000 000)
Unlisted securities - fair value adjustments	2 291 606	-
<b>Fair value balance at end of the year</b>	<b>1 597 145 359</b>	<b>2 083 259 341</b>
Non- associate investments include:		
<i>Listed securities:</i>		
- Equity securities : RSA (MTN Shares)	1 367 731 196	2 073 852 775
<i>Unlisted securities:</i>		
Securities not traded on an active market	229 414 163	9 406 566
Busamed (Pty) Ltd	217 715 991	-
Class A Trading 253 (Pty) Ltd	3 264 523	-
Connex (Pty) Ltd	819 036	3 007 500
Gidani (Pty) Ltd	1	100
Inkwali Fabrication (Pty) Ltd	1	1
Intaba Technologies (Pty) Ltd	1	1
Ithuba Holdings (Pty) Ltd	150	-
Janitone (Pty) Ltd - Transferred to Associates	-	180
Kenako Medical (Pty) Ltd (equity options)	1 085 411	1 085 411
Loliwe Integrated Rail Solutions (Pty) Ltd	6 529 044	-
Nyonende (Pty) Ltd - Transferred to Associates	-	150
On Digital Media (Pty) Ltd	-	1
Thin Film (Pty) Ltd	1	5 313 211
Ubumbano Rail (Pty) Ltd	1	-
Vuwa Pharmaceuticals (Pty) Ltd	1	11
Western Breeze Trading 297 (Pty) Ltd - Transferred from Associates	1	-
Zulimar Trading (Pty) Ltd	1	-
<b>Fair value balance at end of the year</b>	<b>1 597 145 359</b>	<b>2 083 259 341</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	2016 R	2015 R
<b>7 INVESTMENTS AT FAIR VALUE (continued)</b>		
<b>7.2 Unincorporated joint venture investments</b>		
Unincorporated equity investment fair value through profit and loss	85 428 841	80 000 000
Opening Balance	80 000 000	84 089 947
Additions	5 428 841	3 500 000
Cost of exited transactions	-	(7 589 947)
Fair value movements	<b>(85 414 841)</b>	<b>(79 989 000)</b>
- Balance brought forward from prior year	(79 989 000)	(84 076 947)
- Fair value (losses)	(5 425 841)	(3 499 000)
- Fair value on exited transactions	-	7 586 947
Net investment in fair value through profit & loss financial assets	14 000	11 000
<b>Total Investments held at FV-through profit and loss</b>	<b>1 597 159 359</b>	<b>2 083 270 341</b>
Net fair value loss on the face of the Statement of Financial Performance	(5 425 841)	(3 502 000)

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 7 INVESTMENTS AT FAIR VALUE (continued)

#### 7.2 Unincorporated joint venture investments(continued)

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

Investment 2016	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	1 000	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%
Tyre Energy Extraction (Pty) Ltd	11 741 563	2 000	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%
First in Spec Biofuels (Pty) Ltd	10 000 000	1 000	30%	50%
Modular Industries Building Technologies (Pty) Ltd	15 000 000	1 000	50%	50%
Cape Point Film Studios	2 878 164	1 000	22%	22%
Joy House Academy	403 155	1 000	50%	50%
Jalo Enterprise	1 420 000	1 000	50%	50%
Travallo (Pty) Ltd	485 929	1 000	49%	49%
	<b>85 428 841</b>	<b>14 000</b>		

Investment 2015	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%
Comprecom (Pty) Ltd t/a Waste Tyre Energy	11 500 000	2 000	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%
First in Spec Biofuels (Pty) Ltd	10 000 000	1 000	30%	50%
Modular Industries Building Technologies (Pty) Ltd	15 000 000	1 000	50%	50%
	<b>80 000 000</b>	<b>11 000</b>		

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

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 March 2016

	Group		Trust	
	2016 R	2015 R	2016 R	2015 R
<b>8. ORIGINATED LOANS</b>				
Opening balance	1 951 997 337	1 852 516 817	2 031 587 307	1 914 469 860
Net movement for the year	377 805 368	99 480 520	417 628 863	117 117 447
Loans disbursed	595 791 496	436 752 728	597 700 603	455 752 728
Interest capitalised	168 423 155	165 373 815	177 964 423	172 010 742
Loan repayments	(288 076 633)	(331 559 801)	(288 076 633)	(331 559 801)
Write-offs	(64 453 357)	(175 142 774)	(64 453 357)	(175 142 774)
Settlement write-offs	-	(3 061 550)	-	(3 061 550)
Transfer from investment in associates	-	30 000	-	30 000
Transfer to investment in associates	(11 300 000)	-	(11 300 000)	-
Transfer from preference shares	5 793 827	-	5 793 827	-
Transfer to non-current asset held for sale	(28 373 119)	8 000 000	-	-
Loans re-classified to finance leases	-	(911 898)	-	(911 898)
Closing balance	2 329 802 705	1 951 997 337	2 449 216 170	2 031 587 307
Provision for Impairment	(631 757 233)	(387 704 884)	(668 829 530)	(387 704 884)
- Opening balance	(387 704 884)	(437 808 963)	(387 704 884)	(437 808 963)
- Impairments for the year	(291 818 616)	(125 038 716)	(328 890 913)	(125 038 716)
- Write-offs	47 766 267	175 142 794	47 766 267	175 142 794
	1 698 045 472	1 564 292 453	1 780 386 640	1 643 882 423
Net Originated Loan balance	1 698 045 472	1 564 292 453	1 780 386 640	1 643 882 423
Current Portion	435 622 956	512 728 067	435 622 956	512 728 067
Long Term Portion	1 262 422 516	1 051 564 386	1 344 763 684	1 131 154 356

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	2016 R	2015 R
<b>9. PREFERENCE SHARES</b>		
Opening balance	179 964 749	260 755 532
Net movement for the year	<b>(70 721 171)</b>	<b>(80 790 783)</b>
Interest capitalised	16 493 530	35 951 021
Repayments	(960 000)	(87 460 742)
Settlement write-offs	-	(25 250 126)
Preference shares re-classified to loans	(5 793 827)	-
Write-off	(80 460 874)	(4 030 936)
Closing balance	<b>109 243 578</b>	<b>179 964 749</b>
Provision for Impairment	<b>(65 643 518)</b>	<b>(50 122 715)</b>
- Opening balance	(50 122 715)	(36 748 691)
- Impairments for the year	(60 059 069)	(17 404 960)
- Disposals/Write-offs	44 538 266	4 030 936
Net Preference shares balance	<b>43 600 060</b>	<b>129 842 034</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	2016 R	2015 R
<b>10. FINANCE LEASE RECEIVABLES</b>		
Opening Balance	131 551 236	118 930 597
Net movement for the year	<b>44 424 781</b>	<b>12 620 639</b>
Additions	62 842 635	24 811 592
Finance Leases reclassified from Loans	-	911 898
Raising fee capitalised	-	-
Interest capitalised	11 629 656	9 953 597
Repayments	(29 746 230)	(21 566 656)
Disposals/Write-offs	(301 280)	(1 489 792)
Closing balance	<b>175 976 017</b>	<b>131 551 236</b>
Provision for Impairment	<b>(56 424 278)</b>	<b>(38 459 958)</b>
- Opening balance	(38 459 958)	(15 026 601)
- Impairment reclassification for the year	-	-
- Impairments for the year	(18 261 184)	(24 923 149)
- Disposals/Write-offs	296 864	1 489 792
Net Finance Lease Receivable balance	<b>119 551 739</b>	<b>93 091 278</b>
Gross investment in leases due	<b>203 799 170</b>	<b>153 198 968</b>
- within one year	45 230 738	55 666 188
- in second to fifth year inclusive	83 623 746	91 843 020
- after 5 years	74 944 686	5 689 760
Less: Unearned finance income	(27 823 153)	(21 647 732)
Present value of minimum lease payments receivable	175 976 017	131 551 236
Less: Allowance for uncollectable minimum lease payments	(56 424 278)	(38 459 958)
<b>Present value</b>	<b>119 551 739</b>	<b>93 091 278</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	Trust	
	2016	2015
	R	R
<b>10 FINANCE LEASE RECEIVABLES (continued)</b>		
Present value of minimum lease payments due		
- within one year	38 172 930	46 427 520
- in second to fifth year inclusive	72 366 840	79 820 506
- after 5 years	65 436 247	5 303 210
	175 976 017	131 551 236
Less: Allowance for uncollectable minimum lease payments	(56 424 278)	(38 459 958)
Carrying amount of minimum lease payments	119 551 739	<b>93 091 278</b>
Net Finance Lease Receivable balance	<b>119 551 739</b>	<b>93 091 278</b>
Current Portion	38 172 930	46 427 520
Long Term Portion	81 378 809	46 663 758

The average lease term is 5 years (2015:5 years) and the average effective lending rate is 9% (2015:7%).

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	2016 R	2015 R
<b>11. NON-CURRENT ASSETS HELD FOR SALE AND INVESTMENT IN SUBSIDIARY</b>		
<b>11.1 Investment in Subsidiary (Trust)</b>		
Cost at acquisition	-	-
Day 1 Loss – Delswa (Pty) Ltd	9 249 151	-
Liabilities directly associated with non-current assets classified as held for sale	9 249 151	-
Cost at acquisition	251	251
Day 1 Profit – Zastrovect Investments (Pty) Ltd	6 177 853	6 177 853
Investment in subsidiary	6 178 104	6 178 104
<b>11.2 Non-Current asset Held for Sale (Group)</b>		
Revenue	279 582 891	283 873 492
Expenses	(280 485 525)	(280 362 057)
Pre-tax profit/(loss)	(902 634)	3 511 435
Income tax expense	(1 819 684)	-
Net surplus / (deficit) from non-current assets held for sale	(2 722 318)	3 511 435
Amortised value of loans transferred from originated loans	51 125 595	60 382 468
Equity investment	2	251
Amounts recognised directly in net assets in relation to non-current assets held for sale	24 664 928	(242 851)
Liabilities	42 475 522	14 565 194
Non-current assets held for sale	<b>118 266 047</b>	<b>74 705 062</b>

The NEF has 2 subsidiaries classified as held for sale: Zastrovect Investments (Pty) Ltd and Delswa (Pty) Ltd. Delswa (Pty) Ltd became a 100% subsidiary in the current year after an agreement was reached with the shareholders. Delswa (Pty) Ltd was factually insolvent at acquisition, hence there being no day 1 profit recognised. The NEF has elected to apply the requirements of GRAP 100, where subsidiaries could be presented as Non Current Asset Held for Sale. The amount recognised directly in net assets of R13 million is mainly due to the day 1 loss on Delswa (Pty) Ltd of R12.7 million.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	2016 R	2015 R
<b>12. INVESTMENTS HELD-FOR-TRADE</b>		
Fair value balance at beginning of year	41 859 309	49 070 675
Additions	12 250 000	-
Disposals	-	(4 714 234)
	<b>54 109 309</b>	<b>44 356 441</b>
Fair value (losses)/gains	(10 004 349)	(3 909 966)
Disposals	-	1 412 834
Fair value balance at end of year	<b>44 104 960</b>	<b>41 859 309</b>
Investments Held-for-Trade include:		
Listed Securities:		
Interwaste Holding Ltd	12 250 000	-
Hospitality Fund A	27 754 815	38 453 035
Hospitality Fund B	4 100 145	3 406 274
	<b>44 104 960</b>	<b>41 859 309</b>
<b>13. CURRENT ASSET HELD FOR SALE</b>		
Opening Balance	2 065 850	8 100 000
Additions	3 000 000	-
Payment received	(2 065 850)	(6 034 150)
Closing balance	<b>3 000 000</b>	<b>2 065 850</b>
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 highly probable. The proceeds received are from the sale of the moveable assets, and it is still expected that further amounts will be raised from the sale of the property.		
	2016 R	2015 R
<b>14. TRADE AND OTHER RECEIVABLES</b>		
Deposits	1 239 358	874 249
Dividend receivable	86 121 360	-
Other receivables	222 703	101 590
	<b>87 583 421</b>	<b>975 839</b>

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

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 March 2016

	Group			
	2016 Carrying amount R	Fair value R	2015 Carrying amount R	Fair Value R
<b>15. FINANCIAL ASSETS</b>				
<b>Loans and receivables</b>	<b>1 948 780 692</b>	<b>1 948 780 692</b>	<b>1 788 201 605</b>	<b>1 788 201 605</b>
- Originated loans	1 698 045 472	1 698 045 472	1 564 292 453	1 564 292 453
- Preference shares	43 600 060	43 600 060	129 842 034	129 842 034
- Finance leases	119 551 739	119 551 739	93 091 278	93 091 278
- Trade and other receivables	87 583 421	87 583 421	975 839	975 839
<b>Investments held at fair value</b>	<b>1 597 159 359</b>	<b>1 597 159 359</b>	<b>2 083 270 341</b>	<b>2 083 270 341</b>
- Unlisted non-associate equity investments	229 414 163	229 414 163	9 406 567	9 406 567
- Listed non-associate equity investments	1 367 731 196	1 367 731 196	2 073 852 774	2 073 852 774
- Unincorporated equity investments	14 000	14 000	11 000	11 000
<b>Investment in associates</b>	<b>189 587 768</b>	<b>189 587 768</b>	<b>461 384 457</b>	<b>461 384 457</b>
<b>Investments held for trade</b>	<b>44 104 960</b>	<b>44 104 960</b>	<b>41 859 309</b>	<b>41 859 309</b>
- Listed equity	44 104 960	44 104 960	41 859 309	41 859 309
<b>Total</b>	<b>3 779 632 779</b>	<b>3 779 632 779</b>	<b>4 374 715 712</b>	<b>4 374 715 712</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	Trust			
	2016 Carrying amount R	Fair value R	2015 Carrying amount R	Fair Value R
<b>15. FINANCIAL ASSETS</b> (continued)				
<b>Loans and receivables</b>	<b>2 031 121 860</b>	<b>2 031 121 860</b>	<b>1 867 791 574</b>	<b>1 867 791 574</b>
- Originated loans	1 780 386 640	1 780 386 640	1 643 882 423	1 643 882 423
- Preference shares	43 600 060	43 600 060	129 842 034	129 842 034
- Finance leases	119 551 739	119 551 739	93 091 278	93 091 278
- Trade and other receivables	87 583 421	87 583 421	975 839	975 839
<b>Investments held at fair value</b>	<b>1 597 159 359</b>	<b>1 597 159 359</b>	<b>2 083 270 341</b>	<b>2 083 270 341</b>
- unlisted non associate equity investments	229 414 163	229 414 163	9 406 567	9 406 567
- listed non associate equity investments	1 367 731 196	1 367 731 196	2 073 852 774	2 073 852 774
- unincorporated equity investments	14 000	14 000	11 000	11 000
<b>Investment in associates</b>	<b>189 587 768</b>	<b>189 587 768</b>	<b>461 384 457</b>	<b>461 384 457</b>
<b>Investments held for trade</b>	<b>44 104 960</b>	<b>44 104 960</b>	<b>41 859 309</b>	<b>41 859 309</b>
- listed equity	44 104 960	44 104 960	41 859 309	41 859 309
<b>Total</b>	<b>3 861 973 947</b>	<b>3 861 973 947</b>	<b>4 454 305 681</b>	<b>4 454 305 681</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 15 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:

#### Financial assets at fair value through profit and loss

	Level 1 R	2016 Level 2 R	Level 3 R	Total R
<b>Financial assets at fair value through profit and loss</b>	<b>44 104 960</b>	<b>-</b>	<b>189 601 768</b>	<b>233 706 729</b>
Associates	-	-	189 587 768	189 587 768
Unincorporated equity investments	-	-	14 000	14 000
Investments held for trade	44 104 960	-	-	44 104 960

#### Non- Associate equity investments

<b>Non- Associate equity investments</b>	<b>1 367 731 196</b>	<b>-</b>	<b>229 414 163</b>	<b>1 597 145 359</b>
Listed equities	1 367 731 196	-	-	1 367 731 196
Unlisted equities	-	-	229 414 163	229 414 163

<b>Total</b>	<b>1 411 836 156</b>	<b>-</b>	<b>419 015 931</b>	<b>1 830 852 087</b>
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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 15. FINANCIAL ASSETS (continued)

	Level 1 R	2015 Level 2 R	Level 3 R	Total R
<b>Financial assets at fair value through profit and loss</b>	<b>41 859 309</b>	<b>-</b>	<b>461 395 457</b>	<b>503 254 766</b>
Associates	-	-	461 384 457	461 384 457
Unincorporated equity investments	-	-	11 000	11 000
Investments held for trade	41 859 309	-	-	41 859 309
<b>Non- Associate equity investments</b>	<b>2 073 852 775</b>	<b>-</b>	<b>9 406 566</b>	<b>2 083 259 341</b>
Listed equities	2 073 852 775	-	-	2 073 852 775
Unlisted equities	-	-	9 406 566	9 406 566
<b>Total</b>	<b>2 115 712 084</b>	<b>-</b>	<b>470 802 023</b>	<b>2 586 514 107</b>

#### Reconciliation of financial assets held at fair value

	Level 1 R	2016 Level 2 R	Level 3 R	Total R
Opening balance for the year	2 115 712 084	-	470 802 023	2 586 514 107
Additions - Cost	12 250 000	-	29 368 653	41 618 653
Sales/Transfers	-	-	(150 699 721)	(150 699 721)
Fair value adjustments recognised in profit and loss	(716 125 928)	-	69 544 976	(646 580 953)
<b>Closing balance</b>	<b>1 411 836 156</b>	<b>-</b>	<b>419 015 931</b>	<b>1 830 852 087</b>

	Level 1 R	2015 Level 2 R	Level 3 R	Total R
Opening balance for the year	2 254 436 065	-	473 290 122	2 727 726 187
Additions - Cost	-	-	25 250 799	25 250 799
Sales/Transfers	(3 301 400)	-	(30 000)	(3 331 400)
Fair value adjustments recognised in profit and loss	(135 422 581)	-	(27 708 898)	(163 131 479)
<b>Closing balance</b>	<b>2 115 712 084</b>	<b>-</b>	<b>470 802 023</b>	<b>2 586 514 107</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 15. FINANCIAL ASSETS (continued)

#### Valuations based on observable inputs

Valuations based on observable inputs include:

##### Level 1

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

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

##### Level 2

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

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

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

##### Level 3

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

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

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

- (i) **Future earnings and marketability discounts**  
Future earnings and marketability discounts are key inputs in the valuation of certain private equity investments. Forecast earnings and marketability discounts are unobservable for some investments.
- (ii) **Comparator multiples**  
Comparator multiples and point of difference applied to chosen multiples are key inputs in the valuation of certain private equity investments. Price earnings multiples and point of difference applied to chosen multiples are unobservable for some investments.
- (iii) **Discount rates**  
Discount rates are key inputs in the valuation of certain private equity investments. Discount rates are unobservable for some investments. 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.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

Level 3 Contributors	Carrying Amount	2016 Effect of 1% Sensitivity adjustment	Effect of 10% Sensitivity adjustment
<b>15. FINANCIAL ASSETS</b> (continued)			
Sensitivity Analysis			
Associates	189 587 768	1 895 878	18 958 777
Unincorporated equity investments	14 000	140	1 400
Unlisted equities	229 414 163	2 294 142	22 941 416
	<b>419 015 931</b>	<b>4 190 160</b>	<b>41 901 593</b>

Level 3 Contributors	Carrying Amount	2015 Effect of 1% Sensitivity adjustment	Effect of 10% Sensitivity adjustment
Associates	461 384 457	4 613 845	46 138 446
Unincorporated equity investments	11 000	110	1 100
Unlisted equities	9 406 566	94 066	940 657
	<b>470 802 023</b>	<b>4 708 021</b>	<b>47 080 203</b>

	Notes	Trust	
		2016 R	2015 R
<b>16. CASH AND CASH EQUIVALENTS</b>			
For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:			
Bank balances			
- Current accounts		115 250 977	67 948 899
- Short-term bank deposits		1 303 515 689	1 380 494 687
- Cash on hand		20	3 300
Trust Total		<b>1 418 766 686</b>	<b>1 448 446 886</b>
Subsidiary current account		100	19 000 000
Group Total		<b>1 418 766 786</b>	<b>1 467 446 886</b>

The effective interest rate on short term deposits was 5.7% (2015 - 5.5%).

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 March 2016

	Notes	Trust	
		2016 R	2015 R
<b>17. TRUST CAPITAL</b>			
Investment in listed shares			
- At cost		171 000 000	171 000 000
Cash funds received from the dti:		<b>2 297 431 472</b>	<b>2 297 431 472</b>
- Opening Balance		2 297 431 472	2 297 431 472
Closing balance		<b>2 468 431 472</b>	<b>2 468 431 472</b>
<b>18. TRADE AND OTHER PAYABLES</b>			
Trade payables		4 853 935	4 785 258
Lease accrual		331 422	1 072 547
Unallocated receipts generated by Asongwe		427 791	427 791
Enterprise Development Contributions	24.4	117 431 940	7 952 180
Bursary Scheme and Sponsorship		2 000 000	-
Accruals		<b>53 789 955</b>	<b>48 867 706</b>
- Performance awards		40 550 600	36 033 748
- Supplier accruals		7 403 811	6 455 359
- Leave pay		5 835 544	6 378 599
Trust Total		<b>178 835 043</b>	<b>63 105 482</b>
Group trade payables consist of a bank overdraft in National Empowerment Fund Corporation SOC Limited.		1 066	-
Group Total		<b>178 836 109</b>	<b>63 105 482</b>

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

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	% 2016 Holding	Loans receivable before impairment		Investments at cost	
		2016 R	2015 R	2016 R	2015 R
<b>19. RELATED PARTY TRANSACTIONS</b>					
Executive Authority	Department of Trade and Industry				
Other related parties	Board of Trustees (refer Note 25)				
	Department of Rural Development and Land Reform				
	Department of Economic Development - Western Cape				
	Investments in associates				
	Investments in subsidiaries				
<b>Related party balances in respect of Investments in Associates and Subsidiaries</b>					
Africa Rising (Pty) Ltd	25.0%	20 433 927	–	2 510	2 510
Amazin Hotels	20.0%	18 090 807	–	19 138 388	–
Basfour (Pty) Ltd	49.0%	–	–	146	146
Blue Glamour (Pty) Ltd	32.4%	–	–	4 219 976	4 219 976
Busamed (Pty) Ltd*	18.7%	–	–	130 000 000	260 000 000
Business Venture Investments (Pty) Ltd	30.0%	18 407 874	17 963 287	30	30
Colliery Dust Control (Pty) Ltd	40.1%	–	–	12 984 766	12 984 766
Crowie Holdings (Pty) Ltd	25.8%	13 831 732	16 961 298	27 761 526	27 761 526
Cyclocor Motlekar (Pty) Ltd	30.0%	–	–	30	–
Delswa Trading (Pty) Ltd	100.0%	51 636 346	33 444 109	1	1
Drifts Brands Holdings (Pty) Ltd*	26.0%	–	–	26	–
False Bay Bricks (Pty) Ltd	30.0%	5 247 678	11 775 000	300	300
Ga Matlala Roof Tiles and Bricks (Pty) Ltd	30.0%	5 735 601	5 217 456	300	300
Global Wheel (Pty) Ltd	32.0%	58 777 096	55 474 129	32	32
Golden Dice Foods (Pty) Ltd	49.0%	11 278 470	–	49	–
Gradoscope (Pty) Ltd	49.0%	–	–	11 300 000	–
IM Capital (Pty) Ltd	49.0%	–	13 197 947	146	146
Imbaza Mussel (Pty) Ltd	30.0%	5 843 438	7 063 497	300	300
Inca Concrete Masonry (Pty) Ltd	35.0%	5 247 678	5 743 701	350	350
iVac Bio (Pty) Ltd	45.0%	–	–	1 000 000	–
Janitone (Pty) Ltd	41.0%	19 598 225	–	3 800 000	–
Karbochem Co-generation (Pty) Ltd	30.0%	79 292 569	66 524 355	12 000 000	12 000 000
Kenako (Pty) Ltd	49.0%	–	–	6 071 189	6 071 189
Lak Investment T/A Stone Age (Pty) Ltd	25.0%	–	–	25	25
Link Africa Group (Pty) Ltd	0.0%	50 863 381	88 184 133	–	32 000 000
Mabele Fuels (Pty) Ltd	20.1%	15 000 000	–	61 750 000	61 750 000

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

	Loans receivable before impairment			Investments at cost	
	% 2016 Holding	2016 R	2015 R	2016 R	2015 R
Mayborn Investments 67 (Pty)Ltd**	33.4%	22 907 729	27 404 724	334	334
M-Care Operating Company (Pty) Ltd	25.1%	-	-	30	-
Middeldrift Dairy (Pty) Ltd	40.0%	6 358 422	6 358 896	4 589 036	4 589 036
Mohale (Pty) Ltd	45.0%	15 114 689	17 009 876	450	450
Mopadi Molamu (Pty) Ltd	20.0%	9 209 179	15 248 595	200	200
National Empowerment Fund Corporation SOC Ltd	100.0%	21 810 339	19 207 502	-	-
Nyonende Investments (Pty) Ltd*	30.0%	-	-	150	-
Petrocom (Pty) Ltd	30.0%	17 537 967	13 832 971	30	30
Pretamix (Pty) Ltd	24.0%	-	15 000 000	240	240
Pytrade (Pty) Ltd	30.0%	15 809 290	-	30	-
Quartile Capital (Pty) Ltd	30.0%	-	-	37	-
Rapid Purple Waters Trading (Pty) Ltd	45.0%	-	-	450	-
Rhino Ridge Lodge (Pty) Ltd	33.3%	-	-	333	-
SA Metals (Pty) Ltd	29.0%	-	-	40 000 000	40 000 000
Safepak (Pty) Ltd	34.0%	27 730 289	28 550 289	20	20
Sizovuna Investments Holding (Pty) Ltd	49.0%	44 106 776	46 507 000	49	49
Stutt Brick Company (Pty) Ltd	45.0%	12 279 353	12 060 186	45	45
Trennplast (Pty) Ltd	26.5%	52 037 441	64 902 323	265	265
Unique Engineering (Pty) Ltd	49.0%	14 338 372	17 579 169	490	490
Value Cement (Pty) Ltd	25.8%	38 000 560	34 852 843	31	31
Vastek Trading (Pty) Ltd	30.0%	38 602 920	12 926 440	309	309
Western Breeze Trading 297 (Pty) Ltd ***	12.7%	-	240 443	51	51
White Heat Trading 4 (Pty)Ltd/Hollywood Displays	30.0%	61 907 634	61 037 999	300	300
Willowvale (Pty) Ltd	45.0%	18 351 962	19 110 234	450	450
Zastrovect Investments (Pty) Ltd	100.0%	55 736 779	60 382 468	251	251
Zulimar Trading (Pty) Ltd*	19.0%	49 348 871	60 382 468	560	560

\* Although not an associate at year end, this investment was an associate at the start and for a part of the financial year.

\*\* Warehouse shares of Mayborn Investments is 16.7% held in favour of the Jozini Community Trust.

\*\*\* Although the trust owns 32.7% of the issued share capital of this community based company, 20% of the voting rights have been ceded back to the community and therefor the Trust controls only 12.7% of the investment.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	Notes	Group		Trust	
		2016 R	2015 R	2016 R	2015 R
<b>20. REVENUE</b>					
Interest - cash		82 318 247	82 504 328	82 318 247	82 504 328
Interest - preference shares		16 493 530	35 951 021	16 493 530	35 951 021
Interest - originated loans		168 423 155	165 373 815	177 964 423	172 010 742
Interest - finance leases		11 629 656	9 953 597	11 629 656	9 953 597
Interest - other		209 414	109 091	209 414	109 091
Dividends		143 405 768	136 996 046	143 405 768	136 996 046
		<b>422 479 770</b>	<b>430 887 898</b>	<b>432 021 038</b>	<b>437 524 825</b>
				2016 R	2015 R
<b>21. SUNDRY INCOME</b>					
Bad debts recovered				160 000	531 323
Other Income				7 341 244	1 696 516
Enterprise Development Funding	24.4			93 317 219	441 556
Profit on partial disposal of associate				57 739 710	-
				<b>158 558 173</b>	<b>2 669 395</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	Notes	Trust	
		2016 R	2015 R
<b>22. ADMINISTRATION EXPENSES</b>			
Net operating income is arrived at after taking into account:			
<b>Auditors' Remuneration</b>		<b>2 484 414</b>	<b>2 365 915</b>
- For external audit fees		1 732 217	1 526 791
- Internal audit - outsourced fees		752 197	839 124
<b>Professional fees</b>		<b>11 866 636</b>	<b>16 155 370</b>
- Human Resources		327 423	210 157
- Information technology		1 330 973	2 334 189
- Legal fees		5 270 049	9 805 317
- Finance		293 557	468 975
- Risk management		370 444	265 933
- Strategy		2 365 285	-
- Investments		1 908 905	3 070 799
<b>Depreciation</b>	<b>4</b>	<b>1 278 464</b>	<b>2 491 069</b>
- Motor vehicles		124 855	218 336
- Computer equipment		678 365	949 414
- Audio visual equipment		-	77 759
- Office equipment		8 640	188 652
- Furniture and fittings		276 371	295 953
- Paintings		2 938	3 627
- Leasehold improvements		187 295	757 328
<b>Trustees and senior management emoluments</b>	<b>25</b>	<b>18 554 290</b>	<b>17 046 926</b>
<b>Amortisation of intangible assets</b>	<b>5</b>	<b>120 053</b>	<b>173 241</b>
<b>Operating lease rentals</b>		<b>11 141 912</b>	<b>10 297 100</b>
- Property rental		9 578 271	9 567 348
- Equipment rental		1 563 641	729 752
<b>Total staff costs</b>		<b>159 897 409</b>	<b>137 462 631</b>
- Salaries and other benefits		148 643 023	127 366 839
- Provident fund contributions		11 254 386	10 095 792
Number of employees at year end		161	152

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	Group		Trust	
	2016 R	2015 R	2016 R	2015 R
<b>23. IMPAIRMENT CHARGE</b>				
Originated loans	291 818 616	125 038 716	328 890 913	125 038 716
Preference shares	60 059 069	17 404 960	60 059 069	17 404 960
Finance leases	18 261 184	24 923 149	18 261 184	24 923 149
Impairment for the year	<b>370 138 869</b>	<b>167 366 825</b>	<b>407 211 166</b>	<b>167 366 825</b>
<b>24. COMMITMENTS</b>				
<b>24.1 Operating lease commitments – property rentals</b>				
The future minimum lease payments on office premises rentals under operating leases are as follows:				
Not later than 1 year			10 414 354	6 332 659
Later than 1 year but not later than 5 years			8 639 190	1 117 542
			<b>19 053 544</b>	<b>7 450 201</b>
Operating lease payments represent rentals payable by the Trust for office properties. Leases are negotiated for an average term of between 2 to 5 years, with an average escalation of 9% per annum.				
<b>24.2 Undrawn loans and investments</b>				
Not later than 1 year			<b>797 323 715</b>	<b>553 303 750</b>
Payment will be met out of cash reserves.				
<b>24.3 Uncontracted loans and investments approved and committed</b>				
Not later than 1 year			<b>265 774 572</b>	<b>160 636 573</b>
Payment will be met out of cash reserves.				
<b>24.4 Enterprise Development Fund Contributions</b>				
Unconditional Contributions recognised in Sundry Income				
Opening Balance			21 459 014	31 529 572
Total Income			93 317 219	441 556
- Contributions received			93 100 000	250 000
- Interest earned on contributions received			217 219	191 556
- Investment disbursements			(23 260 870)	(10 512 114)
Contributions available for investment			91 515 363	21 459 014
Conditional Contributions recognised in current liabilities				
Opening Balance			7 952 180	5 597 836
- Contributions received			109 914 775	6 000 000
- Approved and disbursed			(435 015)	(3 645 656)
		<b>18</b>	117 431 940	7 952 180
Total contributions available for future disbursements			208 947 303	29 411 194

Approvals for the current year amounted to R 23 506 000 (2015: R33 393 416) whilst disbursements for the year amounted to R23 695 886 (2015: R14 858 678).

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 25. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

	Basic R	Bonuses & performance payments R	Long term bonus payments R	Provident fund contributions R	Other contributions R	Fees to Non- Executive Trustees R	Total R
<b>Year ended 31 March 2016</b>							
<b>Executive Trustees:</b>							
P Mthethwa (CEO)	3 067 577	1 000 000	1 274 631	565 315	47 604	-	5 955 127
I Pule (CFO)	1 684 663	888 747	536 800	202 160	66 468	-	3 378 838
	<b>4 752 240</b>	<b>1 888 747</b>	<b>1 811 431</b>	<b>767 475</b>	<b>114 072</b>	<b>-</b>	<b>9 333 965</b>
<b>Senior Management:</b>							
S Molepo (Divisional Executive)	2 047 785	1 055 274	650 403	297 268	-	-	4 050 730
H Makhathini (Divisional Executive)	1 607 910	914 885	510 120	241 186	118 398	-	3 392 499
	<b>3 655 695</b>	<b>1 970 159</b>	<b>1 160 523</b>	<b>538 454</b>	<b>118 398</b>	<b>-</b>	<b>7 443 229</b>
<b>Non-executive Trustees:</b>							
Z Ntlangula	-	-	-	-	-	323 315	323 315
N Pascal (née Mosala)	-	-	-	-	-	340 931	340 931
A Makwetla	-	-	-	-	-	340 946	340 946
R Garach (Chairman)	-	-	-	-	-	370 437	370 437
J Williams	-	-	-	-	-	401 467	401 467
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 777 096</b>	<b>1 777 096</b>
<b>TOTAL</b>	<b>8 407 935</b>	<b>3 858 906</b>	<b>2 971 954</b>	<b>1 305 929</b>	<b>232 470</b>	<b>1 777 096</b>	<b>18 554 290</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 25. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS (continued)

	Basic R	Bonuses & performance payments R	Long term bonus payments R	Provident fund contributions R	Other contributions R	Fees to Non- Executive Trustees R	Total R
<b>Year ended 31 March 2015</b>							
<b>Executive Trustees:</b>							
P Mthethwa (CEO)	2 684 010	1 577 355	637 315	536 802	284 422	–	5 719 904
I Pule (CFO)	1 560 717	723 441	268 400	187 286	75 787	–	2 815 631
	<b>4 244 727</b>	<b>2 300 796</b>	<b>905 715</b>	<b>724 088</b>	<b>360 209</b>	<b>–</b>	<b>8 535 535</b>
<b>Senior Management:</b>							
S Molepo (Divisional Executive)	1 830 735	977 105	400 248	274 610	134 031	–	3 616 729
H Makhathini (Divisional Executive)	1 427 905	722 016	313 920	214 186	192 022	–	2 870 049
	<b>3 258 640</b>	<b>1 699 121</b>	<b>714 168</b>	<b>488 796</b>	<b>326 053</b>	<b>–</b>	<b>6 486 778</b>
<b>Non-executive Trustees:</b>							
Z Ntlangula	–	–	–	–	–	233 598	233 598
N Pascal (née Mosala)	–	–	–	–	–	417 097	417 097
A Makwetla	–	–	–	–	–	301 191	301 191
A Raiz	–	–	–	–	–	199 783	199 783
R Garach (Acting Chairman)	–	–	–	–	–	455 356	455 356
J Williams	–	–	–	–	–	417 588	417 588
	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2 024 613</b>	<b>2 024 613</b>
<b>TOTAL</b>	<b>7 503 367</b>	<b>3 999 917</b>	<b>1 619 883</b>	<b>1 212 884</b>	<b>686 262</b>	<b>2 024 613</b>	<b>17 046 926</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	Group		Trust	
	2016 R	2015 R	2016 R	2015 R
<b>26. NOTES TO THE CASH FLOW STATEMENT</b>				
Reconciliation of net (deficit)/surplus to cash flows from operating activities:				
(Deficit)/Surplus for the year	(713 656 422)	(128 211 758)	(749 199 063)	(125 086 266)
Adjustment for:	659 764 062	(74 099 800)	693 307 769	(77 225 292)
Depreciation & amortisation	1 398 516	2 664 310	1 398 516	2 664 310
Interest received on cash and cash equivalents	(82 318 247)	(82 504 328)	(82 318 247)	(82 504 328)
Interest accrued on investments	(196 546 341)	(211 278 433)	(206 087 609)	(217 915 360)
Loss/(Profit) on disposal of fixed assets	889 129	111 015	889 129	111 015
Loss/(Profit) on disposal of Investments	(57 739 710)	137 225	(57 739 710)	137 225
(Surplus) / deficit from non-current asset held for sale	2 722 318	(3 511 435)	-	-
Capital raising Fee	(5 955 264)	(1 532 088)	(5 955 264)	(1 532 088)
Write-offs	37 364 093	28 311 676	37 364 093	28 311 676
Dividends received	(57 284 408)	(136 996 046)	(57 284 408)	(136 996 046)
Impairment of investments	370 138 869	167 366 825	407 211 166	167 366 825
Fair value adjustments	646 580 952	163 131 479	655 830 103	163 131 479
Deferred taxation	514 155	-	-	-
Operating (deficit) before working capital changes	(53 892 360)	(202 311 558)	(53 891 294)	(202 311 558)
Working capital changes	29 123 015	6 776 111	29 212 849	6 776 111
Increase / (Decrease) in trade and other receivables	(86 607 582)	33 635	(86 607 582)	33 635
Increase in trade and other payables	115 730 597	6 742 476	115 729 431	6 742 476
Net cash outflows from operating activities	(24 769 345)	(195 535 447)	(24 769 445)	(195 535 447)
<b>27. ADDITIONAL INVESTMENT IN CORE ACTIVITIES</b>				
Originated loans	595 040 603	437 445 438	597 700 603	456 445 438
Investments in Associates	23 939 811	21 750 799	23 939 811	21 750 799
Unincorporated equity investments	5 428 841	3 500 000	5 428 841	3 500 000
Finance leases	62 842 635	24 483 088	62 842 635	24 483 088
Capitalised raising fees	(5 981 868)	(1 896 295)	(5 981 868)	(1 896 295)
<b>Total disbursements</b>	<b>681 270 022</b>	<b>485 283 030</b>	<b>683 930 022</b>	<b>504 283 030</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 28. RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE TO BUDGET

#### 28.1 Revenue

The increase in revenue earned is as a result of the increased dividend income, especially on the MTN share portfolio. Interest on the Investment portfolio was below budget as a result of lower disbursements made against what was budgeted for throughout the year and interest on the bank balances was above budget.

#### 28.2 Other Income

Other/Sundry Income is largely as a result of Enterprise Development Fund initiatives, profit on partial disposal on our shareholding in Busa Med and capital raising fee.

#### 28.3 Total Expenses

R34 million of the saving on total expenses is mainly as a result of a reduced head count of 161, against a budget of 183. The remaining R16 million is due to various cost saving measures implemented by management.

#### 28.4 Impairments

The increase in the impairment charge for the year is as a result of the current tough economic conditions that have contributed to an increase in the number of businesses in distress. As a result, the collective impairment charge against originated loans, finance leases and preference shares amounted to R407 211 166 for the 2016 financial year.

#### 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 investments. A significant portion of the movement for the year is made up of the negative mark to market adjustment of R706.1 million on the listed MTN shares. This loss was reduced by the net impact on mark-to-market adjustments on other investments with the main gain of R72.7 million made on investments in associates.

The balance of the movement for the year is made up of a loss of R10 million on the Held for Trade listed portfolio, a R2.3 million gain on non-associate equity investments and a loss of R5.4 million on unincorporated 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 the entity, in which it has a 100% interest, in 2002, as provided for in the NEF Act. The company holds a strategic investment property from which it earns rental income. The Trust 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 activities. The company does not have a tax exemption.

### 33. CONTINGENT LIABILITY

#### 33.1 Matter with Public Protector

A client lodged a complaint with the Public Protector in the previous financial year for delays experienced in the investment assessment and decision process. The Public Protector found the NEF guilty of maladministration and recommended that the NEF pay the client damages for losses suffered.

The NEF has taken the Public Protector's findings and recommendations on review in the High Court. The client seeks damages of R5 million.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

### 33. CONTINGENT LIABILITY

#### 33.2 Matter with a Motor Vehicle manufacturer

A group of claimants has applied to the Johannesburg High Court to be constituted as a class so that they can launch a class action against various other parties including another funding institution and a motor vehicle manufacturing entity. The court has not made a final decision as to whether it will approve that the group be recognised as a class. The group has indicated through its legal representatives that in the event that it is successful in the application to be constituted as a class, it will consider taking a class action to claim for damages against the NEF, the motor manufacturer and the other funder.

#### 33.3 Matter with a service provider

NEF formed a Joint Venture with Fuel Budgeting Solutions and the Joint Venture appointed a service provider to perform a feasibility study. The invoices were addressed to the NEF. The service provider has instituted proceedings out of the Johannesburg North Magistrate Court for the payment of an amount of R196 thousand for services rendered.

### 34. SEGMENT REPORTING

The NEF has offices through out the nine provinces in the country, so as to increase its accessibility and coverage. Each of the satellite offices operates on its own in carrying out the mandate of the NEF. In accordance with GRAP 18 - Segment Reporting, the Trust is required to report on performance aspects of its segments. Below is a segmental report indicating the operating costs and fixed asset outlay per segment. There is no transfer pricing between the various regional operations presented below, meaning that there are significant costs borne by head office, but attributable to the regions.

The Northern Cape office was only recently opened and segmental reporting will start in the new year.

#### Operating expenditure per segment

Category	Gauteng	Free State	Limpopo	Eastern Cape	Mpumalanga	KZN	North West	Western Cape	Total
Employee Costs	145 056 191	1 240 872	1 332 236	2 083 553	2 365 656	3 406 957	1 846 301	2 565 643	159 897 409
Other Operating Expenses	42 011 977	3 397 854	3 271 232	4 917 408	5 711 638	7 914 276	4 487 430	5 764 754	77 476 569
<b>Total Base Costs</b>	<b>187 068 168</b>	<b>4 638 726</b>	<b>4 603 468</b>	<b>7 000 961</b>	<b>8 077 294</b>	<b>11 321 233</b>	<b>6 333 731</b>	<b>8 330 397</b>	<b>237 373 978</b>

#### Non-current assets per region

Category	Gauteng	Free State	Limpopo	Eastern Cape	Mpumalanga	KZN	North West	Western Cape	Northern Cape	Total
Property and equipment at cost	35 223 849	78 815	139 221	110 459	118 416	45 037	89 684	39 146	36 623	35 881 250
Accumulated depreciation	(11 579 847)	(77 578)	(125 092)	(95 229)	(89 322)	(36 502)	(74 934)	(20 818)	(11 749)	(12 111 070)
<b>Net carrying amount</b>	<b>23 644 002</b>	<b>1 238</b>	<b>14 129</b>	<b>15 230</b>	<b>29 094</b>	<b>8 535</b>	<b>14 750</b>	<b>18 328</b>	<b>24 874</b>	<b>23 770 180</b>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

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### 35. TAXATION

Deferred tax	
- Current year	514 155
<u>Income tax expense</u>	<u>514 155</u>

Deferred tax arose as a result of the unrealised fair value adjustment on the investment property held by National Empowerment Fund Corporation SOC Limited and the lease smoothing asset from rental income receivable by National Empowerment Fund Corporation SOC Limited from Zastrovect Proprietary Limited.

# Empowering through franchising

The NEF has a range of funding products and one of these is franchising, which is designed for black entrepreneurs who have been pre-approved by franchisors. Above are just some of the many franchises that the NEF has funded to date. Black entrepreneurs who hold licenses from recognised franchise brands and who are willing to be operationally involved in their businesses, can qualify for NEF franchise funding from R250 000 to R10 million. Come and turn your business dreams into a reality.

The NEF has approved over **R7.1 billion** for black-empowered businesses, supporting more than **86 000** decent jobs throughout South Africa. You too can become part of this great success story. **Get up and do it.**



TOTAL



# ADMINISTRATION

31 March 2016

## TRUSTEES

Mr R Garach (Chairman)  
Ms Z Ntlangula  
Ms P Mthethwa (CEO)  
Ms I Pule (CFO)  
Ms A Makwetla  
Ms N Pascal (née Mosala)  
Ms J Williams  
Mr S Zikode (Resigned - 06/11/2015)  
Ms A Halstead (Resigned - 06/11/2015)  
Ms J Molisane (Resigned - 06/11/2015)  
Mr A Raiz (Resigned - 01/07/2015)

## BANKERS

Standard Bank Limited  
First National Bank Limited  
Rand Merchant Bank  
South African Reserve Bank

## AUDITORS

SizweNtsalubaGobodo Inc.

## BUSINESS ADDRESS

West Block  
187 Rivonia Road  
Morningside  
2057

## POSTAL ADDRESS

P.O. Box 31  
Melrose Arch  
Melrose North  
2076

## REGISTERED ADDRESS

West Block  
187 Rivonia Road  
Morningside  
2057

## Acronyms and Definitions

Approved	Final committee approval obtained, legal agreements not signed	IT	Information Technology
B-BBEE	Broad-Based Black Economic Empowerment	JSE	Johannesburg Stock Exchange
B-BBEE Codes	Codes of Good Practice	KPA	Key Performance Area
BEE	Black Economic Empowerment	KPI	Key Performance Indicators
Commitments	Legal agreements signed. (Deals may have been approved in current and previous financial periods.) All Conditions Precedent may not have been met yet	KRI	Key Risk Indicators
DFI	Development Finance Institution	KZN	KwaZulu-Natal
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.	LP	Limpopo
DRDLR	Department of Rural Development and Land Reform	mtm	Mark-to-market
EC	Eastern Cape	NC	Northern Cape
EMPOWER	Ownership, Worthy, Excellence and Respect	NDP	National Development Plan
FS	Free State	NEF	National Empowerment Fund
GDP	Gross Domestic Product	NW	North West
GRAP	Generally Recognised Accounting Practice	PAA	Public Audit Act
HCRC	Human Capital and Remuneration Committee	PC	Procurement Committee
HR	Human Resources	PFMA	Public Finance Management Act
IDC	Industrial Development Corporation	PIU	Pre-Investment Unit
JAWS ratio	Measure by which income growth rate exceeds expenses growth rate	POIU	Post Investment Unit
IIRC	International Integrated Reporting Council	ROI	Return on Investment
IPSAS	International Public Sector Accounting Standards	RPMC	Risk and Portfolio Management Committee
IST	Information Systems and Technology	SADC	Southern African Development Community
		SME	Small and Medium Enterprises
		SMME	Small, Medium and Micro-sized Enterprises
		SOE	State Owned Enterprises
		SONA	State of the Nation Address
		SPF	Strategic Projects Fund
		<b>the dti</b>	Department of Trade and Industry
		TWR	Turn-around, Workouts and Restructuring Unit
		WC	Western Cape
		YTD	Year-to-date





# Fraud, Corruption and Theft

Contact Tip-Offs Anonymous on

**0800 212 705**

or email [nef@tip-offs.com](mailto:nef@tip-offs.com)

## CONTACT INFORMATION

### Head Office

#### Gauteng Province

West Block, 187 Rivonia Road, Morningside 2057, PO Box 31, Melrose Arch, Melrose North 2076

Tel: +27 (11) 305 8000 | Fax: +27 (11) 305 8001 | Call Centre: 0861 843 633 | 0861 (THE NEF) [applications@nefcorp.co.za](mailto:applications@nefcorp.co.za) (Funding) | [info@nefcorp.co.za](mailto:info@nefcorp.co.za) (General Enquiries)

#### Eastern Cape Province

7b Derby Road, Berea, East London 5241

Tel: (043) 783 4200 | 0861 NEF ECP (0861 633 327) | Fax: 0861 ECP NEF (0861 327 633) [easterncape@nefcorp.co.za](mailto:easterncape@nefcorp.co.za)

#### Free State Province

34 Fountain Towers, Corner Zastron and Markgraaf Street, Westdene, Bloemfontein, 9300

Tel: (051) 407 6360 | 0861 NEF FSP (0861 633 377) | Fax: 0861 FSP NEF (0861 377 633) | [freestate@nefcorp.co.za](mailto:freestate@nefcorp.co.za)

#### KwaZulu-Natal Province

Smart X - Change Building, 5 Walnut Road, Durban, 4001

Tel: (031) 301 1960 | 0861 NEF KZN (0861 633 596) | Fax: 0861 KZN NEF (0861 596 633) | [kzn@nefcorp.co.za](mailto:kzn@nefcorp.co.za)

#### Limpopo Province

Suite 8, Biccard Park, 43 Biccard Street, Polokwane 0699

Tel: (015) 294 9200 | 0861 NEF LIM (0861 633 546) | Fax: 0861 LIM NEF (0861 546 633) | [limpopo@nefcorp.co.za](mailto:limpopo@nefcorp.co.za)

#### Mpumalanga Province

Trust Building, 16 Brander Street, Nelspruit, 1200

Tel: (013) 754 9860 | 0861 NEF MPU (0861 633 678) | Fax: 0861 MPU NEF (0861 678 633) | [mpumalanga@nefcorp.co.za](mailto:mpumalanga@nefcorp.co.za)

#### Northern Cape

Block Three, Ground Floor, The Montrio Corporate Park  
10 Oliver Road, Monument Heights, Kimberley  
0861 NEF NCP (0861 633 627)

Fax: 0861 NCP NEF (0861 627 633) | [northerncape@nefcorp.co.za](mailto:northerncape@nefcorp.co.za)

#### North West Province

32 Heystek Street, Sunetco Office Park, Ground Floor, Rusterburg, 0299

Tel: (014) 523 9220 | 0861 NEF NWP (0861 633 697) | Fax: 0861 NWP NEF (0861 697 633) | [northwest@nefcorp.co.za](mailto:northwest@nefcorp.co.za)

#### Western Cape Province

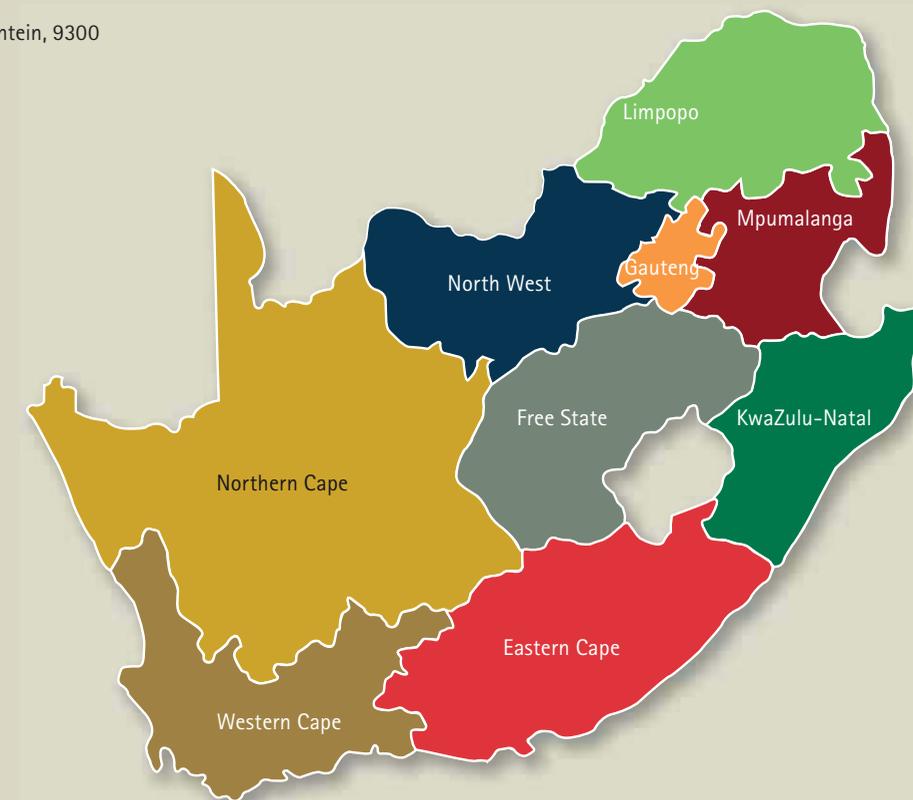
Suite 2818, 28th Floor, ABSA Centre, 2 Riebeeck Street, Cape Town 8001

Tel: (021) 431 4760 | 0861 NEF WCP (0861 633 927) | Fax: 0861 WCP NEF (0861 927 633) | [westerncape@nefcorp.co.za](mailto:westerncape@nefcorp.co.za)

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National Empowerment Fund Trust (established by Act 105 of 1998) IT: 10145/00  
An agency of the dti



Printed on environmentally-friendly paper

[www.nefcorp.co.za](http://www.nefcorp.co.za)

ISBN: 978-0-621-44611-1  
RP147/2016



the dti

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA