NATIONAL EMPOWERMENT FUND
Growing Black Economic Participation

NATIONAL EMPOWERMENT FUND 2012 ANNUAL REPORT

GROWING BLACK INDUSTRIALISTS THROUGH PARTNERSHIPS












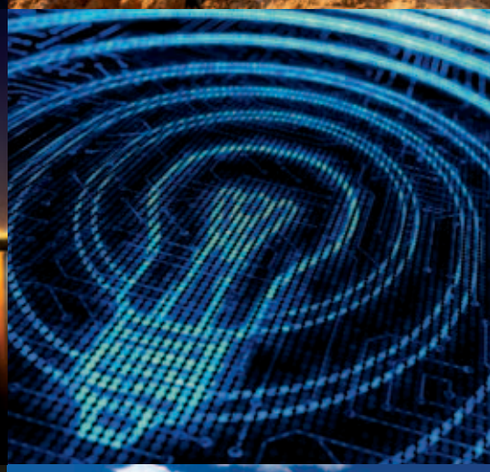

About the Cover

The atom in this image symbolises the beginning of the future for black industrialists. The horizon in the background depicts the bright future the NEF can provide to black industrialists.

The atom glides across the expanse of water, ready to go into orbit, in its wake unleashing black people's entrepreneurial energy as central players in a new and inclusive economic era. It is a promise that the NEF will be there to help take your dreams to the sky.



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PERFORMANCE HIGHLIGHTS 31 MARCH 2012

Funding Approvals	To date, approved 384 black-empowered businesses to the value of R3.716 billion. During the financial year, approved 98 deals worth R1.16 billion (2011: 62 deals worth R749 million).
Creating Jobs	From inception to date, the NEF has supported more than 29 000 jobs, including more than 12 800 new jobs which it has created. The NEF supported 3 124 jobs for the 2011/12 financial year, of which 2 367 were new jobs created.
Strategic Projects Fund (SPF)	The NEF's Strategic Projects Fund (SPF) was established with a mandate to increase the participation of black people in early stage projects that are aligned to national Government policy targeted sectors. 14 projects were approved, together amounting to a pipeline in excess of an estimated R30 billion, with an employment-creation potential of between 150 000 and 200 000 new jobs over the next one to three years. SPF projects have the potential to attract meaningful foreign direct investment into South Africa.
Fund a woman, fund a nation	From inception to date, 21,5% of the NEF's funded portfolio has comprised businesses that are owned and managed by black women.
National Footprint	Opened six regional offices in an effort to ensure a national footprint. These are in Eastern Cape, KwaZulu-Natal, Mpumalanga, Limpopo, Free State and the Western Cape. The Northern Cape and the North West offices will open in the next financial year.
Investor Education/ NEF iMbizo	In order to create awareness of the NEF's products and services and to encourage and promote savings, investment and meaningful economic participation by black people and promote the universal understanding of equity ownership among black people, the NEF went to the North West, KwaZulu-Natal, Mpumalanga and Gauteng, hosting eight seminars in each province. Thus the NEF has been to all nine provinces over the past two years, reaching more than 17 000 people who attended the various seminars. They were educated in how to save and invest, personal financial discipline, shares, dividends, bonds and the property and money markets.
Enterprise Development Fund	Launched the NEF Enterprise Development Fund, which will enable measured entities, in terms of Code 600, to obtain the maximum of 15 points on ED by contributing 3% of Net Profit After Tax (NPAT). The NEF will then directly co-invest in enterprise development initiatives alongside the NEF ED Fund on a 60:40 ratio. A significant development has been entering into an MOU with UK Trade and Investment where a partnership is being developed to target UK-owned subsidiaries in South Africa to develop, through Enterprise Development allocations to the NEF ED Fund, new black-owned enterprises that are able to become new South African suppliers in the value chains of these multinationals.
Post Investment and Mentorship Support	The Post investment unit is now 5 years old and this is a milestone in the history of the NEF. Key performance outputs accumulatively for the 5 years are as follows: • The unit tabled 679 formal investee progress reports • Conducted 1 319 site visits over this period • Spend a massive R14.7m in mentorship support to investees • Facilitated 12 exits totalling R147 162 330 on the investment portfolio. The above achievements have resulted in the unit achieving the highest collection rates and lowest impairment ratio in the history of the NEF.

PERFORMANCE HIGHLIGHTS 31 MARCH 2012

Junior Manager Development Programme	The NEF managed and provided additional financial support to the JIPSA/AFD Junior Management Development Programme, which is an exchange programme for junior South African managers to gain valuable business school training and practical work experience in France. 34 junior managers participated in the first intake, which was followed by 58 in the financial year under review.
Thought-leadership	After having signed a Memorandum of Agreement (MOA) with the Gordon Institute of Business Science in the previous financial year, approving endowment to the value of R1.2 million, the University introduced an academic module on Broad-Based Black Economic Empowerment (B-BBEE) into the MBA programme in order to lead and enhance thought leadership on black economic empowerment and transformation in South Africa. 14 students registered for the course, and 4 public seminars on economic transformation were held.
Entrepreneurship Development	In response to the constraints facing some black entrepreneurs, such as limited management skills, including financial, marketing and technical expertise, 39 potential entrepreneurs were referred by the NEF to the Shanduka incubator programme. Further, 13 delegates attended the Endeavour Boot Camp, which consists of eight modules, with delegates completing four of these in the first phase. The second phase will follow in the next financial year. The Running Business Today saw the implementation of a nationwide training programme where business training was delivered in two regions per province to SMEs.
Financial Sustainability	In parallel with meeting the mandated performance targets, the NEF has maintained financial discipline and prudence with a further unqualified audit opinion on its financial reporting for the year. Financial sustainability has also been upheld, with the NEF being able to report an overall annual portfolio return of 3% after impairment provisioning and write-offs.
Stakeholder Relations	In pursuit of its commitment to transparency and accountability, the NEF has progressively increased its participation in national, regional and local business conferences, exhibitions and civil society initiatives, to bring home the message of a funder with a soul that is continuing to bridge the economic divide. The NEF participated at local and international conferences and exhibitions, seminars and community meetings across the country. As a result, more and more people, according to the brand audit conducted during the course of the year, came to know about the NEF, and growing numbers attended the Investor Education Imbizos. Further, inquiries and applications for funding also increased as a result of the considerable volume of media coverage received, the highest ever in the history of the NEF. According to the brand audit, public awareness of the brand, products and services of the NEF has grown from 16% in 2009 to 25% in 2011, attesting to a greater impact of public relations and marketing activities.
Socio-Economic Development	In order to propel meaningful participation by designated groups especially in the rural economy and in particular for the benefit of women and people living with disabilities, the NEF established the Socio-Economic Development Unit, whose mandate is to facilitate proper establishment of Workers' Trusts, Community Trusts and Co-operatives. This Unit also evaluates the feasibility of foundations or trusts linked or associated with NEF-funded projects. In order to optimize the NEF's Socio Economic impact, the Unit develops best practice in respect of socio-economic and broad based initiatives on an investment-by-investment basis, and facilitates strategic partnerships and alliances with other support institutions.

ABOUT THE NEF

Legislative mandate

Established by the National Empowerment Fund Act No 105 of 1998 (NEF Act), the National Empowerment Fund (the NEF) is a driver and thought-leader in promoting and facilitating black economic participation by providing financial and non-financial support to black empowered businesses, and by promoting a culture of savings and investment among black people. The operations of the NEF are governed by the Public Finance Management Act No 1 of 1991 (PFMA), including the National Treasury Regulations, the King III Report on Governance for South Africa and the Protocol on Corporate Governance in the Public Sector, 2002.

Vision

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

Mission

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

Values (EMPOWER)

ETHICS

MOTIVATION

PERFORMANCE

OWNERSHIP

WORTHY

EXCELLENCE

RESPECT

Strategic objectives and outcome of the NEF

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

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

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

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

FUNDING PRODUCTS AND SERVICES

Funding from R250 000 to R75 million

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

Initial Assessment Criteria

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

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

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

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

How to apply for Funding

Completing the application form

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

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

Non-financial business support

a. Pre-Investment Unit (PIU)

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

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

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

b. Post-Investment Unit (POIU)

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

The unit is responsible for:

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

iMBEWU FUND

iMbewu Fund product information

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

Funding is delivered through the following products:

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

1. Entrepreneurship Finance

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

The key criteria of this product are:

- BEE applicants should be actively involved in the day-to-day management of the business
- Minimum black ownership of 50.1% is a requirement
- Business and/or industry experience by black entrepreneurs is also considered
- The NEF reserves the right to oblige applicants to participate in the NEF mentorship programme where there is lack of business and/or industry experience
- The business should be able to repay NEF's investment
- Business must have a clear value-add with a sustainable business case
- Business should preferably employ minimum of 5 people
- Maximum NEF funding is R10 million
- The NEF will exit from the investment in 5 to 7 years

2. Procurement Finance

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

The key criteria of this product are:

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

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3. Franchise Finance

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

The key criteria of this product are:

- The NEF prefers to fund recognised franchise concepts
- Active management involvement by BEE parties is required
- Minimum BEE shareholding of 50.1% is a requirement
- Transactions will be structured with sustainable capital structure
- BEE party must have been pre-approved by the franchisor before approaching the NEF
- NEF funding generally limited to R10 million
- The NEF will exit from the investment in 5 to 7 years

UMNOTHO FUND

Umnotho Fund product information

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

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

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

1. Acquisition Finance

The key criteria of this product are:

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

2. New Ventures Finance

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

The key criteria of this product are:

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

- Debt funding raised from the market to match equity funding provided by NEF and other project sponsors
- NEF funding limited to R75 million per project
- The NEF investment horizon is 5 to 10 years
- Security to include personal suretyship

3. Expansion Capital

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

The key criteria of this product are:

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

4. Capital Markets

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

5. Liquidity and Warehousing

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

RURAL AND COMMUNITY DEVELOPMENT FUND

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

Sectors to be funded:

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

The key criteria of this fund are:

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

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STRATEGIC PROJECTS FUND

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

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.

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

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

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

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

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

Empowerment Objectives

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

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

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

Stage 2 - Pre-Feasibility Study (PFS): This is the second stage in the development of a project. This objective is to test for fatal flaws in any concept and reduce the options to one concept.

The selected option is then developed in more detail to an extent that all assumptions are qualified and verifiable within 30% accuracy. This covers areas such as marketing, technical packages, Environmental Impact Assessments (EIA), financing structures etc. At the end of the PFS, a base case economic model is used to ascertain the viability of the project and the key risks and possible mitigants are defined.

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

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

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

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

STRATEGIC SECTOR ALIGNMENT

Our Investment Strategy is directed towards the following sectors:

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

CHALLENGES OR MARKET FAILURES

Facing black business in South Africa

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

SCOPING OR CONCEPT STUDY:

This is the first stage in the development of a project. The objective of this phase is to generate and refine ideas into commercially viable business models.

PRE-FEASIBILITY STUDY (PFS):

This is the second stage in the development of the project. The objective of this phase is to assess the business models generated during the scoping phase and select the most commercially viable and executable business model. The selected business model is then developed in more detail so that all assumptions are qualified. This will then confirm the viability of the project and identify key risks as well as define possible mitiganting factors.

BANKABLE FEASIBILITY STUDY (BFS):

This is a key step in developing the project. The objectives of the BFS are to execute material contracts that will minimise the project's uncertainty.

Examples are:

- Concluding a 'lump sum turn-key' (LSTK) contract for the construction of a power plant
- Concluding a 'supply contract for raw material'
- Concluding an 'off-take agreement for purchase of products'
- Receiving a 'positive EIA record of decision'

It is on the basis of the terms in these material contracts that the project will approach financiers to raise the full capital to execute the project.

FINANCIAL CLOSURE (FC):

This involves raising capital as determined by the BFS and once all financing agreements have been executed, the project will have reached a financial closure. SPF at this stage will elect to play a further role by providing Private Equity and/or Project Finance depending on the size of the project.

CONSTRUCTION AND TECHNICAL PHASE (CP):

This is the stage at which the capital is deployed to execute the project. At the completion of this stage the project will be able to operate as an independent company.

REPORT OF THE ACTING CHAIRMAN OF THE BOARD OF TRUSTEES

In the service of a nation

Having been among the earliest to call for the development and support of black industrialists, the National Empowerment Fund (NEF) is gratified that this historic call is at last gaining increasing momentum among the patriots and advocates who are inspired and ignited by the constitutional injunction for South Africa to "heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights", as stated in the preamble.

The history of our republic, which is characterised among other manifestations by the exploitation and exclusion of the black majority from the commanding heights of the economy, compels all democrats to work actively for the decisive participation of black people in the economy. The NEF is privileged to be charged with this mandate, whose successes in this regard are the basic narrative of this Annual Report 2012.

Macro-economic environment

The global economy is going through a difficult time. Recovery from the financial and economic crisis that opened in 2008 remains slow and uneven. Developed and developing economies alike confront weaker growth prospects.

In the face of all this, South Africa has demonstrated resilience. Though our economy is growing more slowly than originally expected, there are encouraging signs of employment growth in the formal sector. Household spending is robust and private-sector investment is also gathering pace. The South African economy grew by an estimated 3.1 per cent in 2011. Gross Domestic Product is expected to slow to 2.7 per cent in 2012 before accelerating to 3.6 per cent in 2013 and 4.2 per cent in 2014 as the world economy recovers, and stronger domestic consumption and investment support increasing job creation.

Empowerment through infrastructure

The challenge before us is to build on our strengths, taking the steps necessary to improve the competitiveness and productivity of our economy to grow more rapidly, create jobs, and reduce poverty and inequality. Government's infrastructure investment plans provide a foundation for the fulfillment of these objectives.

In the much acclaimed budget speech earlier this year, Finance Minister, Mr Pravin Gordhan, announced that the Presidential Infrastructure Coordinating Commission had made considerable progress in identifying projects and clarifying long-term investment plans to drive economic change.

The Minister added that the "Budget Review lists 43 major infrastructure projects, adding up to R3.2 trillion in expenditure. Over the Medium-Term Expenditure Framework (MTEF) period ahead, approved and budgeted infrastructure plans amount to R845 billion, of which just under R300 billion is in the energy sector and R262 billion in transport and logistics projects".

Ms Zukiswa Ntlangula
Acting Chairman: Board of Trustees

The NEF believes that a significant volume of this expenditure must accrue to black entrepreneurs, in order to give effect to Government and South Africa's commitment to growing and transforming our national economy.

A credible institution

The NEF has evolved into a credible and reputable development finance institution which promotes and facilitates black economic participation, and now plays a significant role in securing the rights of black people in major transactions alongside other financiers. In doing so, the NEF specifically seeks to support the initiatives of **the dti**, including the Industrial Policy Action Plan (IPAP), by championing and funding the advancement of black industrialists. It is therefore important to highlight a few key issues in order to contextualise the efforts of the NEF.

Looking forward, the first six months of 2012 are going to be tough for the South African economy, based on the impact of the potential recession in the Eurozone as a current key export destination for South Africa. Thus, state intervention into the economy will be a necessity especially in the provision of capital for new business and business expansion. As a development finance institution, the NEF therefore plays an important role by funding projects which have the potential to boost the economy and job creation.

In particular, the NEF recognises the value of industrialisation in job creation. To date, eighteen per cent of the value of funding provided by the NEF has been invested in the manufacturing and related sectors. The potential impact of the projects which have been funded by the NEF's Strategic Projects Fund, makes a valuable contribution towards the industrialisation of South Africa's economy as well as job creation.

Enterprise Development, as an intervention, is also high on the NEF's agenda, given the launch of the NEF Enterprise Development Fund (NEF ED Fund) in 2011. This fund is not merely focused on earning contributors ED points, but is about the role that contributors (which will be especially multi-nationals seeking equity equivalent alternatives) must play in off-take arrangements and identifying opportunities for new enterprise creation in their own value chains, especially in the light of the recently gazetted procurement designations of local content. The NEF will be looking at ways of how to work within the targeted sectors to enable new black empowered enterprise to take up the opportunities created out of these designations made in the Preferential Procurement Policy Framework Act (PPPFA). The NEF will strive to ensure that contributors to the Enterprise Development Fund embrace elements of the Competitive Supplier Development Programme and that they will provide technical support to all entrepreneurs where contributions are made to the NEF ED Fund.

It is believed that the simplification of the NEF's processes, together with this focus on industrialisation, enterprise development and the promotion of the role of corporates in creating opportunities for new enterprise creation, will contribute to growing the South African economy.

Financial sustainability

The NEF is no longer allocated capital via the MTEF process and is required to sustain itself over the strategic planning period of three years, out of current capital and internally generated portfolio returns.

The controls implemented to mitigate the risks of not attaining this reality involve the continuous highlighting of the capital adequacy risk to **the dti** and the National Treasury, and continuing with the application for re-classification of the NEF from a Schedule 3A Public Entity to a Schedule 2 Major Public Entity. A reclassification will allow the NEF to present a capital-raising plan for the purpose of funding programmes beyond the current strategic planning period

Contribution to national economic development and growth

By focusing on its core objective, which is to promote and support business ventures pioneered and run by black people, the NEF is directly contributing to the promotion of decent employment through inclusive economic growth. This is achieved by funding the creation of new enterprises and funding the expansion of existing businesses, and in doing so, funding the creation and support of new and existing jobs in black-controlled businesses.

Another strategic objective has been to support vibrant, equitable and sustainable rural communities with food security for all, through the NEF's Rural and Community Development Fund. This fund provides funding to rural communities embarking on sustainable business enterprises, especially in the sectors of agriculture and agri-processing.

The responsibility of co-operatives in South Africa has been transferred to **the dti** from the Department of Agriculture, where a Co-operative Enterprise Development Division is fully functional. In addition to the seed capital that is provided by this unit of **the dti**, the NEF's Rural and Community Development Fund then provides supplementary loan finance, which to date has invested R30 million in four co-operatives.

The NEF has also contributed to raising South Africa's competitiveness through its Strategic Projects Fund, which seeks competitive opportunities in the sectors as identified in IPAP and the New Growth Path for the South African economy and the inclusion of black participation in these opportunities at the outset, during feasibility stages, as opposed during equity closure, when it would be at a premium

Africa calls

An important strategic path approved by the Board during the year under review was the assent for the NEF to look favourably on those existing black enterprises that intend to expand their business operations into other parts of the African Continent, as opposed to only funding enterprises that conduct business exclusively in South Africa. Africa has a young, fast-growing and fast-urbanising population. Many countries have benefited from a commodities boom and a 10-fold rise in foreign investment in the past decade, notably from China. Africa's productivity is growing by nearly 3% a year, compared with 2.3% in the US.

South Africa's destiny is inextricably bound to that of the African Continent, and the NEF encourages these pan-African linkages among businesses for mutual and collective benefit.

Supporting SMEs and industrialisation

As part of its mandate to transform the economic landscape of South Africa, the NEF promotes meaningful and effective participation of black people in the economic mainstream. Thus, the NEF will continue to provide financial and non-financial support to small and medium enterprises (SMEs), both for start-up and expansionary purposes, because indeed they generate considerable jobs, skills and economic growth. This is supported by a recent study conducted by Abor and Quartey (2010), which estimates that 91% of formal business entities in South Africa are SMEs, and that these SMEs contribute between 52% and 57% to GDP and provide about 61% to employment.

So important is the SME sector that a significant proportion of the R3,7 billion that has been approved by the NEF to date for black empowered enterprises, has been for the benefit of SMEs. While this must indeed continue to grow, what must also grow with equal impetus is the financing of transactions which portend huge industrial capacity and value for the country. In addition to SMEs, therefore, what our country needs today is for black entrepreneurs to dream of bigger industrial-scale projects, or businesses that have this potential. We envisage the current players in the SME space growing their enterprises into sustainable models of success and graduating into industrialists.

This Annual Report 2012 hopes to inspire movement in that direction, described broadly as the industrialisation of South Africa's economy. It tells the tale of an organisation that has truly come into its own. One which continuously compares favourably against international best practice and is committed to upholding the finest principles of corporate governance.

This is the submission of a Board that serves with an eye on the past and the future. It is a board that, armed with diversity, expertise and depth, emboldened by merit and mettle, takes seriously its privilege to guide an exceptionally ineffable executive core and a staff compliment that is sincere in the obligation to heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights.

These efforts, this commitment, would amount to little without the publicly expressed endorsement of both the executive and legislative arms of Government, current and prospective international partners, the support of the mass media and the public, as enjoyed by the NEF.

Integral and material to these efforts is the distinction of former trustees and in particular that of my predecessor, the inimitable Mr Ronnie Ntuli, a man of infinite wisdom and a prototype entrepreneur who previously described the NEF's achievements as attributable to the "black entrepreneurs in pursuit of whose success we are privileged to serve".

This, is our testimony! This, is the NEF!

Ms Zukiswa Ntlangula
Acting Chairman: Board of Trustees

REPORT OF THE CHIEF EXECUTIVE OFFICER

Growing black industrialists through partnerships

As a socially responsible and patriotic corporate citizen, the NEF in this Annual Report provides a comprehensive account of its performance and impact on society, the environment, and the deployment of the public resources entrusted in its care. For a development financier that demands the highest operational, financial and reporting standards from its investees, it is proper that the NEF should itself uphold exemplary best practice in reporting on the year under review.

The NEF embraces the best-practice recommendations related to integrated reporting as contained in the King III Report on Governance for South Africa, and will endeavour, going forward, to further enhance its integrated reporting process in order to provide "a holistic and integrated representation" of its performance in terms of both finances and its sustainability.

National discourse on economic transformation

South Africa's transformation space is a highly contested terrain, with various stakeholders staking a claim for one policy position or the other in order to give expression to the democratic ethos embedded in the Constitution. These contestations have produced animated and spirited discourse around many issues, and notably the ownership of mineral resources.

South Africa has been exceptionally endowed with diverse mineral resources which are essential for the growth, development and industrialisation of our national economy, and are indeed vital for job creation. It is our considered view that the governance of these finite national assets cannot reside exclusively in the hands of the state through the outcome of a narrow nationalisation process, nor can the status quo continue unabated, where the bulk of the republic's mineral wealth resides in the hands largely of a few white-owned companies. Strategic use of South Africa's mineral energy complex provides the means for reversing the country's historical cycle of poverty, unemployment and inequality, and offers real and meaningful prospects for direct ownership, management and control by black entrepreneurs and communities.

While the NEF's balance sheet alone cannot support black ownership of mining enterprises, what the NEF has begun to do, practically, and in partnership with local financiers such as the Industrial Development Corporation and a range of foreign direct investors, is to harness opportunities, principally in minerals beneficiation.

A case in point is Rare Metals Industries (RMI), a strategic project which involves the establishment of the world's first integrated beneficiation complex of rare earth and light metals namely Titanium, Zirconium, Silicon and Magnesium. RMI intends to establish such a chemical refinery plant in South Africa at a cost of approximately R15 billion, which will be able to extract the pure metals and add substantial value to the minerals South Africa exports. The proposed complex for the location of the plant is expected to be at Saldana Bay in the Western Cape.

Ms Philisiwe Buthelezi
Chief Executive Officer

In the South African context, specialist minerals such as iron ore, copper and cobalt are typically mined locally and shipped to international markets primarily in raw form. Multinationals further beneficiate the minerals and in certain instance produce finished goods such as super alloys, which are then sold to global markets including South Africa, at increased prices.

Whilst beneficiation levels in minerals such as PGMs, gold and vanadium are relatively high, averaging above 70%, beneficiation in tiomin (titanium raw ore) magnesium and also chrome is low (below 40%) pointing to a need for targeted beneficiation intervention measures in the said minerals. This plant will enable South Africa to create downstream beneficiation clusters, with the NEF's shareholding being warehoused for eventual on-selling to black entrepreneurs at entry-level value.

While policy discourse is vital and must continue the search for a path that will see South Africa and Africa, take a rightful and coveted place as equals among the leading nations and continents of the world, so too must the implementation of such policy begin in earnest. The NEF, for its part, is well on its way towards charting such a path.

Growing Black Industrialists through Partnerships

It is in this context that the NEF can confidently declare that its systems, processes and balance sheet have gained such traction as to make it ready to grow black industrialists through partnerships, which is the theme of this year's Annual Report.

It is an aspiration that is informed by the knowledge that there are many entrepreneurs, black and white, who are ready to tackle our country's huge industrial backlog by pursuing opportunities in the economic value chain in critical infrastructure and industries, through existing and new enterprises.

In order to give effect to Government's injunction regarding the need for the country to maximise job creation, concrete work has gained momentum in the NEF's Strategic Projects Fund (SPF), a Unit of the NEF mandated to bring about the participation of black people in early-stage projects that are aligned to national Government policy.

The SPF seeks 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 financial closure or late stage of the development of projects. To date the SPF has approved 27 transactions in its SPF division for feasibility studies, with a further 15 projects in the pipeline.

The total SPF portfolio size is approximately R30 billion with projects from infrastructure, green economy and mineral beneficiation. Should the NEF take up its rights to invest in those projects, the NEF investment required will be some R4,3 billion. The time required until full closure of the projects is from 3 to 5 years, and will create between 150 000 to 200 000 new decent jobs.

In this regard the NEF uses a sector-targeted approach in developing its portfolio, including renewable energy, tourism, mining, minerals beneficiation, agri-processing, business process outsourcing and infrastructural projects.

Fund management

The fund management environment comprises four funds that report to two divisional executives. One is the Venture Capital and Corporate Finance Division, which houses the uMnotho Fund and the Strategic Projects Fund, while the SME and Rural Development Division is home to both the iMbewu Fund and the Rural and Community Development Fund.

Charged with the responsibility for executing the mandate to provide financial and non-financial support to black entrepreneurs, the fund management function of the NEF achieved a commendable landmark, having approved a cumulative R3,7 billion of funding for black-empowered enterprises, with cumulative disbursements of R2.7 billion.

The NEF reached the milestone this financial year of approving in excess of R1 billion of transactions in one financial year:

- 98 transactions worth R1.16 billion were approved compared to 2011, which reported 62 transactions worth R749 million
- 73 transactions worth R620 million reached the disbursement stage, compared to 49 worth R552 million in 2011
- The highest amount of draw-downs ever against facilities took place at R596 million, which represents 90% of disbursement facility value

The targets against which these results were achieved, as well as the individual performance by each respective fund, are detailed within the Report on Performance Information in the tables of Performance against the Annual Performance Plan.

Business-planning and entrepreneurial development

The port of entry at the NEF for entrepreneurs requiring funding is the Pre-Investment Unit, which continues to provide a spirited and enthusiastic client liaison, amid constraints such as incomplete documentation by applicants, slow submission of relevant and pertinent information, and poor quality of business plans. This unit successfully processed 4 593 enquiries and screened 1 718 applications, which translates to increases of 67% and 69% respectively, compared to the same period in 2011.

The unit experienced a significant increase in enquiries and applications, which is testimony to the growing recognition of the NEF as a financier of choice for black entrepreneurs.

The implementation of the Entrepreneurial Development Strategy commenced in the second quarter of the year with some resounding successes noted to date, as recorded in the Trustees' Report. Additionally, the Business Planner Tool, which is an online step-by-step guide for aspiring entrepreneurs wishing to complete business plans, together with financial projections, has enjoyed continued growth in popularity and utility, with some 9 700 registered users to date. The service is available free to the public from the NEF's website.

Mentorship support

Once funded, NEF investees receive after-care support from the Post Investment Unit, which is responsible for on-going portfolio management, mentorship and technical assistance, collections management and credit control, as well as active board representation on larger investments.

The Unit, which turns 5 years old on 1 July 2012, had a very successful year with seven major turnarounds. The original disbursed value of these deals total more than R279 million. If these businesses were not rescued, the NEF's impairments would have almost doubled, and 996 jobs would have been lost.

The Unit is well into implementing Chapter 6 of the New Companies Act, which relates to business rescue. The mentorship programme has been highly successful as evidenced by the containment of our overall impairment ratio at 12%.

The average year-to-date collection rate, as a percentage of instalments raised, including additional and catch-up payments is 97%, which must be viewed against the harsh economic climate that most businesses are currently operating in. The NEF investment portfolio now boasts an average risk rating of 46%. This must be seen against the fact that by number, 64% of the NEF's investments are start-up or early stage businesses. This confirms the fact that we are delivering on our mandate.

By March 2012 the Unit had concluded more than 385 site visits, and prepared 188 reports for the 10 Portfolio Management Committee (PMC) meetings. In total, 60% of the Portfolio required mentorship interventions while a total 107 interventions were effected.

Provincial representation

The NEF now enjoys direct and meaningful operational presence in six provinces: KwaZulu Natal, Western Cape, Eastern Cape, Free State, Limpopo, and Mpumalanga. The North West and Northern Cape will follow in the next financial year.

We expect the NEF's invested presence in these provinces to gain greater impact going forward. These offices will be launched in association with the respective Provincial Governments and other stakeholders, in the course of the next few months, which will see the necessary local marketing support rolling out, in order to profile the NEF's presence, products and services to the local business communities.

Socio-economic development

In order to drive meaningful participation by designated groups, especially in the rural economy and in particular for the benefit of women and people living with disabilities, the NEF established the Socio-Economic Development Unit, whose mandate is to facilitate the establishment of Workers' Trusts, Community Trusts and Co-operatives. This unit also evaluates feasibilities of foundations or trusts linked or associated with NEF funded projects. In order to optimize the NEF's Socio Economic impact, the Unit develops best practice in respect of socio-economic and broad based initiatives on an investment-by- investment basis, and facilitates strategic partnerships and alliances with other support institutions.

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A culture of savings and investment

The NEF continues to pursue its mandate of promoting a culture of savings and investment amongst black people, with growing momentum.

Investor education

In this regard the NEF hosted Imbizos across four provinces, namely North West, KwaZulu Natal, Mpumalanga and Gauteng. This campaign enabled the NEF to bring more and more black South Africans, who are defined by law as Africans, Coloured and Indian people, into the economic mainstream by encouraging them to save and invest in the various asset classes which the economy has to offer.

This objective is part of the larger mandate of promoting and facilitating black economic participation. In total, the Imbizos facilitated 76 seminars over two years across nine provinces, with more than 17 000 black participants attending the community imbizos. Participants were educated on how to save and invest, personal financial discipline, shares, dividends, bonds, the property and money markets, among others.

Enterprise Development Fund (ED)

An important breakthrough was the launch of the Enterprise Development Fund (ED) on 6 July 2011. The NEF ED Fund is aimed at assisting South African corporations to contribute towards the development of SMMEs. Enterprise Development is a key element of the Codes of Good Practice identified in the Broad-Based Black Economic Empowerment (B-BBEE) Act of 2003. The NEF has subsequently identified an opportunity to partner with and provide a mechanism to the private sector, for delivery of sustainable B-BBEE solutions to black enterprises at an accelerated pace. The opportunity entails private sector enterprises making their ED contributions to the NEF ED Fund, and the NEF utilising these contributions to co-finance its investments in ED beneficiaries, in order to facilitate their development, financial and operational independence.

Asset Management has engaged with 15 corporates on ED, building meaningful relationships and prospects for the one Code of Good Practice that has enjoyed the least priority to date. In this regard, Chrysler South Africa (Pty) Ltd have committed their ED contributions to the NEF ED Fund.

A significant development has been entering into an MOU with UK Trade and Investment where a partnership is being developed to target UK owned subsidiaries in South Africa to develop, through Enterprise Development allocations into the NEF ED Fund, new black owned enterprises which are able to become new South African suppliers in the value chains of these multinationals.

Financial management integrity

Once again the NEF is able to report on the basis of an unqualified audit opinion for the year ending March 2012. This means that the NEF continues to demonstrate adequate financial management competency, integrity and controls as well as good corporate governance as outlined in another first, the Report of the Chief Financial Officer in this Annual Report.

The NEF prides itself on the fact that its accounting disclosures compare most favourably to local and international best practice in relation to commercial investment banks and funds.

Supply chain management

In the furtherance of promoting black suppliers within the rigorous requirements of supply chain management regulations, during this financial year the NEF appointed SizweNtsalubaGobodo Incorporated, a 67.60% black-owned entity with 10.90% black-women ownership, as our External Auditors. Also appointed was Nkonki Incorporated, a 100% black-owned and 51% women-owned company, as our Internal Auditors.

Travel with Flair, with 55% black-women-owned shareholding, has been appointed as the NEF's new travel agent. Another 100% black-owned company with 51% black-women ownership, Reakgona Cleaning Services has come on board as the NEF's hygiene services provider, whilst Entuthukweni, a 100% black-women-owned company, has done a wonderful job as caterers to the NEF. Hlanganani Protection, one of the few larger 100% black-owned security companies, is the NEF's security-service provider.

A detailed Report by the Procurement Committee is contained in this publication.

Risk Management

The global financial crisis is having a huge impact on the business environment, with asset valuations declining and energy and commodity prices fluctuating. Financial crisis in the Eurozone countries could lead to a recession in the Eurozone and a slowdown in global economic growth. The Eurozone countries are a key market for South African manufactured goods and any slowdown in economic activity would negatively impact on the South African economy.

Significant Government interventions in the financial sector have prevented even greater calamity, but great uncertainty still lies ahead. It is thus critical for organisations to form a strategic view of all risks that they face, including their probability of their occurring and actions to be taken to mitigate these risks.

A recent PWC survey on economic crime showed that South Africa and Kenya recorded the highest levels of economic crime among 78 countries surveyed in the past year. The NEF plays a significant role in, and puts emphasis on, the identification and management of risk and these measures are discussed comprehensively in the Report of the Risk and Portfolio Management Committee in this Annual Report.

In light of recent risk events and increase in economic crime, the NEF continuously reviews its risk management practices and fraud prevention strategies to ensure that it remains at the forefront of risk management and governance in the DFI environment.

The NEF has zero-tolerance for corruption and remains committed to upholding the principles of corporate governance and adherence to the rule of law.

The NEF's systems and processes are robust and dependable. Having diligently implemented these systems and processes for the purpose of uprooting and curbing corruption, malfeasance and dishonesty, whether attempted by employees, investees, suppliers or any other stakeholder, we can assert that the institutional and operational integrity of the NEF is solid.

Internal Audit

The internal audit department is pivotal in performing and coordinating the assurance activities throughout the NEF over controls implemented to mitigate identified risks.

The NEF's relationship with Nkonki has enabled the NEF to create a stronger control environment, ensuring good corporate governance and providing assurance to the Board.

International Relations

As the custodian of B-BBEE and a leading empowerment funder, the NEF is well-positioned to champion international understanding of the Codes of Good Practice as instruments for transformation and empowerment. The NEF is privileged to have interacted with a range of international stakeholders for this purpose.

The dynamic industrial projects which the NEF and its partners have developed in the SPF environment in order to realise economic growth and to create new manufacturing capacity, offer potentially lucrative value and opportunity to international investors willing to become partners in South Africa, which is one of the most sophisticated and promising emerging markets globally.

Further, these interactions offer the opportunity to position the NEF as a facilitator of partnerships between foreign investors and local black entrepreneurs, who could include the NEF's investees. These relations also provide the opportunity for NEF investees to trade their goods and services abroad, and has the potential to further impact their growth and expansion.

Open and accountable communication

The NEF has achieved its highest volumes of media coverage to date, having registered R25,1 million worth this year. These statistics are compiled by an independent service provider and industry leader, and are verified by internal audit processes.

During this period the NEF also embarked on its biggest ever outdoor media campaign, comprising 48 billboards countrywide. A significant volume of these efforts was concentrated in relatively less affluent provinces as part of the NEF's continuing commitment to spreading its reach evenly across the country.

Information Systems and Technology

The cutting edge technology in which the NEF has invested will enable maximum up-times and accurate reporting, including ease of use and access to data regardless of device or location.

The NEF is constantly testing and measuring its systems to ensure data security by means of disaster recovery, penetration testing, health-checks and audits.

Human Capital Development

The NEF appointed a total of 52 new employees from 1 April 2011 compared with 20 for the same period in the previous year. The NEF staff complement has now grown to 146 employees, made up of 157 permanent employees and two trainees. A large undertaking was the recruitment and staffing of six regional offices

In terms of employment equity, the NEF employs 98% black and 57% female employees. A significant characteristic in the NEF's demographics is that the female participation at management level has grown by 10%.

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

A major milestone reached was the successful launch of the Values and Culture Programme in November. The journey began with an Executive Leadership Conversation where the EMPOWER acronym was developed. This was followed by the Values Champions Empowerment session and thereafter the NEF focus sessions where all employees were involved in the Values Conversations. All these activities culminated in the launch of the corporate values, whose acronym is EMPOWER, and which translates to Ethics, Motivation, Performance, Ownership, Worthy, Excellence and Respect. These are the stepping stones on which the NEF will continue to build the ethos of a funder with a soul, a fortress that has now become the home of hope for black entrepreneurs.

The year also saw 58 Junior Managers from South Africa going to Paris on the Junior Management Development Programme. Given South Africa's focus on education and skills development, the NEF is pleased with its partnership with the Chamber of Commerce and Industry of Paris (CCIP) and the Agence Française de Développement (AFD), which to date has resulted in almost 100 South Africa Junior Managers being trained over six weeks in France's leading companies.

In addition, during the Take a Girl Child to Work Day initiative, a total of fifteen young girls from the Free State, Eastern Cape, Limpopo and North West provinces were hosted by the NEF, Standard Chartered Bank and the Office of the President, in order to inspire and ignite the dreams of young girls so that they may begin, at an early age, to imagine themselves as builders and leaders of a winning nation.

Appreciation

We are immensely proud of the exceptional and consummate leadership of the Board of Trustees. The NEF is particularly indebted to its former Chairman, Mr Ronnie Ntuli, a visionary leader who steered the NEF with distinction from November 2005 to end October 2011, to leave behind a mature and seasoned organisation. An exceptional entrepreneur in his own right, and a leading proponent of economic transformation, Mr Ntuli brought stature, intellect and dignity to the NEF, and was one of the many pillars that helped shape and grow its image and reputation. His work will continue to bring pride and glory to South Africa and the continent.

We are privileged to acknowledge the sterling support and guidance of the Government in general, and in particular the Presidency, the Ministers, Deputy Ministers, the Director General and staff of **the dti** and National Treasury, as well as Parliament, for the benefit of their collective wisdom, guidance and oversight.

The stakeholders to whom the NEF is thankful include our remarkable staff and executives, organised business and the mass media for believing in the prospect of a prosperous and inclusive economy. We bid a reluctant farewell to the former Chief Financial Officer, Mr Andrew Wright, an industrious, resourceful and steadfast professional who has served the development finance sector for over 12 years, 8 of which were spent at the NEF.

Mr Wright rose through the ranks and served in various capacities, including as an Investment Associate, Chief Operating Officer, Chief Financial Officer, and ultimately, as a Trustee. We are also grateful to the family of investees whose courage and entrepreneurial spirit is the energy that fuels our mandate, and whose resolve to grow our economy we execute in daily and patriotic service. May your successes glow forever.

Ms Philisiwe Buthelezi
Chief Executive Officer

> *Our duty is to deal a decisive blow on poverty, inequality and unemployment. It is to grow our economy in a manner that promotes job creation and inclusivity.*
>
> President Jacob Zuma,
> Addressing BMF Annual Corporate Update, 06 July 2012.

TRUSTEES' REPORT ON PERFORMANCE INFORMATION FOR THE YEAR ENDING 31 MARCH 2012

CONTENTS

1. NEF's approach to reporting on performance information

2. Programme Performance

3. Performance Results achieved against the Annual Performance Plan

> *We are... concerned that the developing world, especially Africa, has a limited voice and participation in the decision and policy-making processes of the global trade, economic and financial institutions.*
>
> Deputy President Kgalema Motlanthe,
> Address to the Council of Foreign Relations in Berlin,
> 08 May 2012.

1. NEF's approach to reporting on performance information

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

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

As an agency of **the dti**, the NEF is tasked with a mandate for the successful implementation of B-BBEE. The overall B-BBEE score, as calculated in terms of the B-BBEE Codes of Good Practice, is therefore used as a principal measure of the contribution that the black empowered business under consideration for funding is going to make to the furthering of B-BBEE. This score, along with subsequent progress in meeting B-BBEE targets in the transaction, are evaluated at the date that funding is approved as well as subsequent to this through the post investment monitoring function of the NEF.

Overall targets in respect of B-BBEE are not specifically set for the NEF for the year as this score is used in order for these transactions to qualify for the minimum eligibility criteria that are in place for each product offering.

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

- **Participation by black women** – the NEF emphasises the empowerment of women by providing for an additional weighting for participation by black women. The target and KPI for women's participation is 40% of the BEE ownership level supported in each transaction.
- **Job Creation** – The contribution to employment creation and the number of jobs created per rand invested or jobs sustained through investment in expansion- type activities. The NEF had set a target of 8 800 jobs for the 2011/12 year.
- **Investment in Priority Growth Sectors** – The number of investments facilitating black ownership and control of existing and new enterprises in the priority sectors of the economy as identified by the New Growth Path and the National Industrial Policy Framework (NIPF) and Industrial Policy Action Plan (IPAP).

The current invested portfolio as presented in Figure 5 on page 26 demonstrates the alignment to the policy targeted sectors listed above.

The NEF continues to spread its investment across a wide range of sectors, including the priority growth sectors. There have been very slight movements in investments across each sector. The NEF's largest investment is in the services sector (14%), followed by construction and materials (13%), transportation (8%) and manufacturing (7%). The investment in agro-processing is 6% of disbursed funds.

- **Geographic Spread** - Geographic spread of investments and contribution towards increased economic activity in areas of regional economic disadvantage. Targets in terms of geographic spread are set to attempt to increase investment in areas of regional economic disadvantage.
- **Investment Return** - The real return that each Fund realises on capital employed, after the impairment ratios experienced for that fund, as a combined measure of debt, equity and quasi-equity invested. Targeted investment return targets are 12%. It is planned to contain the impairment ratio to 17% in 2011/12 for the portfolio life to date.

The overall impact as measured against the Empowerment Dividend has decreased as a result of the declining participation by women shareholders and due to the decrease in the number of jobs supported. This is despite the NEF providing for additional weighting for these elements.

The NEF will increase its marketing efforts in order to encourage black women to apply for funding from the NEF. With regards to job creation, the NEF has noted an increase in the average job investment ratio over the last few years and compared to budget, which translates into more money being invested per job created. This is a function of the nature and operational requirements of the transactions being funded. The NEF is aware of the need to focus on job creation and sustaining investments and it is anticipated that the number of jobs created should be higher for transactions in employment intensive sectors, such as the priority growth sectors identified by IPAP2 and the New Growth Path. These sectors will therefore continue to be targeted for funding going forward.

The opening of the regional offices, has broadened the NEF's footprint which has resulted in a relative increase in investment in KwaZulu-Natal, Mpumalanga, and Limpopo. The NEF will continue to encourage investment in economically disadvantaged regions.

> *"Fronting and tender abuse is an unintended consequence of an emphasis on diversity of ownership and senior management in implementing broad-based black economic empowerment."*
>
> President Jacob Zuma,
> New Amendment Bill Launch,
> GCIS Offices, Pretoria, 26 June 2012.

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The NEF's organisational structure was revised in the 2011/2012 financial year. The re-organisation improved operational efficiencies of its core Fund Management Division and follow best-practice governance structures. The revised organisational structure is now as depicted below:

Figure 1: NEF Organisational structure

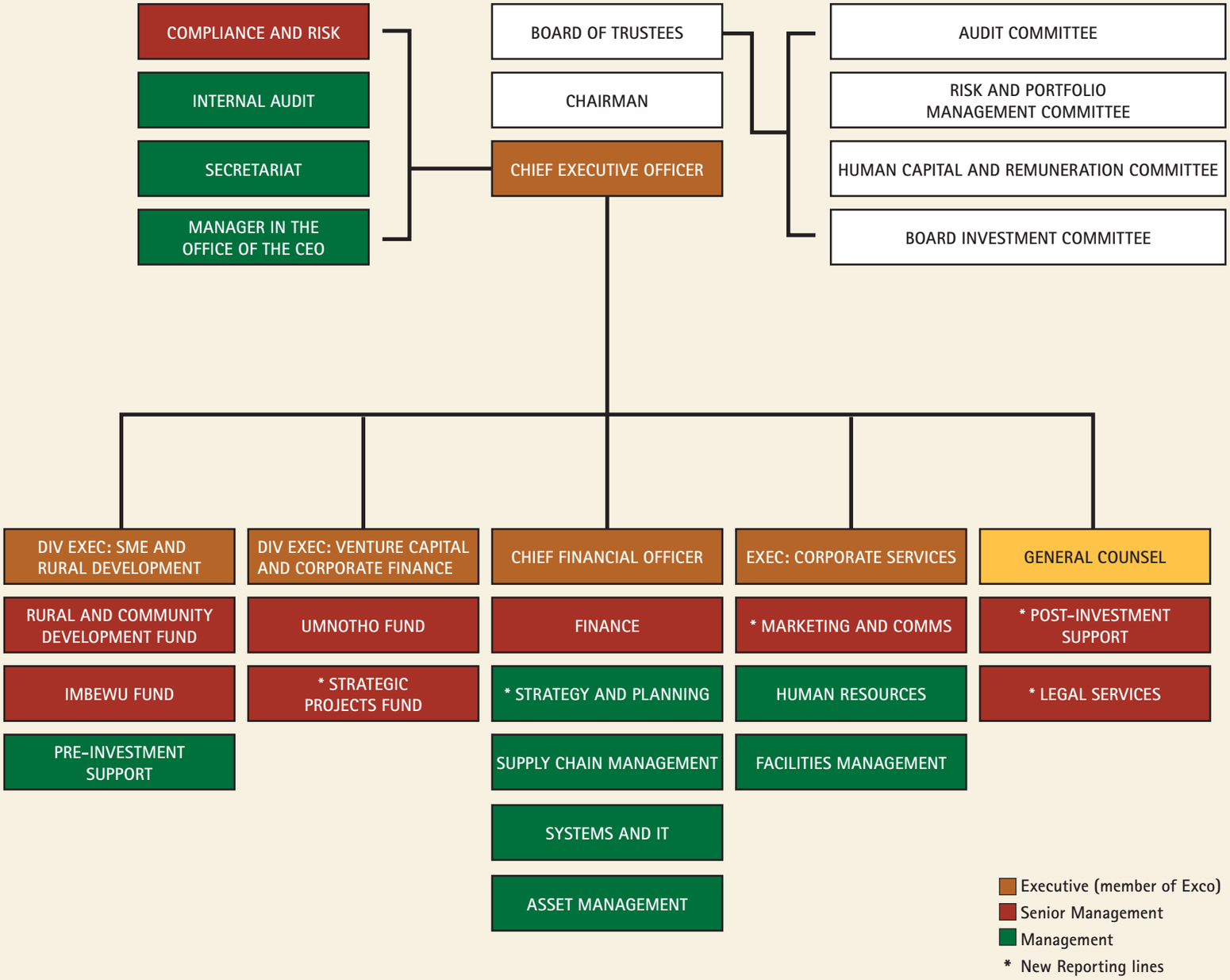

Table 1: NEF Investment Performance: Approved Deals

Period	NEF APPROVED DEALS					
	Value Approved in Period	Target Value of Approvals for Period	Cumulative Value Approved as at relevant date	Number Approved	Target number of Approvals for period	Cumulative Number Approved as at relevant date
March 2004	R 5 million	-	R 5 million	1	-	1
March 2005	R 30 million	-	R 35 million	16	-	17
March 2006	R 357 million	-	R 393 million	54	-	71
March 2007	R 205 million	-	R 598 million	23	-	94
March 2008	R 128 million	R 587 million	R 726 million	23	75	117
March 2009	R 329 million	R 687 million	R 1,055 billion	46	74	163
March 2010	R 749 million	R1,020 billion	R 1,804 billion	61	77	224
March 2011	R749 million	R835 million	R2,553 billion	62	70	286
March 2012	R1,162 million	R897 million	R3,716 billion	98	115	384

Table 2: NEF Investment Performance: Disbursement Facilities

Period	NEF DISBURSEMENT FACILITIES					
	Value Disbursed in Period	Target Value of Disbursed for Period	Cumulative Value Disbursed as at relevant date	Number Disbursed	Target number of Disbursed for period	Cumulative Number Disbursed as at relevant date
March 2004	R 5 million	-	R 5 million	1	-	1
March 2005	R 20 million	-	R 25 million	10	-	11
March 2006	R 251 million	-	R 276 million	52	-	63
March 2007	R 219 million	-	R 495 million	23	-	86
March 2008	R 203 million	R 450 million	R 698 million	31	60	117
March 2009	R 279 million	R 525 million	R 977 million	43	69	160
March 2010	R 549 million	R 950 million	R 1,526 billion	48	67	208
March 2011	R552 million	R 710 million	R 2,078 billion	49	62	257
March 2012	R620 million	R750 million	R2,698 billion	73	95	330

Please note: The disbursement values listed here are the disbursement facilities during each financial period. This will differ from the actual advances made against disbursement facilities.

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Figure 2: NEF Approved and Disbursed deals by value from inception to 31 March 2012

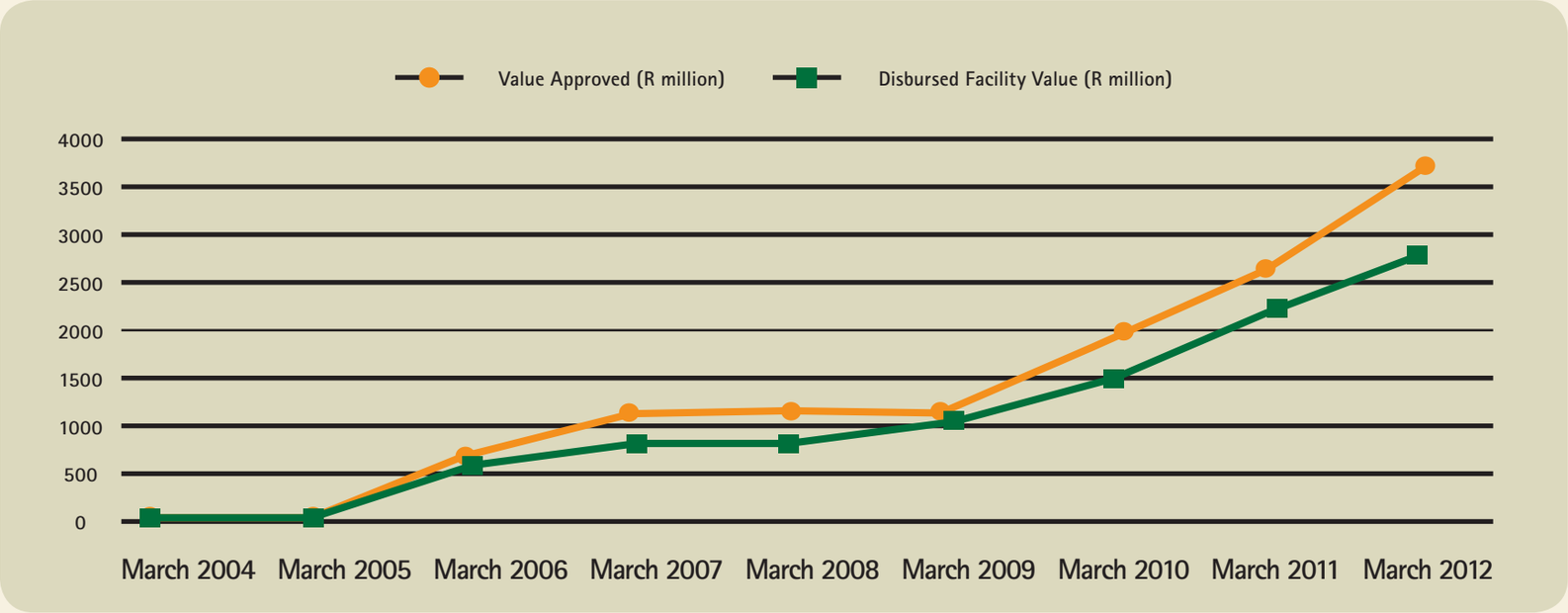


Figure 3: NEF approved and disbursed deals by number from inception to 31 March 2012

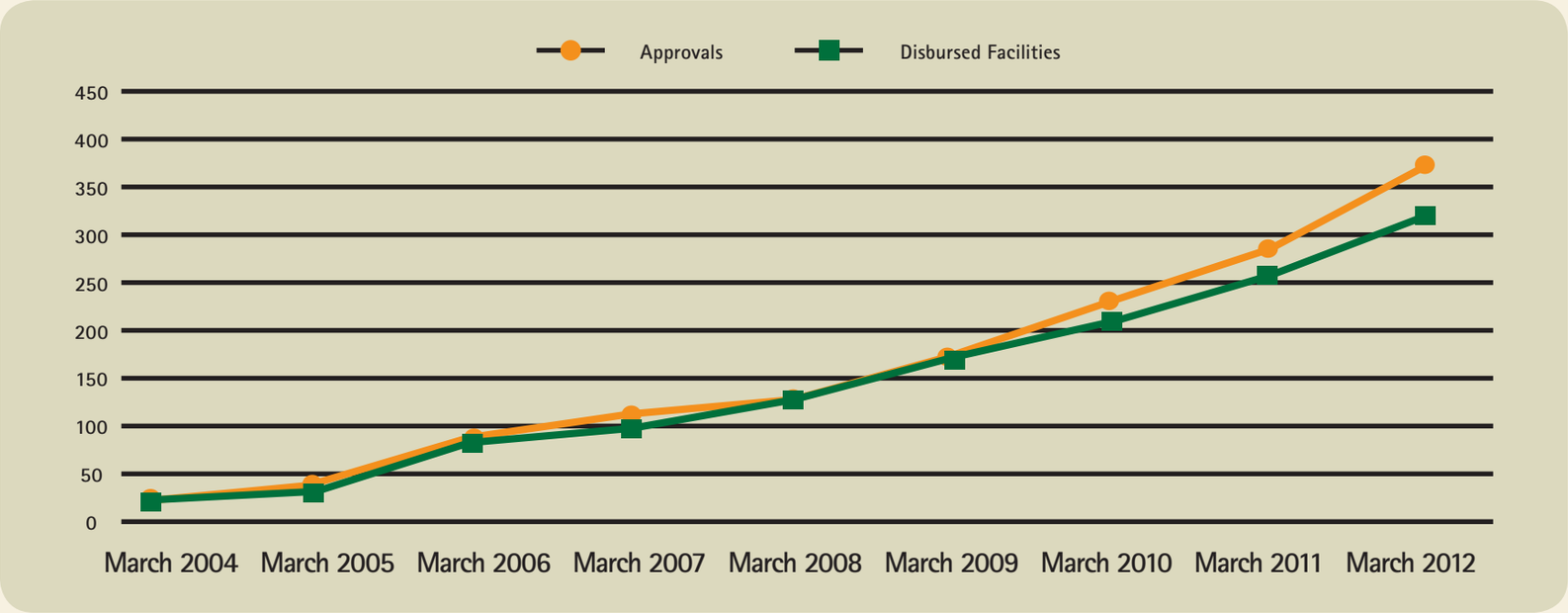
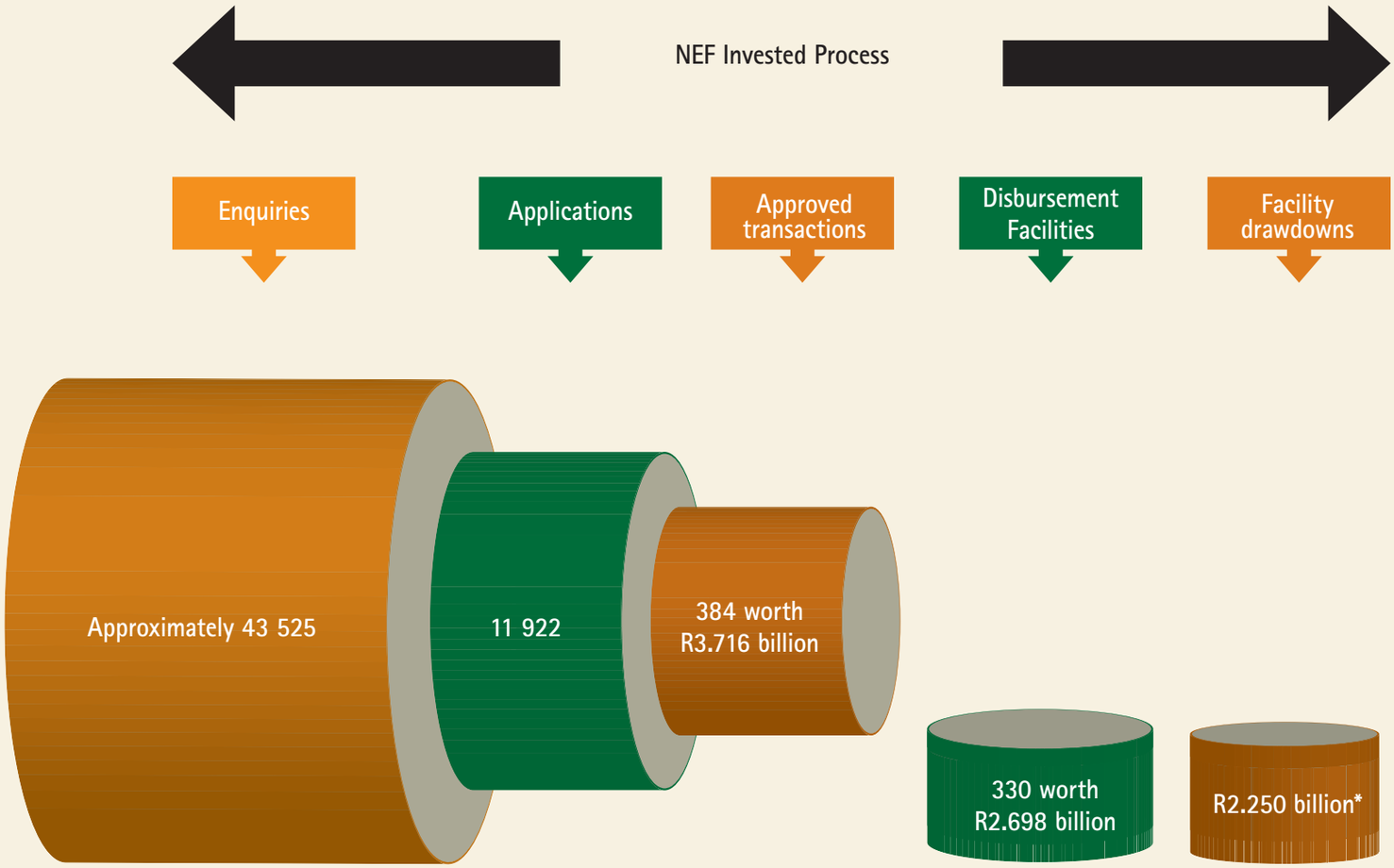


Figure 4: NEF Invested Process from inception to 31 March 2012



* Facility drawdowns excluding write-off from inception

> *The Government has deployed a range of complimentary and integrated measures to grow the economy and create jobs and IPAP 2012–13 is one of the key pillars of this broader approach.*
>
> Minister Rob Davies,
> On the launch of Industrial Policy Action Plan at NEF offices, 29-March-2012.

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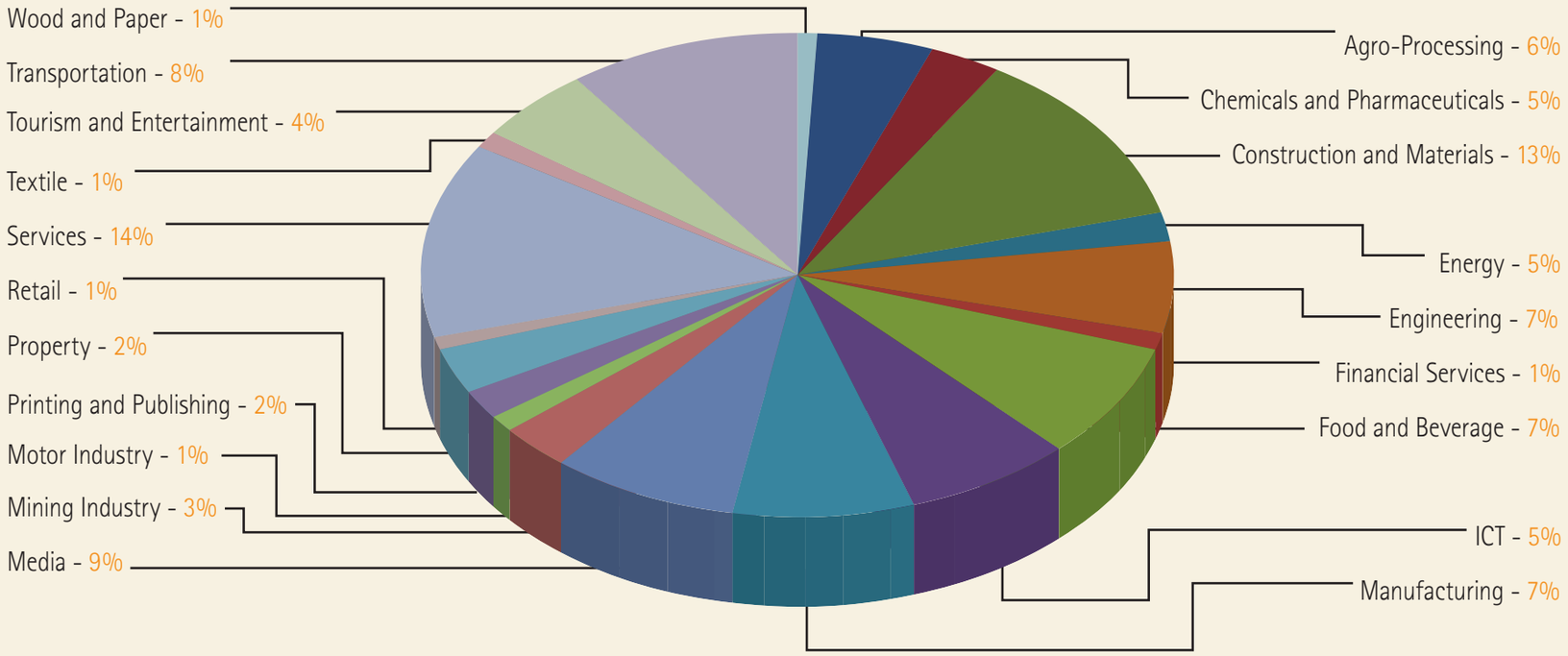
Figure 5: NEF investment by sector from inception to 31 March 2012



> *2012 must highlight the policies and environment needed within which production, investment, and job creation can flourish.*
>
> Minister of Finance, Pravin Gordhan, Budget Speech in Parliament, 21 February 2012.

Figure 6: NEF investment by province from inception to 31 March 2012

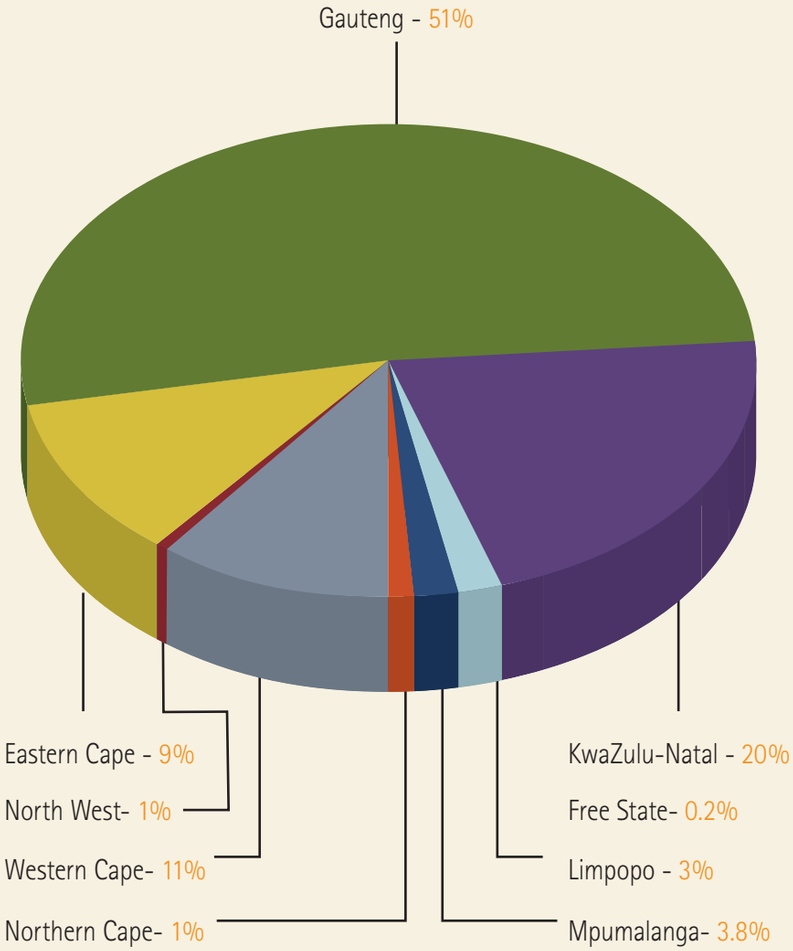
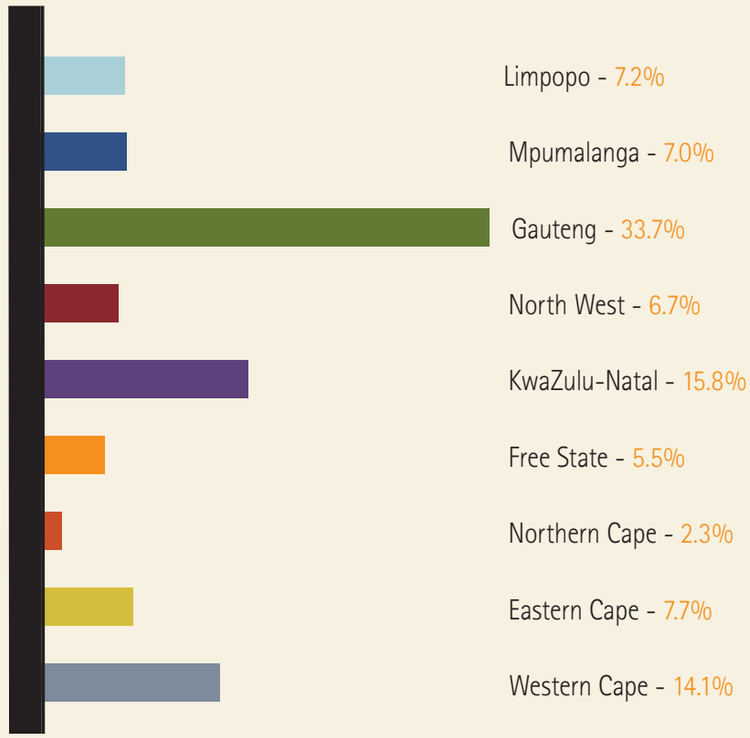


Figure 7: GDP contribution by province – 2010



Source; StatsSA (November 2011);
Gross Domestic Product, Third Quarter 2010

> *The NEF measures and assesses its impact not only on the basis of financial return, but in accordance with what is referred to as the Empowerment Dividend, which is the developmental impact of the NEF's investment activities that has to manifest itself in measurable results over and above only financial return.*
>
> Report of the Trustees, 2012.

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2. Programme Performance

The NEF's mandate is to serve as Government's funding agency in facilitating the implementation of B-BBEE in terms of the codes of good practice. In order to achieve this mandate, the NEF provides financial and non-financial support to black businesses via seven core programmes; the achievements of which are outlined in table 3 below.

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

- Umnotho Fund
- Strategic Projects Fund
- iMbewu Fund
- Rural and Community Development Fund

Non-financial support has comprised mentorship support, investor education, and entrepreneurship development. Mentorship support is provided to investees in cases where the investees need to improve either their general management or technical skills. This programme is managed by the Post Investment Unit, whose role is to monitor the performance of the NEF's portfolio. Investor education has comprised the hosting of over 72 seminars across provinces during the last two financial years. The educational seminars have provided communities with information on savings and investments. Entrepreneurship Development is a new programme being run by the Pre-Investment Unit. It comprises the provision of training to entrepreneurs as well as the referral of qualifying entrepreneurs to incubation programmes, which can help nurture the entrepreneur's business ideas into feasible business opportunities.

The organisation's strategic objectives have been listed in the table on page 30, which provides an overview of the organisation's strategy.

The NEF has not received a budgetary allocation from National Treasury, and relies on current capitalisation in order to achieve its mandate. The key performance indicators set over the medium term will fully utilise current remaining capital under management. Any reduction in this capitalisation will have a negative effect on the targets set for the MTEF period and the ability of the organisation to meet the financial means required to achieve its targets.

Table 3: Key achievements

Programme	Indicator	Approved (R)	Disbursed (R)
		2011/12	2011/12
Umnotho Fund	Value of transactions approved and disbursed	R498.5 million	R253.6 million
Imbewu Fund	Value of transactions approved and disbursed	R175 million	R104.9 million
Rural and Community Development	Value of transactions approved and disbursed	R107.9 million	R59.1 million
Strategic Projects Fund	Value of transactions approved and disbursed	R381 million	R202.6 million
Total		**R1,1624 billion**	**R620,1 million**

3. Performance Results achieved against the Annual Performance Plan

The NEF's performance results, together with the targets set for the financial year, are presented in the table on page 30.

Targets for the 2011/12 financial year were set during the strategic planning process which took place in the latter half of the 2010/11 financial year. Approval and disbursement targets, set by the Board of Trustees and agreed to by the funds at the time, were based on an analysis of fund performance together with certain expectations that activity levels would grow in line with the economy. In reality, the average deal size approved has been higher than that originally anticipated, with approval targets being exceeded by value in three of the four funds.

The total number of deals approved has, however, been below target, mainly as a result of the volume of deals anticipated not being realized in the SME and Rural Development Division. Approvals have also been affected by the continuing focus on quality of deals in order to improve the fund sustainability and more time being spent on due diligence of applications. This has resulted in a low approval rate of 4.4% relative to the number of applications received.

Once funds have been disbursed, investees are required to abide by various terms and conditions, including payment terms and reporting requirements, amongst others. The NEF's Post-Investment Unit takes up the responsibility for monitoring the performance of investees in order to, firstly, provide non-financial support to entrepreneurs as required, and, secondly, to monitor portfolio performance. Monitoring and oversight is provided in the form of site visits, during which investment professionals take time to understand the investees business and to discuss the performance of the venture. Should there be a need, non-financial support in the form of mentorship will be provided to the investee. Qualified individuals identified by the NEF will then be assigned to mentor the investee. Mentorship can take the form of technical support, the transfer of general business management skills or relevant support as required by the investee. During 2011/12 the NEF implemented more site visits, and engaged in more mentorship activities than planned. The level of engagement with investees has been more intense than anticipated.

The NEF is mindful of the need to encourage job creation, given the high unemployment rate experienced in South Africa. It is therefore of concern that the NEF supported fewer jobs during 2011/12, than during the previous financial year, even though the total disbursed during 2011/12 was higher. The average job investment ratio for the support of new jobs appears to be rising.

One of the methods of addressing the unemployment problem is to encourage entrepreneurship, which we do by providing financial and non-financial support, thereby encouraging applications for funding from the NEF. The expansion of the NEF's presence across all provinces is an attempt to facilitate access to funding by black entrepreneurs from anywhere in South Africa. The NEF has expanded its presence to cover seven of the nine provinces in South Africa, and we are committed to increasing the value of the NEF's portfolio in provinces which have a greater social and economic need.

The NEF's Asset Management division has hosted a number of investor education seminars across four provinces in an effort to encourage savings, investment and meaningful economic participation by black people. These seminars focus on educating communities about the importance of savings, as well as about savings and investment vehicles. The seminars are open to the general public and are held in community centres in order to reach people who may not ordinarily have the advantage of accessing this information. The seminars have been well attended and have served a dual purpose of enabling the NEF to reach new audiences for the purpose of encouraging entrepreneurship.

In addition to hosting the investor education seminars, the Asset Management Division is responsible for developing new products. At the close of the financial year, the division was investigating the feasibility of two new products, which will be presented to Exco and the Board for approval during the new financial year.

Media coverage during the year has far exceeded our expectations due to the launch of the Enterprise Development Fund, together with the publicity received from international engagements and the awards bestowed upon the NEF's CEO, Ms Philisiwe Buthelezi.

The launch of the Enterprise Development Fund took place in July 2011, and the NEF has secured one contribution to the fund. The response to the fund has generally been positive, especially from multinational companies, with private sector organisations being very supportive of the fund in principle. We have found that organisations have been slower to commit funding for various reasons. It is likely that measured entities may be more inclined to commit funding to the NEF ED Fund, based on the proposal to increase the weighting of ED in the Codes of Good Practice.

The NEF strives to improve public confidence and the demand for the NEF's products and services, and to reduce the number of complaints received from our stakeholders. The number of complaints has been limited to only 1.3% of all applications received, against a tolerance level of 3%, even though the number of enquiries has increased during the year. Complaints are mostly related to slow turnaround times and disagreements with the reasons provided for the declining of applications. Trustees have engaged with management to improve systems and processes and, more important, their efficiency within the organisation. This is being implemented in the context of managing the organisation's risk, and by ensuring effective governance across the organisation.

The sustainability of the funds is a key focus area, and Trustees and management have identified the need to reduce impairment levels and improve collections. This together with the management of the portfolio risk through the Post Investment Unit's activities as well as through the focus on improving deal quality and the development of entrepreneurs, laid the groundwork for improving the sustainability of the fund over the longer term. The NEF has been involved in contributing to the development of entrepreneurs through its Business Today training initiatives, as well as by referring promising entrepreneurs to both the Shanduka Black Umbrellas and Aurik Business Incubation programmes. The aim of these activities is to assist in the development of entrepreneurs and to assist them with improving their business ideas into feasible ventures, which could possibly be funded by the NEF in future. This should have the knock-on effect of contributing to increased application approval rates, reducing impairment levels of funded transactions by the NEF in future, and thereby improving the ability of the funds to be self-sustaining.

The NEF recognises that its employees represent the organisation's most valuable asset, and strives to attract and retain the best talent. Various interventions have been implemented by the Human Resource Department to improve recruitment and retention practices, in order to maximize the readiness of our employees. These interventions, together with performance against all the strategic objectives are outlined in the table on page 30.

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The measurement of the Empowerment Dividend has been enhanced through the Balanced Scorecard which measures the NEF's performance against the key elements of the Empowerment Dividend for the 2011/12 year and comprehensive targets set against its elements. The overall result for the year yielded a score of 3.94 on a scale of 1 to 5 and indicates a 78% achievement against targets. The results achieved against detailed core Key Performance Indicators (KPIs) within the Empowerment Dividend and operational KPIs are presented in the following section.

Performance against the Annual Performance Plan

Strategic Objective	Output	Performance Measure/Indicator	Annual Target	Result achieved as at 31 March 2012	Reason for variation
1. Promote and support business ventures pioneered and run by black people	Provide access to finance for viable black-owned businesses	NEF 1.1. Number of deals approved	115	98	The focus on improvement of deal quality and sustainability of the portfolio, have resulted in more time and emphasis being placed on due diligence. There has also been a trade-off between average value per deal and deal volumes
		1.2. Value of deals approved	R897 million	R1.16 billion	
		1.3. Number of deals disbursed	95	73	
		1.4. Value of deals disbursed	R750 million	R620.1 million	
		1.5. Enterprise development model and strategy approved for implementation by Board	Implementation of the business plan and secure at least three contributors	Board approval Launch of fund 26 corporates engaged. Secured one contributor plus two are in the process of signing up	Corporates have been very supportive in principle but hesitant to commit funding for their own reasons
2. Contribute to the creation of employment opportunities	Support the creation of employment opportunities	2.1. Number of jobs supported	Support at least 8 800 jobs	The total number of jobs supported for 2011/12 is 3 124 jobs (of which 2 367 are new and 757 are existing) plus the potential to create an estimated 5 000 jobs through various SPF investments	The average job investment ratio has been much higher than budgeted
3. Provide black people with the opportunity of acquiring shares	Acquire equity in SOCEs allocated to the NEF	3.1. Signing of MOU with SAFCOL 3.2. Signing of MOU with priority SOCEs	Transfer of priority SOCE equities to the NEF	Awaiting a ministerial decision	This issue has been escalated to **the dti**

Performance against the Annual Performance Plan (continued)

Strategic Objective	Output	Performance Measure/Indicator	Annual Target	Result achieved as at 31 March 2012	Reason for variation
4. Encourage and promote savings, investment and meaningful economic participation by black people	Implement effective investor education programmes country-wide	4.1. Number of seminars held across the country	Roll out of education campaigns to four provinces	Campaign concluded with the rollout to four provinces (North-West, KZN, Mpumalanga and Gauteng)	
5. Pioneer new products	Innovation in order to meet stakeholder requirements	5.1. Launch one new product via the Asset Management Division	Implementation of the business plan	2 options have been developed for an ETF product, which are currently under consideration. In addition, a possible cross border trade facility is in the process of being developed	Significant focus has been placed on promoting the NEF ED Fund
6. Encourage investee sustainability	The provision of non-financial support for black-owned businesses	6.1. Value spent on mentorship interventions 6.1. Number of site visits	R2.8 million 257 site visits and 159 reports	R3 million Total for 2011/12: 385 site visits and 188 reports	The intensity of the engagements with investees has been higher than predicted given the numerous business challenges faced by investees
7. Facilitate investment across all nine provinces of South Africa	Establish co-location offices in all nine provinces	7.1. Number of co-location offices established	Four co-location offices established	Four new offices secured (Eastern Cape, Limpopo, Mpumalanga, Free State). New leases concluded in KZN, Western Cape	
8. Increase public confidence and demand for the NEF's products and services	Increase awareness of the NEF's services	8.1. Value of Media Coverage 8.2. Complaints as a percentage of application received	Advertising Value Equivalent (AVE) of R16.3 million Ensure that complaints are limited to 3% of the applications received	Total AVE: R25.1 million 100% of complaints have been addressed within 30 days. 23 complaints = 1.39% of all applications received	Media coverage is well above that planned for the year due to NEF ED Fund launch and in addition, the awards bestowed on the CEO have generated significant publicity for the NEF

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Performance against the Annual Performance Plan (continued)

Strategic Objective	Output	Performance Measure/Indicator	Annual Target	Result achieved as at 31 March 2012	Reason for variation
9. Maximise financial sustainability	The creation of a sustainable investment fund	9.1. Minimise overall fund impairment levels	17% for total portfolio (21% for originated loans)	Impairment ratio of 12% of the total portfolio (13% for the Loans / Preference Share portfolio) has been achieved	A total of R165 million has been written off as irrecoverable
		9.2. Target ROI	12% gross blended return on the invested portfolio before impairments	The annualized return on investment on the loans portfolio before impairments is 7%	Interest rates were lower than anticipated
		9.3. Book value of investments	Perform valuation exercise as part of annual audit twice a year	Valuation exercises completed as part of year end reporting during the first quarter, and as part of mid year reporting during the second quarter.	
		9.4. Improve collections ratios	65%	97% (73% excluding additional payments)	The actual collection rate is higher than target as it includes additional / catch-up settlements
		9.5. Manage portfolio risk	Active management of the portfolio by POIU	Exposure of the portfolio by value is as follows: • High risk clients:13% • Medium risk clients: 45% • Low risk clients: 27% • 15% of the portfolio by value is in legal and workout stage	

Performance against the Annual Performance Plan (continued)

Strategic Objective	Output	Performance Measure/Indicator	Annual Target	Result achieved as at 31 March 2012	Reason for variation
10. Strengthen operational efficiencies	Ensure effectiveness and integrity of the CRM system	10.1. Meet project timeline and budget as set in project plan to be approved by 31 March 2011 10.2. Approved and Disbursed deals information captured on CRM	Refining functionality and processes for the CRM	Project timelines have been met as per project plan, except where the development environment had performance issues. IT General Controls and Application Control audit concluded.	Upgrades on the development environment were put on hold due to the planned move to a centralized environment.
			Maximise the use of CRM system by FMD	It was possible to identify 4 of the 4 funds transactions on the CRM system.	
11. Maintain excellent monitoring and governance processes across the organization	Effective governance across the organization	11.1. Achieve an unqualified audit 11.2. Implementation of fraud prevention plan and reports to the Audit Committee	Achieve an unqualified audit	Unqualified audit achieved for 2010/11 financial year.	
			Implementation of fraud prevention plan and reports to the Audit Committee	Fraud Prevention Plan has been implemented. Fraud awareness session completed with staff. In addition, instances of alleged fraud and investigations have been reported to the Audit Committee.	
12. Implement Enterprise Risk Management Framework	Effective governance and mitigation of risks across the organization	12.1. Risk registers completed for all divisions in each quarter 12.2. Evidence of implementation of Risk Management Framework. Credit risk assessment reports on deals submitted for approval	Implementation of risk management framework	Risk management framework implemented.	

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Performance against the Annual Performance Plan (continued)

Strategic Objective	Output	Performance Measure/Indicator	Annual Target	Result achieved as at 31 March 2012	Reason for variation
			Implementation of credit risk assessment process. Roll-out credit risk assessment process.	Credit risk assessment process has been implemented with credit risk reports being completed for all deals going to FMIC.	
13. Ensure stakeholder satisfaction by complying with stakeholder requirements	Adherence to stakeholder requirements	13.1. Assessment of compliance	Ensure compliance as per the Compliance Calendar	Compliance achieved	
14. Implement improved recruitment practices		14.1. Right start programme implemented 14.2. Implementation of the targeted selection recruitment practices. 14.3. Minimise staff turnover	Ensure that all new recruits go through a detailed induction and right start programme.	44 out of 50 recruits (88%) have undergone a detailed orientation programme.	Not all recruits were able to attend due to work commitments.
			Ensure that all applicants are interviewed using target selection methodology. Minimise staff turnover to within market trends i.e 10%	254 (100%) candidates interviewed for permanent positions using the target selection methodology. 18 exits (14 due to resignation) = 9% of staff complement.	
15. Maximise human capital readiness	Ensuring that we have the best skill set within the organization	15.1. Employees training programme linked to divisional and organizational objectives	Ensure that training is related to individual, divisional and organizational objectives	All training has been provided in accordance with PDP's.	

REPORT ON CORPORATE GOVERNANCE

Introduction

Corporate governance refers to the manner in which the NEF is governed and controlled and involves the establishment of committees, structures and processes (with appropriate checks and balances) which enable Trustees to discharge their legal and social responsibilities and promote accountability, fairness and transparency. The NEF has a history of compliance with principles of good corporate governance and conducting itself as a good corporate citizen.

The NEF has corporate governance structures which ensure that the organisation is managed and controlled in compliance with best practice on governance, as well as legislative and regulatory frameworks.

Legislative framework and Corporate Governance

The NEF's founding legislation is the National Empowerment Act No. 105 of 1998 ("the NEF Act") and the NEF further subscribes to a governance system which is guided by the King III Report on Governance for South Africa ("King III"), the Protocol on Corporate Governance in the Public Sector 2002, the Public Finance Management Act No. 1 of 1999 (PFMA) including the National Treasury Regulations, which at all times take precedence. The NEF constantly reviews and adapts its structures and processes to ensure compliance with the governance protocols and codes it subscribes to, and has taken steps to incorporate effective leadership, sustainability and corporate citizenship as well as international developments and best practices in its structures and processes. The NEF assessed the best practice recommended by King III and identified provisions impacting on Board and Board Committees' appointment processes and compositions including risk management.

In the last year, the NEF has addressed areas of compliance which were previously identified as requiring more attention. Initiatives in this regard included the assessment of the performance of the Chairman, Trustees and Board Committees by an independent expert organisation. The recommendations of this exercise have been implemented. Information Technology (IT) now forms an integral part of the organisation's risk management and management is implementing an IT governance framework.

The Board has also established a Social and Ethics Committee with effect from May 2012. This Committee will monitor the implementation of the recommendations of King III on social and ethical leadership.

Corporate Governance structures

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

The President of the Republic of South Africa is entrusted with the responsibility in terms of the NEF Act to appoint a Board of Trustees and the Chairman. The Board of Trustees in turn is empowered to appoint the Chief Executive Officer, with the approval of the Minister of Trade and Industry.

The dti

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

The Board of Trustees

The current Board of Trustees was appointed with effect from 16 December 2009. Two executives, namely the Chief Executive Officer and the Chief Financial Officer, are appointed to the Board as Trustees by the Minister of Trade and Industry.

The Board of Trustees is responsible for the administration, acquisition and control of the NEF's assets as well as monitoring the operational efficiency and risk of the NEF's investment activities.

Role and function of the Board

In addition to the provisions of the NEF Act, the duties, powers and authority of the Board of Trustees are encoded in a Charter that is approved by the Board and reviewed on an annual basis.

The Board is required to discharge its fiduciary duties in terms of common law and the NEF Act and in adherence to King III. In addition to this, the Board and all staff at the NEF must conduct themselves in the manner required by the NEF Ethics Policy. Of paramount importance is the fact that the NEF does not fund Trustees. This stipulation has been resolutely upheld over the years, safeguarding against potential conflicts of interest.

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

Remuneration of the Board

The remuneration framework for non-executive Trustees and Board Committee members is based on the remuneration policies that the organisation has adopted and for which approval was received from **the dti**. Full disclosure of the emoluments of the Trustees is contained on Page 109 to 110 of the Annual Financial Statements.

Attendance of Board meetings

During the period under review the Board convened Board meetings which included a special meeting convened to deal with urgent matters. The Trustees' attendance at those meetings is reflected below.

Executive Committee

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

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

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Member	09 May 2011	28 July 2011	26 October 2011	27 October 2011	06 December 2011	23 February 2012	15 March 2012
Ronnie Ntuli (Chairman) *	√	√	√	Apology	n/a	n/a	n/a
Zukiswa Ntlangula (Acting Chairman) **	√	√	√	√	√	√	Apology
Philisiwe Buthelezi + (CEO)	√	√	√	√	√	√	√
Andrew Wright ++ (CFO)	√	√	√	√	√	√	√
Allon Raiz	√	√	√	√	√	√	Apology
Rakesh Garach	√	√	√	√	√	√	√
Kugan Thaver	Apology	√	Apology	Apology	√	√	√
Thabiso Tlelai	√	√	√	√	√	Apology	√
Avril Halstead	√	√	√	√	√	√	Apology
Angie Makwetla	√	√	√	√	√	√	√
Jacquiline Molisane	Apology	√	√	√	Apology	√	√
Nomalanga Mosala	√	√	√	√	√	√	√

* Resigned on 31 October 2011

** Appointed as acting Chairman on 1 November 2011

\+ Executive Trustee

++ (Resigned 30 June 2012)

Management Committee

A Management Committee was established by the Executive to manage operational issues including policies and procedures. The Management Committee is chaired by the Chief Risk Officer and comprises the NEF senior management. Matters from this Committee are referred to the Executive Committee for consideration and approval.

Secretariat

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

> *We have established an advisory group to look at areas where we could potentially achieve greater impact in our SMME support programmes.*
>
> Minister Rob Davies, Reporting to Assembly's Portfolio Committee of Trade and Industry on the plight of SME's, Pretoria, 26 April 2012.

Board Committees

In terms of section 17(5)(a) of the NEF Act as well as the NEF's Delegation of Authority, the Board may delegate some if its responsibilities to Board Committees and the Chief Executive Officer. The Board therefore established four Committees – namely the Audit Committee, Board Investment Committee, Human Capital and Remuneration Committee as well as the Risk and Portfolio Management Committee. A further committee, the Social and Ethics Committee, which will start functioning in May 2012, has been established.

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

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

The reports of the various Board Committees, highlighting the activities of each Committee, appear in the following pages.

REPORT ON SOCIAL, ENVIRONMENT AND ENTREPRENEURIAL SUPPORT

Introduction

The mandate of the NEF is to invest in developing black owned business and black entrepreneurs who would otherwise not have access to business finance due to the institutional socio-economic imbalances of South Africa. Its mandate therefore attempts to address these socio-economic imbalances and to this end is engaged in exploring various sectors of the economy, especially those concerned with the physical environment and renewable energy solutions.

Over and above the mandate, the NEF invests a range of resources in various economic, environmental as well as social initiatives and ventures. This is done with the aim of stimulating and supporting social and economic upliftment by economically empowering the black people in South Africa.

To date the NEF has successfully achieved the following through the triple bottom line approach:

1. Social Responsibility:

1.1. Education:

As a funder with a soul, NEF believes that education needs to be at the centre of our social investment strategy, which aims at creating a globally competitive and entrepreneurial society. It thus implements a range of programmes to help achieve that aim.

- Kabelo Seitshiro Bursary Fund: The fund invested R1m to enable a larger pool of the HDI's learners who qualify for tertiary qualifications to focus on becoming chartered accountants.
- Take a Girl Child to Work Day-The NEF in conjunction with Standard Chartered Bank South Africa exposed rural learner-girls to their work Environment, provided them with HIV Aids training, career opportunities within Financial Institutions and further took them to the Office of the President to expose them to how the support structure within the office of the President functions. The aim of this initiative was to encourage and motivate them to realise that their future achievements and destiny lie in their own hands
- Back to School: NEF contributed R100 000 towards the construction of a school in Limpopo.
- JIPSA Middle Managers Training: The programme, conducted in partnership with the French Government, targeted a selection of South African young middle managers who attended a six week training course in France and acquired international knowledge and practical skills.
- The Internship Programme: NEF targeted graduates from different tertiary institutions and provided them with on-the-job training for a year with the hope of absorbing them into the system based on vacancies and successful completion of the training programme. Skills and knowledge gained are portable within the industry and opens employment opportunities for these candidates.
- The GIBS BEE module programme: NEF has contributed R1.2million towards the development of a B-BBEE programme module on their MBA programme.

1.2. Community Care Programme:

- The NEF has finacially supported a dental procedure for a young female learner from a disadvantaged background. This has assisted in improving the health of the learner as well as her overall confidence and image.
- **Donation of NEF's used furniture to investee clients in rural community:**

  The NEF will contribute used furniture and equipment to rural investee companies. The identified communities will be trained in basic computer skills by the NEF IT department.

1.3. Employee Volunteer Programme:

- The NEF staff believe that giving is an integral part of empowering and developing the people of South Africa. Employees have voluntarily pledged a minimum of a day's annual leave and the monetary equivalent of those days is contributed towards the CSI programme.

2. Environmental responsibility:

- Through our investment, NEF is in a process of adopting a clear strategy of ensuring that most of NEF's investments comply with environmental regulations to reduce our carbon footprint.
- Mondi NEF Recycling Project: NEF, in partnership with Mondi, has embarked on a paper recycling project that will ensure that the financial proceeds of the sale of recycled paper is contributed by Mondi on NEF's behalf to a school of NEF's choice.
- NEF Energy Saving: Through our facilities department, NEF has installed an energy saving power supply system for the entire building. This means that lights and airconditions will be automatically switched on when necessary.
- Rain water tanks will be installed for water conservation. The collected water will be used for sanitation purposes during water cut off periods.

3. Entrepreneurial Support:

3.1. The Business Plan Tool Kit by Pre-Investment:

As from March 2011 to date, 1644 aspiring entrepreneurs have logged in to the NEF's online Business Planner tool.

3.2. Entrepreneurship Development:

- **Shanduka Enterprise Development programme:**
  39 potential entrepreneurs were referred by NEF to the Shanduka incubator programme.
- **Aurik Incubator Pilot:**
  This programme is intended for use as a diagnostic tool by existing investee companies for the identification of gaps in their operations with the objective of providing non-financial support to enhance their business performance.
- **Entrepreneurial Assessment:**
  One Product Advisor and one Investment Associate have attended the Entrepreneurial Aptitude Training at Aurik's offices. The intention is to transfer skills to all other team members.

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- **Endeavour Boot Camp:**
  This initiative was completed satisfactorily with positive feedback from the 13 delegates who attended. The full programme consists of eight modules and the delegates completed four modules in the first phase. A second Boot Camp is scheduled for the end of June 2012.
- **Running Business Today:**
  The pilot training plan was delivered to South Africa's nine provinces, two regions per province. The training pilots created an opportunity for NEF to re-launch the brand and interact with different SMMEs, development agencies and small business owners and resolve perceived differences / queries they had with NEF. A total of 274 delegates attended the actual training, 70% of which were in rural areas.

3.3. The Mentorship Programme for investee companies by the Post Investment Division:

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

3.4. NEF Imbizo:

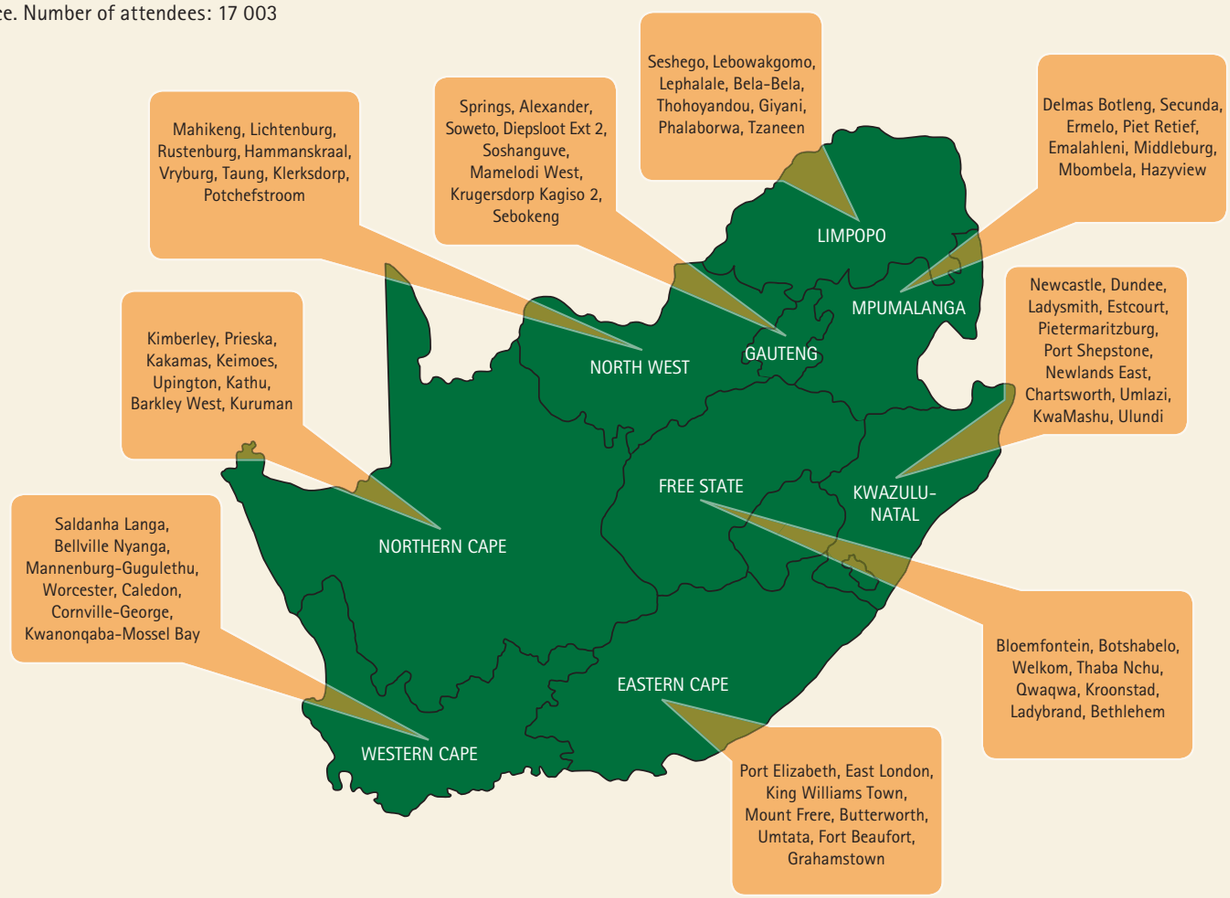
- **Investor Education Programme:**
  The Asset Management Division facilitated 76 seminars across the nine provinces with 17 003 potential black investors participating on the following:
  - Tips on how to invest
  - Personal financial planning
  - Discipline on spending, e.g. buying of approved products, avoiding pyramid schemes; avoid buying on credit, conducting an affordability exercise
  - Types of investments - special purpose vehicles, share bonds; property, cash/ money market.

3.5. ED Fund:

- To date the NEF has raised a sum of R3.2 million from Chrysler and one transaction has benefitted through the ED Fund - Richmond Opkomende Sheep Farming Cooperative in the Northern Cape. The project was allocated an additional soft loan of R615 703 to increase the production capacity of the business.

Performance Highlights - Investor Education

Investor Education campaigns were rolled out in the Eastern Cape, Northern Cape, Free State, Limpopo, Western Cape, North West, KwaZulu-Natal, Mpumalanga and Gauteng with 8 seminars per province. Number of attendees: 17 003



REPORT OF THE CHIEF FINANCIAL OFFICER

Finance Report

The investment approval and disbursement activity reported by the NEF in this annual report for the financial year under review has set the scene for unprecedented growth of the portfolio.

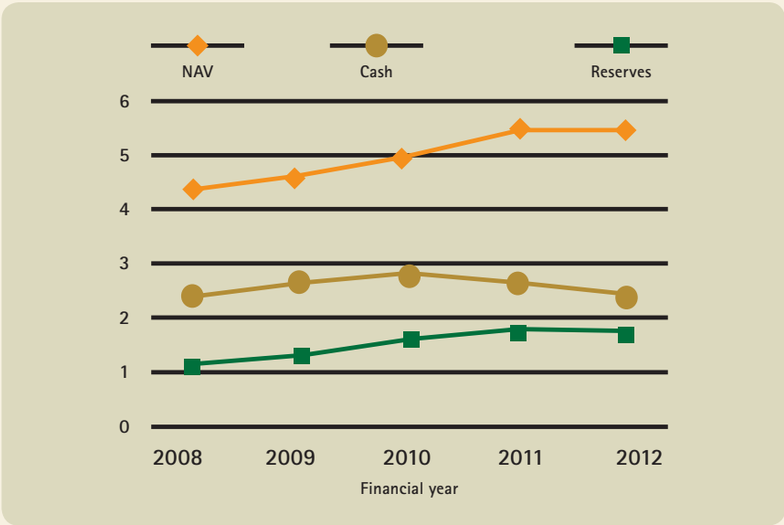
The value of investment approvals has grown by 55% year on year. The disbursements following on from this ramp-up in approvals will certainly once again demonstrate the NEF's ability to operate at a level of a major public entity in the development finance sector of South Africa.

Coupled with the growth in investment approvals, the highest level of facility drawdowns has also been reported in the year under review, represented by Investment Disbursements of R596 million (2011: R377 million) in the Cash Flow Statement of the annual financial statements.

In presenting this finance report, it is important to closely consider this significant growth in the portfolio against the strength of the Statement of Financial Position and the future sustainability of the mandated investment activities of the NEF. This will include the capital requirements of the NEF to meet future sustainability in order to be enabled to present a case to stakeholders detailing the NEF's ability to maintain this momentum in mandated investment activity.

Mr Andrew Wright
Chief Financial Officer

Figure 1: Headline Values



Strength of the Statement of Financial Position

The net asset value of the Statement of Financial Position is currently reported at R5.3 billion as indicated in Figure 1. This is largely consistent with last year. Cash balances remain strong, though on the decline in accordance with the increase in disbursements reported this year. Reserves have shown a slight decline from last year, led by the decrease in fair value of listed state allocated investments, but they remain firm. Overall, in the light of these key indicators, the statement reveals NEF's financial position as remaining stable in respect of past investment activity and investment activity over the financial year under review.

> *We want black people to go beyond being portfolio holders of 3% shares in this company, and 5% in that company. We want to see factories that are owned by black entrepreneurs.*
>
> President Jacob Zuma, Addressing BMF Annual Corporate Update, 06 July 2012.

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Sustainability of the portfolio of investments

The overall reported income before fair value movements, excluding dividends received, is a key indicator of the operational sustainability of the fund. At R67 million for 2012 (2011: R103 million) this represents a net return of -1% on the loans portfolio (2011: 3%). This indicator accounts for the ability of the cash and loans portfolio to sustain the operational overheads of the NEF. The progression into a negative return for the year is driven by two significant factors: the increases in overheads that the fund has incurred in its growth strategy, which included the roll-out into the regional provincial offices; and the impact of a budgeted increase in the REPO rate over the financial year, which did not materialise, resulting in a lower than budgeted return on the interest bearing portfolio.

This indicator will need to be brought back into a positive value in the current year through close cost management associated with continued reduction and containment of the impairment of new loans and careful consideration of the economic and interest rate outlook and its impact on the NEF's interest bearing portfolio.

Overheads have been well managed within budget for both this and previous financial years. They are not expected to grow at the same rate in the current financial year, since the investment in growth has now largely been completed and it should begin to yield benefits through steady growth in the portfolio. Disbursements into high quality transactions sourced by the provincial offices should not only yield fair returns with nominal impairments, but also deliver on the Empowerment Dividend impact reported on in the Trustees Report on Performance.

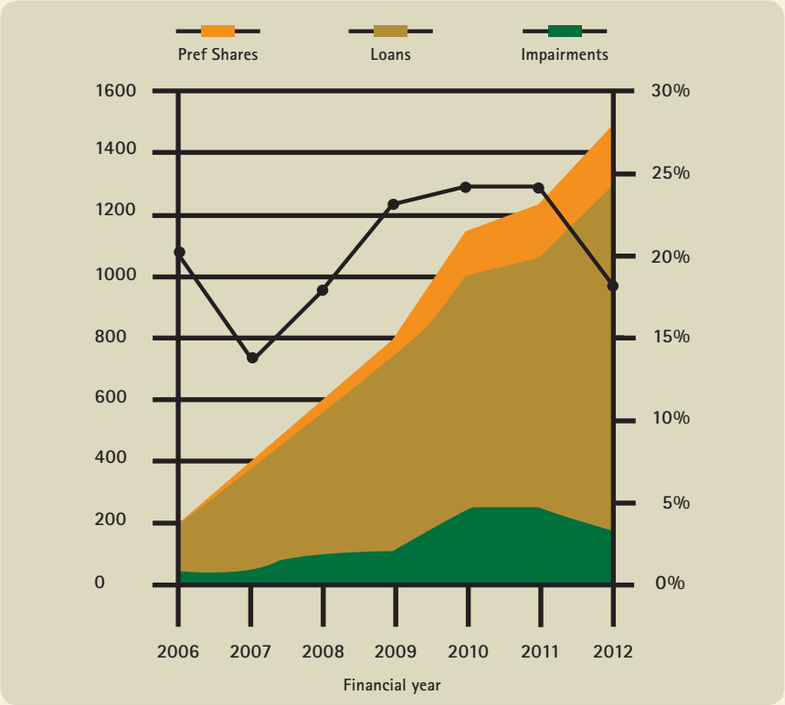
The largest single overhead that the NEF continues to report is its investment in human capital. This year staff salaries represented 56% of total overheads (2011: 55%). This is indicative of the NEF's planned dependency on experienced, highly technically competent professional staff for the overall successful implementation of its strategic plan. The NEF has become an employer of choice amongst black professionals and it aims to continue to attract and retain the best possible skills in the market. The ratio between professional and support staff has been maintained at two professional staff members for every one support staff member.

The quality of the investment portfolio and the loans book has significantly improved over the year under review. This is largely assessed against the risk of loan instalments raised not being honoured by investees, leading to increased impairments raised against loans. It is also assessed against the risk that the fair value of equity investments is below the carrying value of these investments, which would lead to impairments raised against equity being carried at cost or to a reduction in fair value in the case of equity investments being carried at fair value.

The NEF is pleased to report that in the year under review there was a marked reduction in the effective percentage value of impairments raised against the carrying value of the loans portfolio from 24.5% in 2011 to 19% in 2012 as reported in Figure 2. This was led by an improvement in the collections ratios of instalments raised for the year from 82% in 2011 to 97% for 2012 and associated overall reduction in the ageing of the loans book. Of the impairments raised on loans, 8.0% has been attributed to write offs (2011: 6.8%) - again, an overall improvement in performance and reduction in risk associated with the loans portfolio.

> *The potential of the green economy is being recognized and it presents new investment opportunities.*
>
> Minister Ebrahim Patel, During opening of COP 17 in Durban, 28 November 2011.

Figure 2: Ratio of impairments and write-offs within the loans book



The NEF continues to closely monitor the level of loans currently in moratorium at any reporting point. Normally this ranges between 35% and 40% of the carrying value of the loans portfolio. It has, however, increased to 48% of the value of the loans portfolio at reporting date due to the surge in disbursement activity in the last quarter of the year. These loan moratoriums are designed to provide an equity-type buffer for cash flows at an early stage of business and normally last between three and twelve months. This ratio should thus progressively drop over the course of the current year back into the range of 35% to 40%.

A further key consideration is the portfolio make-up as reflected in Figure 3, which indicates that interest-bearing lending remains the focus of the NEF. Loans, preference shares and suspensive sale advances account for 81% of the portfolio (2011: 80%). This bias in favour of the interest-bearing structure in lending provides the NEF with the required element of predictable return needed to build a sustainable investment fund, as well as the element of predictability required to estimate impairments, though this must be done in full consideration of the level of loans in moratorium at that specific reporting date.

Fair value movements on the equity portfolio for the year are negative, led by the year-end market losses on the held-for-trade equities where the NEF has retained minor equity positions for short term gain in a few listed entities that were funded as part of the NEF's mandate, mainly in the listed property sector.

No significant fair value appreciations in the equity held in associates have been reported this year, with many of these investments focusing on their commercial sustainability in their respective sectors as opposed to equity appreciation in generally difficult business environments.

Figure 3: Portfolio Make-up

COST

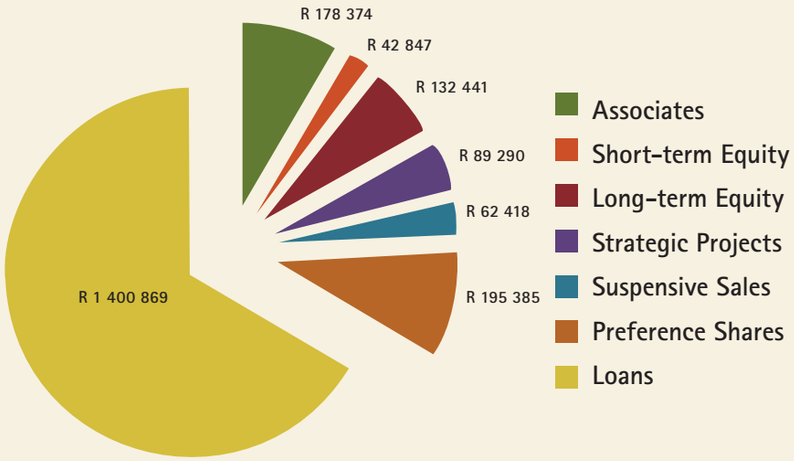
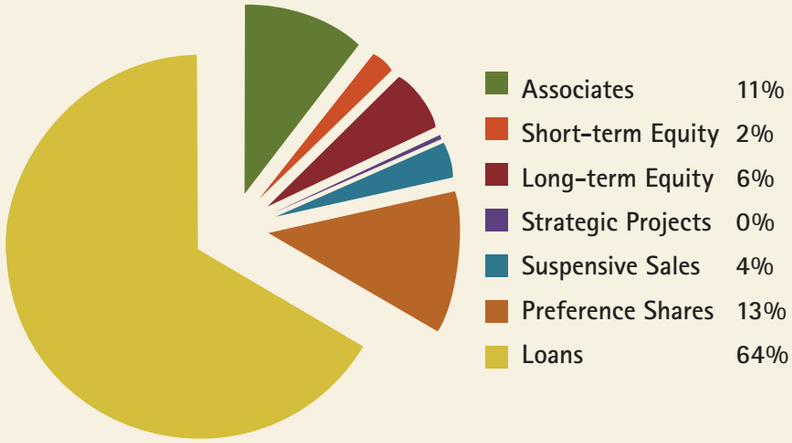


Figure 4: Portfolio Make-up

FAIR VALUE



The overall return on the portfolio before impairments for the year is 7% (2011: 9%) and after the impact of impairments is 3% (2011:1.2%). Despite the overall lower gross return dropping year-on-year due to the impact of falling interest rates, the reducing effect of impairments has resulted in the net return of the portfolio increasing to 3%. This is a positive result and certainly in the right direction, indicative of a sustainable investment portfolio able to support the operations of the NEF in the future.

Capital adequacy for future mandate

Capital is available to meet projected disbursements and hence the mandate for the next two years to the year ending March 2015. Thereafter, in the absence of the introduction of additional capital, sufficient capital is available to maintain portfolio management activity but not to meet additional new mandated disbursements.

The Board and management of the NEF are clearly aware of the need to raise additional capital for the purpose of continuing to meet its mandate through the disbursement of new investments beyond the two year projection expressed above. Various alternatives are being considered at present. They entail:

Re-applying to National Treasury to be re-classified under Schedule 2 of the PFMA so as to allow the NEF to present a capital raising plan on the strength of the NEF's own Statement of Financial Position

Establishing a special purpose vehicle to raise capital to follow through on any equity rights that materialise in the Strategic Projects Fund

- In lieu of the first two alternatives, re-applying to National Treasury for funding via the Medium Term Expenditure Framework process

General support exists within the NEF to embark on a sustainable fund management model involving the raising of additional capital to fund portfolio growth and extend the impact made through investment activity in black empowered business. Thus there is a high level of confidence that the NEF will be successful in at least one of the initiatives set out above and establish itself as a major development finance institution in South Africa. There is no reason for the going concern principle not to be adopted in the financial reporting of the NEF.

The NEF was established to support black empowered business which is unable to raise funding from other institutions due to inadequate own collateral. This market failure continues today and the mandate of the NEF remains relevant. The maintenance of the momentum achieved by the NEF as reported on at the commencement of this report, through capitalisation for the growth of the fund, is imperative if the impact of the NEF's mandate is to be meaningful in the context of the broader level of economic inequality which exists in South Africa today, and for which the NEF was established to fundamentally address.

Mr. Andrew Wright
Chief Financial Officer

REPORT OF THE BOARD INVESTMENT COMMITTEE

The Board Investment Committee (the BIC) was established by the Board of Trustees of the NEF in order to assist the Board to, amongst other matters, evaluate, approve or decline investment proposals, consider investment valuations and investment policies and monitor the performance of the investment portfolio.

The macro-economic conditions in South Africa improved in the 2011 year, with a real GDP growth of 3.1% compared with 2.9% in 2010. The annual average prime overdraft rate in 2011 was 9% compared with 9.9% in 2010. This boosted entrepreneur confidence and the NEF saw an increase in deal activity, especially for new ventures and expansion of existing businesses. (Acquisition of businesses was still low and according to Who Owns Whom a total of 19 BEE transactions worth R10 billion were completed in 2011 compared with 58 transactions worth R48 billion in 2010).

The 2011/12 financial year was a very exciting year for the NEF as the organisation restructured the Fund Management Division to ensure focus and specialisation to promote participation of black people in the mainstream economy. This included streamlining our approval processes for increased efficiency, as turnaround times of applications by development finance institutions is very topical in the public domain. The organisation saw two projects from its Strategic Projects Fund move from feasibility stage to financial close, which will contribute towards the quest to create black industrialists. In this quest to focus on small and medium enterprises (SMEs), the NEF implemented its SME strategy which is also anchored by the opening of six regional offices.

A debt-restructuring programme, successfully implemented in seven major transactions during the past year to assist NEF investees which were adversely impacted by the effects of the global credit crisis, together with continuous monitoring of the whole book, resulted in positive effects on a generally well-performing portfolio. An improved 97% (including additional payments) collection rate resulted in the reduction of overall impairments to 12% (excluding write-offs). We continued to provide free mentorship, coaching and technical support to most of the investees at a cost of approximately R3 million.

During the period under review, the NEF Executive Committee submitted 19 transactions with an aggregate value of R781 million to the BIC for consideration and approval. The BIC approved a total of 16 of these transactions worth R556 million and recommended three transactions worth R225 million to the BoT for final approval. The improved success rate indicates that the organisation's risk management processes are strengthening and that there is congruence between management and the BIC regarding the types of projects that would qualify for NEF funding in line with the strategic objectives of the NEF.

The Fund Management Division approved 98 transactions worth R1.162 billion and disbursed approximately R620.1 million in 73 new investment projects. The NEF continued to show its commitment in supporting SMEs with approximately 62% of the investments in projects equal to or below R5 million. The industries supported by the NEF during the year under review are diverse, with the major sectors by value being construction and materials (13%), services (14%), energy (5%), agro processing (6%) and media (9%). Engineering, financial services, food and beverage, mining, arts and culture, printing services, manufacturing, chemicals and pharmaceuticals, tourism and entertainment, retail, property and transportation are all between 1% and 7%.

Mr Thabiso Tlelai
Chairman of the Board Investment Committee

As in 2010/11, the focus during the year under review was once more on expansionary empowerment in order to ensure that the beneficiary organisations supported the creation of new capacity in the form of job creation and economic growth. The investment projects supported during the year are categorised into the following products by value: venture capital (30.7%); acquisition finance (22.7%); expansion capital (15.4%); entrepreneurship finance (14.4%); franchise finance (12.6%), rural and community development projects (3.1%); new ventures (previously project finance 1.0%) and procurement finance (0.1%). NEF interventions during the year created or maintained approximately 3 124 decent jobs. Approximately 2 367 of these were new jobs and the average job investment ratio for the creation of new jobs for the year is R466 649.

> *"The demand for Africa's natural resources offers renewed opportunities for Africa's development prospects."*
>
> **Deputy President Kgalema Motlanthe,**
> **During his visit to Accra in Ghana, 18 April 2012.**

Board Investment Committee Members and Attendance

The Membership of the Board Investment Committee is as follows:

- *T. Tlelai (Trustee and Chairman)*
- *P. Buthelezi (CEO - ex officio)*
- *L. Bakoro (Member)*
- *N. Mosala (Trustee)*
- *A. Raiz (Trustee)*
- *J. Molisane (Trustee)*

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

Member	29 June 2011	13 July 2011	8 September 2011	14 September 2011	7 December 2011	15 December 2011	25 January 2012	8 March 2012	28 March 2012
Thabiso Tlelai (Chairman)	√	√	√	√	√	√	√	√	√
Philisiwe Buthelezi (CEO)	√	√	√	√	Apology	√	Apology	Apology	√
Lindiwe Bakoro *	√	√	√	Apology	√	√	√	Apology	√
Nomalanga Mosala	√	√	√	√	√	√	√	√	√
Allon Raiz	√	√	√	Apology	√	√	Apology	√	√
Jacqui Molisane	Apology	Apology	√	Apology	Apology	Apology	√	√	Apology

* Non-Trustee Member

Mr Thabiso Tlelai
Chairman of the Board Investment Committee

REPORT OF THE AUDIT COMMITTEE

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

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

We are pleased to present our report for the financial year ended 31 March 2012.

Mr Rakesh Garach
Chairman of the Audit Committee

Audit Committee Members and Attendance

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

- *R. Garach (Trustee and Chairman of the Audit Committee)*
- *Z. Ntlangula (Trustee and Acting Chairman of the Board of Trustees) **
- *A. Coombe (Member)*
- *I. Pelo (Member)*
- *P. Buthelezi (CEO - ex officio)*

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

Member	Profession / Position	19 April 2011	23 May 2011	20 July 2011	10 November 2011	26 January 2012
Rakesh Garach (Chairman)	Chartered Accountant (SA)	√	√	√	√	√
Zukiswa Ntlangula *	B. Juris; LLB; Masters Diploma in Human Resources; Diploma in Project Management	√	√	√	n/a	n/a
Anthony Coombe **	Chartered Accountant (SA)	√	√	√	√	√
Innocentia Pelo **	Chartered Accountant (SA)	√	Apology	√	√	√
Philisiwe Buthelezi (CEO)	MBA (Corporate Finance); MSC (Economics)	√	√	√	√	Apology

* With effect from 1 November 2011 Ms Ntlangula was appointed as Acting Chairman of the Board of Trustees. As a result of this appointment her attendance at the Audit Committee was suspended

** Non-Trustee Members

The Chief Financial Officer (Executive Trustee), the Chief Risk Officer, the Internal Audit Manager, the internal and external audit firms and representative of the Auditor General, are standing invitees at each meeting and the Audit Committee has direct access to these attendees in the fulfilment of the Audit Committee's respective responsibilites.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulations 3.1.13 and 27 (1), which include the following roles and responsibilities of the Audit Committee:

- Controlling and directing a system of internal audit and reviewing its effectiveness and activities including its annual work programme, coordination with the external auditors, the reporting on significant investigations and the responses of management to specific recommendations
- Reviewing the effectiveness of the internal control systems
- Reviewing the risk areas of the NEF's operations to be covered in the scope of the internal and external audits based on the regular conduct of a risk assessment and risk management strategy adopted by management and the Board of Trustees
- Reviewing the adequacy and reliability of the financial and performance information provided to management, the Board of Trustees and other users thereof
- Reviewing and, if thought fit, recommending to the Board of Trustees for adoption the audited annual financial statements
- Reviewing any accounting and auditing concerns identified as a result of internal and external audits
- Reviewing the NEF's compliance with legal and regulatory provisions

The Audit Committee has prepared appropriate terms of reference, which have been adopted by the Board of Trustees. The Audit Committee has regulated its affairs in compliance with these terms and has discharged all responsibilities contained therein and has reported quarterly in this regard to the Board of Trustees.

Effectiveness of internal control

The report and conclusion from the Internal Audit function indicated that the key controls implemented by management were exercised in a generally acceptable manner. This finding provided assurance that the risk areas included in the internal audit plan were being managed and controlled through an adequate framework of internal control, which is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed, and also that improvements are needed in certain key control areas. These key control areas have been identified in the Information and Systems Technology environment which encompass the need for a holistic IT Governance Framework which is currently being designed for implementation in October 2012. The area of Supply Chain Management, though satisfactorily maintained from an internal control perspective, will continue to remain a focal area for continuous enhancement of system-based internal controls to detect any breaches in adherence to the Supply Chain Management Regulations.

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 Management Committee monitors and oversees the assessment and mitigation of risk on a prioritised basis throughout the Trust. The Internal Auditors used this risk control framework to prepare their audit coverage plans and to undertake audit work in the higher prioritised risk areas identified. We are satisfied that the internal audit function at the NEF, under the management of the Internal Audit Manager with the support of a firm of internal auditors appointed following a public tender process, has provided adequate coverage for the year under review.

Management of the financial function

The financial function at the NEF is adequately staffed by suitably experienced and qualified personnel. Further, senior staff and management of the financial function under the executive management of the Chief Financial Officer (who is also an Executive Trustee), demonstrate ability to appropriately lead the finance portfolio. Further depth in the senior staff and management levels in the department has been created through the appointment of a Financial Controller, reporting to the Financial Manager. The adequacy of experience and technical capability in the finance portfolio will continue to be monitored by the Audit Committee, as will the need for succession planning.

Quality of management reports

During the financial year under review, quarterly management reports were submitted to **the dti** as required under the PFMA and Treasury Regulations, including performance information related to core business activities extracted from the organisation's Enterprise Resource Planning systems. The performance information is now subject to quarterly internal audit review. The Audit Committee is satisfied with the content and quality of quarterly management reports prepared and issued by management and the Board of Trustees.

Evaluation of Annual Financial Statements

The Audit Committee has:

- Reviewed and discussed with the External Auditors and management the audited annual financial statements to be included in the annual report
- Reviewed the external auditors' management letter and management's responses thereto
- Reviewed the appropriateness of accounting policies and practices
- Reviewed significant adjustments resulting from the audit
- Reviewed and satisfied itself as to the independence of the External Auditors

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

Mr Rakesh Garach
Chairman of the Audit Committee

REPORT OF THE RISK AND PORTFOLIO MANAGEMENT COMMITTEE

Mr Kugan Thaver
Acting Chairman of the Risk and Portfolio Management Committee

Market overview

The continuation of the current economic volatility has resulted in banks being more cautious in their lending activities. This has led to the need for Development Finance Institutions (DFIs), such as the NEF, to play an increasing role in implementing Government's strategies in, for example, funding new industrial capacity and job creation.

Risk Management

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

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

Board Risk and Portfolio Management Committee

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

- Oversight of risk management activities within the NEF
- Review of risk registers and tracking of actions
- Dealing with compliance matters
- Reviewing and approving certain policies and procedures
- Reviewing and updating a Delegation of Authority Framework
- Monitoring the NEF invested portfolio

Key risks

The realisation of the strategic objectives presented by the NEF may be affected by the following five key risks as ranked in the NEF's organisational risk register:

Capital Erosion

The risk of the erosion of capital and exposure to high credit risk investments

The NEF is mandated to intervene in the economy through the provision of funding to black owned enterprises which, due to past economic imbalances, may be of a higher credit risk. This risk is exacerbated by economic downturns that may impact on funded businesses and their cash flows, leading to their inability to honour loan repayments and possible defaults on loans to the NEF. Internally, risk that the assessment processes of the NEF may not be able to inform appropriate investment decisions does exist as does the risk of not collecting amounts due and not being able to timeously identify distressed investments which it may be possible to rescue.

Inadequate controls mitigating this risk may lead to the capital base of the NEF eroding and being written off due to high levels of defaulting advances.

The controls introduced to mitigate this risk include the appointment of skilled and experienced management and staff in the fund management sector, managing the mix of start-ups versus later stage investments within investment policies, due diligence and approval processes, monitoring and credit collection processes and enhancing financial and pricing models to adapt to most recent experiences and developments in the development finance environment.

Capital adequacy

The risk that the NEF will not be financially sustainable and have inadequate capital to fund the planned programmes

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

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

Controls implemented to mitigate this risk involve the continuous highlighting of this capital adequacy risk to **the dti** and the National Treasury and continuing with the application for re-classification of the NEF from a Schedule 3A Public Entity.

A reclassification will allow the NEF to present a capital raising plan for purposes of funding programmes beyond the current strategic planning period.

Mandate implementation

The risk of the NEF not being able to meaningfully contribute towards its mandate

The mandate of the NEF is clearly set out within the NEF Act. However the risk does exist that in executing the mandate the NEF does not achieve the desired impact in advancing B-BBEE.

This risk could be exacerbated if management and staff do not fully understand the potential operational implementation of the mandate of the NEF, if they are inadequately skilled or lack the capacity to consistently monitor adherence to the mandate in all activities of the NEF.

This risk is mitigated through the development of funding products individually aligned to the overall strategy and mandate of the NEF. These products have their own specific criteria which have to be met in order for applicants to be eligible for funding. Further specific strategy is formally developed in response to areas of continuing market failure, e.g. the SME strategy. Each transaction will in future need to be assessed against a measure of impact termed the NEF Empowerment Dividend. This will further create a consistent base against which each application will need to be assessed for meeting the mandated criteria for funding.

Opportunity cost

The risk that the NEF will not be able to follow through on equity options secured in early stage projects

Through the NEF's Strategic Projects Fund, which focuses on developing early stage projects that have a high element of job creation and contribute towards economic development through priority sectors, the NEF may secure equity participation rights in the projects that it funds. The ability to follow through on these rights and secure equity participation at discounted values is dependent on the level of current and future capital available by the NEF. Should these rights not be exercised then there is a significant opportunity cost, as the NEF may not be able to participate in a viable project with a potentially high economic impact.

In order to mitigate this risk the NEF has developed a policy of closely monitoring and managing the investment pipeline in the Strategic Projects Fund. This enables it to balance current capital available against future needs should the transactions materialise. In this regard the NEF is continuing its engagement with National Treasury through **the dti** to secure schedule re-classification so as to position the NEF to be able to raise additional capital against this portfolio of investment opportunities.

Business risk

The risk that changes in external market conditions have a negative impact on the viability of funded transactions

The investment portfolio of the NEF consists of businesses in the commercial sector that are susceptible to normal business risks of fluctuations in commodity prices and foreign exchange rates, amongst other variables.

The portfolio is arguably more elastic and hence more susceptible to these variations given the nature of the businesses being supported i.e. early stage business, inexperienced entrepreneurs, and geared balance sheets and hence relatively unable to absorb the impact of these fluctuations compared with more established businesses.

In evaluating transactions, much work is performed during the due diligence phase on the potential impact that economic changes would have on the business risk of the proposed transaction. In addition the financial models of these business applicants are further stressed for potential scenarios where several economic variables change in order to ascertain the ability of the forecast cash flows to accommodate these changes. Where necessary, funding structures are adjusted in order to provide some lee-way for this business risk to be accommodated.

The risks are updated on a regular basis so that the relevant mitigation plans are put in place as new risks are identified. Mitigation measures are identified and implemented for identified risks and these are tracked at RPMC.

Credit Risk Assessment Process

The credit risk assessment process, which requires all deals submitted for approval to be reviewed by the credit unit as well as the completion of background checking, has been successfully implemented. Due to the success of this unit, it has been given additional capacity.

Portfolio reporting

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

Committee Membership and Attendance

The membership of the RPMC is as follows:

- *Z Ntlangula (Former Chairman and Trustee) **
- *R Garach (Trustee)*
- *A Halstead (Trustee)*
- *K Thaver (Acting Chairman and Trustee) ***

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

Member	19 July 2011	19 October 2011	29 March 2012
Zukiswa Ntlangula (Former Chairman)*	√	√	n/a
Avril Halstead	√	√	√
Rakesh Garach	√	√	√
Kugan Thaver (Acting Chairman) **	n/a	n/a	√

* With effect from 1 November 2011 Ms Ntlangula was appointed as Acting Chairman of the Board of Trustees. As a result of this appointment her attendance at the RPMC was suspended

** Appointed as Acting Chairman on 31 October 2011

Mr Kugan Thaver
Acting Chairman of the Risk and Portfolio Management Committee

REPORT OF THE HUMAN CAPITAL AND REMUNERATION COMMITTEE

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

The year under review was fulfilling, rewarding and challenging with several initiatives already concluded or still underway.

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

Ms Avril Halstead
Chairman of the Human Capital and Remuneration Committee

Successes and highlights

During the year, the HCRC oversaw a restructuring of the organisation to accommodate organisational growth and enhance compliance and segregation of duties. Two new divisional executive positions were created: SME and Rural Development; and Venture Capital and Corporate Finance, which replaced what was previously the Chief Investment Officer.

Another important highlight was the successful launch and roll-out of the Values and Culture programme which was initiated during the year. This roll-out process started with the Executive reviewing NEF values, agreeing on the organisational culture that leads to success and defining the descriptions of those values. Employees at all levels were engaged in developing and internalising the NEF values in their work practices.

People costs make up more than 50% of the NEF's overheads, indicating the important role that human capital plays in the organisation. Consequently, the HCRC placed particular emphasis on strategies for attracting and retaining high calibre staff, an emphasis that will continue to be a key focus area in the future. It was pleasing to see positive results in this regard, evidenced by the low staff turnover of 9% and the accelerated recruitment of 52 new staff members which enabled the organisation to grow and expand its activities and 15 employees were recognised and rewarded for long service.

At the same time the NEF has:

- Developed succession plans for critical positions in the organisation
- Made significant progress in building core competencies and skills
- Continued staff support through the employee wellness programme

Competition for talent remains a challenge within the financial sector and in line with the NEF objectives of seeking to attract and retain high calibre staff members, the NEF provides employees with rewarding career opportunities, and seeks to remunerate them in line with market trends and norms. The HCRC reviewed the remuneration and bonuses paid to all non-executive staff to ensure that the approved remuneration principles were adhered to.

The reduced number of resignations and high number of new recruits attests to the success of this objective. The NEF's focus on developing high potential talent extends beyond its own staff members. The financial year also saw the successful implementation of the Joint Initiative on Priority Skills Acquisition (JIPSA) Junior Management Development Programme (JMDP) where 58 junior managers from five priority sectors were sent to France for six weeks - two weeks at a business school and a further four weeks in an internship with a French organisation. This programme, sponsored by the NEF and the Agence Française de Développement (AFD) was designed to enhance leadership knowledge and skills.

The NEF's recruitment policy supports the principles and spirit of the Employment Equity Act and the organisation prides itself on having an employment profile that is closely linked to the country's demographic profile. The committee continued to provide oversight of staff composition and its alignment with the country's gender profile, where 58% of the NEF's employees are female.

Twenty Human Resource policies were reviewed and approved in order to improve operations and efficiencies.

Committee membership and attendance

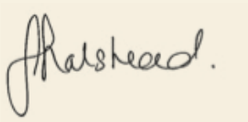
The membership of the HCRC is as follows:

- *A Halstead (Chairman and Trustee)*
- *A Makwetla (Trustee)*
- *M Marcus (Member) **
- *B Dlamini (Member) **
- *S Stojanovic (Member) **

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

Member	20 April 2011	18 August 2011	14 November 2011	23 January 2012
Avril Halstead (Chairman)	√	√	√	√
Angie Makwetla	√	Apology	√	√
Mike Marcus *	√	√	√	√
Busisiwe Dlamini *	√	√	√	√
Sonja Stojanovic *	√	√	√	√

** Non-Trustee Members*



Ms Avril Halstead
Chairman of the Human Capital and Remuneration Committee

> *The challenge of millions of out of school youth that cannot be absorbed in the labour market requires a multi-pronged strategy and partnership to analyse and come up with appropriate solutions.*
>
> President Jacob Zuma,
> Addressing the National Job Summit,
> Richards Bay, KwaZulu-Natal, 05 July 2012.

REPORT OF THE PROCUREMENT COMMITTEE

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

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

A Wright	- Chairman (CFO)
H Makhathini	- Deputy Chairman (Div. Executive: Corporate Finance and Venture Capital)
N Nyembe	- Member (iMbewu Fund Manager)
M Dayimani	- Member (General Counsel)
F Ebrahim	- Member (Projects Manager)
S Naicker	- Member (Finance Manager)
M Motsepe	- Member (Marketing and Communications Manager)
P Pillay	- Member (Human Resources Manager)
K Mboweni	- Secretary (Head of Supply Chain Management)

The committee met six times over the financial year to 31 March 2012.

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

Table 1: Number of Public Tenders issued and considered

REQUEST FOR PROPOSAL (RFP)

Tender	Tender Number
1. Internal Audit	RFP NEF: 01/2011
2. External Audit	RFP NEF: 05/2010
3. Legal Panel	RFP NEF: 03/2011
4. Mentorship Panel	RFP NEF: 02/2011
5. Security Services	RFP NEF: 02/2010

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Table 2: Number of Requests for Quotes (RFQ)

REQUEST FOR QUOTATION (RFQ)

Tender	Tender Number
1. Hygiene Services	RFQ NEF: 01/2011
2. Catering Services	RFQ NEF: 01/2010

Table 3: Number of Requests for Information (RFI)

REQUEST FOR INFORMATION (RFI)

Tender	Tender Number
1. Media Buying Services	RFI NEF: 01/2011
2. Fleet Management Solutions	RFI NEF: 02/2011

The NEF, by virtue of its mandate to support and promote enterprises owned and managed by black people, focuses its efforts on identifying and procuring from businesses that have high levels of black ownership which is 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 B-BBEE procurement targets and is especially pleased to report on the excellent results achieved where targets have been surpassed. Notwithstanding these results, the NEF is placing even more emphasis on supporting emerging black empowered businesses.

For the financial year, R76 million of Procurement Spend was obtained from 366 suppliers. 69% of Procurement expenditure has been with Level-4 and above suppliers. Though this does exceed the target set internally by the NEF for Preferential Procurement purposes, it is recognized that black ownership plays a key role in effective B-BBEE through preferential procurement. In analysing ownership further, of the total procurement spend, 17% is being spent with Black Owned (75% – 100% Black-owned) enterprises, 5% on Black Controlled (50% – 75% Black-owned) enterprises, and 25% is spent on Black Influenced (25% – 50% Black-owned) enterprises. It is evident that black-owned suppliers are not benefiting adequately from Procurement spend by the NEF notwithstanding meeting B-BBEE targets. The NEF will thus focus even more in the new financial year on procuring from black controlled and black owned suppliers.

It is comforting to note that 38% of Procurement activity is coming from Exempted Micro Enterprises and 32% from Qualifying Small Enterprises. This is indicative of the NEF's support of B-BBEE SME suppliers and its use of the procurement budget of the NEF to provide opportunities for the growth of these suppliers.

Table 4: Broad-Based Black Economic Empowerment Procurement Targets and Results

	Below Level 4 Contribution	Below Level 4 Contribution	Level 4 Contribution and above	Level 4 Contribution and above
Target	-	-	65%	-
Value	23%	R 17 833 770	77%	R 58 337 591
Number	31%	115	69%	251

Of the Level- 4 entities measured above, the following black ownership levels can be reported as having been supported through procurement activities at the NEF:

Table 5: BEE Ownership levels reported within Level 4 and above contribution

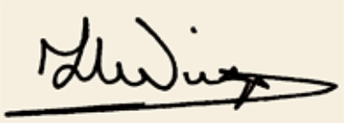
BEE Status – Ownership		Number of suppliers	Percentage by number	Percentage by value	Amount
1.	75.1% - 100%	117	32%	32%	R 12 917 848
2.	50.1 – 75%	20	5%	6%	R 3 631 746
3.	25.1 – 50%	43	12%	12%	R 18 705 033
4.	0%-25%	186	51%	42%	R 31 698 771

It is also important to note that as part of the NEF SME development programme within the Supply Chain Management Department, 70% of the above black owned businesses are businesses that have turnovers less that R35 million per annum, as reported below:

Table 6: Black owned suppliers by size

	EME (Less R5 Million)	QSE (>R5 Million <R35 Million)	Large (Above 35 Million)
Number of suppliers	139	116	111
Percentage by number	38%	32%	30%
Value	R 16 763 331	R 28 655 004	R 30 793 025
Percentage by number	22%	38%	40%

Supply Chain Management practice has been maintained at the highest levels of good governance and the Procurement Committee is able to report that no procurement irregularities were identified in the financial year ending 31 March 2012.



Mr. Andrew Wright – CFO
Chairman of the Procurement Committee

PROFILES OF THE BOARD OF TRUSTEES

Mr Ronnie Ntuli
Chairman of the Board *(November 2005 to October 2011)*

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

Mr Ntuli founded Andisa Capital, a diversified financial services group with interests in private equity, stock-broking, capital markets, corporate finance and treasury solutions, where he was Chief Executive. Mr Ntuli is also Deputy Chairman of Comair Limited, a company listed on the JSE Securities Exchange with investments in the Aviation and Travel sectors, and which operates airlines such as British Airways and Kulula.

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

Ms Zukiswa Ntlangula
Acting Chairman of the Board *(November 2011 to present)*

Ms Ntlangula holds a B. Juris and LLB degrees as well as a Masters Diploma in Human Resources and a Diploma in Project Management. She is the Founder and Director of Ntlangula Inc, a Property and Corporate-Commercial law firm based in Rivonia. Since she started practice as an Attorney in 1995, she has served in various strategic positions at Ntsebeza Inc.; Bowman Gilfillan Inc; Deloitte Consulting SA as a Change Management Specialist, and Thebe Investment Corporation as Group Company Secretary.

From 2007 till 2011, she served as a member of the Board of the Gauteng Gambling Board, as well as a member of its Audit and Risk Committee. In this role, she was appointed as the South African representative on the Steering Committee of the International Association of Gambling Regulators (IAGR), a body that represents the interests of Gambling Regulatory Institutions.

In 2009, Ms Ntlangula was appointed a Non-Executive Trustee of the National Empowerment Fund (NEF). She is currently the Acting Chairperson of the NEF, a role she assumed from 1 November 2011. Prior to this, she was the Chairperson of the Risk and Portfolio Management Committee and a member of the Audit Committee of the NEF. In 2010, she was appointed a Secretary of the Black Conveyancers Association (BCA) and later appointed as its Deputy Chairperson in 2011. In this capacity, she represents the BCA in the Black Business Council (BBC). She contributed in the drafting of the BBC Constitution and serves on the BBC portfolio committee.

Ms Philisiwe Buthelezi – CEO

Ms Buthelezi holds an MBA Corporate Finance from the University of Sheffield, Sheffield, UK, an MSc Economics (Thesis not defended) from the University of Paris 2, Sorbonne, France. She was appointed Chief Executive Officer in July 2005, bringing a diverse knowledge of banking, capital markets and international investment in South Africa. Her experiences encompass both private and public sector activities and provide the NEF with unparalleled understanding of the environment in which the organisation operates.

Prior to joining the NEF, Ms Buthelezi worked for a French investment bank in London, held responsibility for Risk Management Control at the South African Reserve Bank and worked in the Treasury division at Standard Corporate and Merchant Bank. She was employed by **the dti** to promote European investment in South Africa. In 2002 she returned to South Africa to become the Chief Director of the Black Economic Empowerment Unit of **the dti**, which developed the Government's Broad-Based Black Economic Empowerment strategy, the B-BBEE Act and the Codes of Good Practice.

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

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Mr Rakesh Garach

Mr Garach is a qualified Chartered Accountant. He has previously served as a Chief Operating Officer for Deutsche Bank in South Africa as part of the BEE transaction completed with Utajiri Investment. Mr Garach is a founding shareholder of Utajiri Investment, established to participate as an equity leader in the Black Economic initiatives in the Financial Services Industry. He previously served as a partner within Assurance Services at Ernst & Young (Johannesburg). He serves as a board member and chairman of the Audit Committees for KZN Growth Fund Managers and Gauteng Partnership Fund. He further serves on the audit committee of the Financial Sector Charter Council.

Ms Avril Halstead

Ms Halstead holds an MSc in Economic Policy from the University of London, an MBA from the University of Cape Town and an MA in Organisational Consulting from the City University, London. Ms Halstead is a Chief Director at the National Treasury in South Africa where she has responsibility for overseeing approximately 40 of the largest state owned enterprises (SOEs). Prior to joining the National Treasury, Ms Halstead worked for McKinsey & Company, Old Mutual and Wipcapital, a subsidiary of Wiphold. She has also worked with a number of NGOs, notably the Nelson Mandela Foundation as well as the Family and Marriage Association of South Africa (FAMSA) and Ikageng, an organisation responsible for caring for HIV/AIDS orphans. She was nominated as a Young Global Leader and one of the Mail & Guardian's Top 200 Young South Africans in 2011.

Ms Angelina Matlhodi Makwetla

Ms Makwetla holds a BA (Social Sciences) degree from the University of the North, a Management Certificate from Arthur D Little Management School in Cambridge, Massachusetts and an SMME Management Certificate from Galilee College in Israel. She has extensive work and business experience, and including the Randfontein Council, Market Research Africa IBM. Ms Makwetla then ventured into entrepreneurship starting with a computer training centre , followed by Makwetla and Associates a company specialising in Public Relations, Event Management, Community Development, Sponsorship Procurement and Disability Equity management.

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

Ms Jacqueline Mabohlale Molisane

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

Prior to her current position she was the Chief Director: Financial Analysis and Transactions in the Energy and Broadband Unit, focusing on providing strategic advice on SOE performance; assessing SOE transactions such as acquisitions, mergers and disposals and securing the necessary funds for the SOEs. She performed in depth financial and commercial analysis on SOEs such as ESKOM and Broadband INFRACO and formed an integral part of the team tasked with securing funding for ESKOM from the World Bank and the African Development Bank.

Ms Molisane has 10 years of private sector experience in the financial services sector specialising in Investment Banking. She spent 7 years working for local and international investment banks specialising in stock broking with a particular focus on Equities Trading and Portfolio Management. The last three years were spent in honing and broadening her skills base in the Private Equity and Structured Finance arena.

Mr Allon Raiz

Mr Raiz is the founder and CEO of Raizcorp, the only privately held, unfunded, profitable business incubator on the African continent, supporting in excess of 240 businesses. Mr Raiz is the bestselling author of both "Lose the Business Plan and What to Do When You Want to Give Up." He has also hosted a radio show and written and hosted a prime time reality TV show, both in the field of entrepreneurship.

Mr Raiz is the co-founder of the Entrepreneurs' Organisation South Africa and Rural Roots, and sits on the advisory and judging boards of numerous local and international NGOs and entrepreneurial awards. Allon's passion and focus on the development of entrepreneurs attracted the attention of the World Economic Forum (WEF) which, on 11 March 2008, named Allon as a Young Global Leader. In addition to working towards a Doctorate in Entrepreneurial Studies and Innovation, Mr Raiz is an accomplished international speaker who was invited to speak at the 2011 WEF Annual Meeting, held in Davos, Switzerland. In 2011, Allon was invited to become a member of the WEF's Global Agenda Council on Fostering Entrepreneurship, making him one of 15 recognised global experts in this field.

Ms Nomalanga Tsatsi Mosala

Ms Mosala is an accomplished business woman with strong economic development orientation. A human resource practitioner who has been an advisor for BEE transactions, development and policy reviews including the B-BBEE Forestry Charter development and privatisation of SiyaQhubeka (SQF), category A State Forests. She was appointed trustee by the Industrial Development Corporation (IDC) to manage an incubator fund that supported contractors in SQF. She was Deputy Chairperson National Forestry Advisory Council (NFAC) 2006 – 2009 and is currently an EXCO member of NFAC and Chairperson of the Committee for Sustainable Forestry Management (CSFM) 2010 - 2013. She is a member of the Forestry Governance Working Group (FGLG), an alliance of in-country groups and international partners currently active in eight African and three Asian countries (2008 to date).

She is co- founder and Chairperson of Nomalanga Estate a mixed farming operation, which is in the process of being proclaimed a Nature Reserve. Ms Mosala has had two awards conferred upon her by the Department of Agriculture and Environmental Affairs KZN in 2009 and 2010. She is passionate about rural development and women, in particular rural women empowerment. Ms Mosala is a member of the Board Investment Committee (BIC) of the NEF.

Mr Thabiso Tlelai

Mr Tlelai's business experience spans over 20 years.

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

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

History

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

"This is the submission of a Board that serves with an eye on the past and the future. It is a board that, armed with diversity, expertise and depth, emboldened by merit and mettle, takes seriously its privilege to guide an exceptionally ineffable executive core and a staff compliment that is sincere in the obligation to heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights."

Report of the Acting Chairman, Ms Zukiswa Ntlangula, 2012.

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Currently

- Director and founding member of Amabubesi Investments (Pty) Ltd, an Investment Banking Group
- Don Group – Chief Executive Officer and controlling shareholder of the JSE listed Hotel Group
- Basil Read Group – a Shareholder and Board Member of a JSE listed Construction Company

Awards

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

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

Mr Kugan H Thaver

A qualified Chartered Accountant, Mr Thaver holds a B.Acc.Sc (Hons), CTA (UNISA). He is currently employed by the Industrial Development Corporation (South Africa) as a Business Unit Head of Strategic High Impact Projects SBU.

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

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

Mr Andrew Wright – CFO

Mr Wright holds a B.Compt and P.Dip. Acc. (UNISA). He completed articles in auditing and accounting with BDO Spencer Steward in Parktown, Johannesburg in 1995 and is an admitted Fellow of the Institute of Chartered Secretaries and Administrators (ICSA) and Association of Chartered Certified Accountants (ACCA) in the United Kingdom.

He is also a member of the Texas Society of Certified Public Accountants in the United States and an Associate of CPA, Australia, and the South African Institute of Chartered Accountants. His career experience includes investment banking, private equity and venture capital fund management as well as development finance in the public sector. He joined the National Empowerment Fund in 2004, to assist in the roll-out and implementation of its approved business plan.

Mr Wright was later appointed Chief Financial Officer and thereafter, in 2006 Chief Operating Officer, responsible for strategic and business planning and performance measurement of the organization. He returned to the portfolio of Chief Financial Officer in 2008. Mr Wright was appointed to the Board of Trustees in December 2009.

"The gazetted broad-based black economic empowerment (B-BBEE) amendment bill will put in place strict measures to tackle fronting."

Minister Rob Davies, On the New Amendment Bill.

ROLES AND RESPONSIBILITIES OF THE BOARD OF TRUSTEES

1.1. The Board has absolute responsibility for the performance of the NEF and is fully accountable to the shareholder for such performance. As a result, the Board should give strategic direction to the NEF, and in concurrence with the Executive Authority appoint the CEO and ensure that an effective succession plan for all directors and key executives is in place and adhered to.

1.2. The Board must retain full and effective control over the NEF and monitor management closely in implementing Board plans and strategies.

1.3. The Board should ensure that the NEF is fully aware of and complies with applicable laws, regulations, Government policies and codes of business practice and communicates with its shareholder and relevant stakeholders openly and promptly with substance prevailing over form.

1.4. The Board must closely monitor the process of disclosure and communication and exercise objective judgement on the affairs of the NEF, independent of management. In so doing, each individual Trustee must keep confidential all matters of the organisation.

1.5. The Board should formulate, monitor and review corporate strategy, major plans of action, risk policy, annual budgets and business plans of the NEF and regularly identify key risk areas and key performance indicators, based on both financial and non-financial aspects.

1.6. Without derogating from its fiduciary duties, the Board should ensure that the shareholder's performance objectives are achieved and that they can be measured in terms of the performance of the NEF. In addition, the Board should ensure that the organisation prepares annual budgets against which, inter alia, its performance can be monitored.

1.7. The Board should monitor and manage potential conflicts of interest of management, Trustees and the shareholder. The Board as a whole and each individual Trustee may not accept any payment of commission, any form of bribery, gift or profit for himself or herself from any person.

1.8. The Board should develop a clear definition of the levels of materiality or sensitivity in order to determine the scope of delegation of authority and ensure that it reserves specific powers and authority to itself. Delegated authority must be in writing and evaluated on a regular basis.

1.9. The Board should ensure that financial statements are prepared for each financial year, which fairly present the affairs of the NEF and apply relevant accounting standards. In addition, the Board must ensure the maintenance of adequate accounting records and ensure that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, have been used in the preparation of the financial statements.

1.10. The Board should appraise the performance of the Chairman as frequently as the Board may decide. The Board should also, annually review and evaluate its required mix of skills and experience and other qualities in order to assess the effectiveness of the entire Board, its committees and the contribution of each individual Trustee. The Board should ensure that a confidential Board and Trustee appraisal is conducted annually and establish an appropriate mechanism for reporting the results of the Board assessment to the shareholder.

1.11. The Board should ensure that there are appropriate and effective induction, education and training programmes offered to new and existing Trustees.

1.12. The Board is responsible for setting policy and standards of ethical business conduct. The board should always maintain the highest standard of integrity, responsibility and accountability and ensure that it finds a fair balance between conforming to corporate governance principles and the performance of the organisation.

1.13. To enable the Board to properly discharge its responsibilities and duties, certain responsibilities of the Board may be delegated to Board committees. The creation of committees does not reduce the Trustees' overall responsibility.

PROFILES OF THE EXECUTIVE COMMITTEE

Ms Philisiwe Buthelezi

Chief Executive Officer

MBA Corporate Finance (University of Sheffield, Sheffield, UK, 1992), MSc Economics (Thesis not defended, University of Paris 2, Sorbonne, France, 1989).

Ms Buthelezi was appointed Chief Executive Officer in July 2005, bringing a diverse knowledge of banking, capital markets and international investment in South Africa. Her experiences encompass both private and public sector activities and provide the NEF with unparalleled understanding of the environment in which the organisation operates.

Prior to joining the NEF, Ms Buthelezi worked for a French investment bank in London, held responsibility for Risk Management Control at the South African Reserve Bank and worked in the Treasury division at Standard Corporate and Merchant Bank. She was employed by **the dti** to promote European investment in South Africa. In 2002 she returned to South Africa to become the Chief Director of the Black Economic Empowerment Unit of **the dti**, which developed the Government's Broad-Based Black Economic Empowerment strategy, the B-BBEE Act and the Codes of Good Practice.

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

Mr Andrew Wright

Chief Financial Officer

B.Phys.Ed (WITS - 1992), B.Compt (UNISA - 1996), P.Dip.Acc (UNISA - 2011), FCIS (SA and UK - 1996), FCCA (UK - 1999) Associate member of: South African Institute of Chartered Accountants; Texas Society of Certified Public Accountants; CPA Australia.

Mr Wright's career experience includes investment banking, private equity and venture capital fund management as well as development finance in the public sector. He joined the National Empowerment Fund in 2004 to assist in the roll out and implementation of its approved business plan. Mr Wright was later appointed Chief Financial Officer and thereafter, in 2006 as Chief Operating Officer, responsible for strategic and business planning and performance measurement of the organisation.

He returned to the portfolio of Chief Financial Officer in 2008. Mr Wright was appointed to the Board of Trustees in December 2009.

Ms Barbara Lebogang Lombard

Corporate Services Executive

General Nursing and Midwifery (Baragwanath Hospital, 1987), Certificate Programme in Industrial Relations (Wits Business School, 1991), Executive Development Programme (CTC, New School of Social Research, New York, 1995), International Registry of Organisational Professionals (Louw De Toit & Associates, UK), Telecommunications Network Engineering (Mathew Bolton, UK, 2000).

Ms Lombard was born and brought up in Soweto, Johannesburg. Ms Lombard has been an HR Practitioner for the past 20 years, having had the opportunity to work as an Industrial Relations Officer, Resourcing Specialist, HR Development Specialist, Talent Management and HR Generalist. In 2001, Ms Lombard moved out of HR to manage a division of Telecommunications Network Specialists looking after some of the top 100 companies Network Services.

Ms Lombard has had a good exposure working for local and global companies, within and out of SA, including Alexander Forbes, JP Morgan, Telkom SA, British Telkom, De Beers Consolidated Mines, Barclays Bank and Standard Chartered Bank. She was a Non–Executive Director at Jo' Burg Theatre, and is currently a Non–Executive Director at Pro Musica and Soweto Theatre for the City of Jo'burg.

Mr Setlakalane Molepo

Divisional Executive: SME and Rural Development
BSc Civil Engineering (Wits, 1993), Certificate in Financial Management (RAU, 2003), MBL (SBL, 2005).

Mr Molepo is a Professional Engineer and during his early career practiced as a Civil Engineer with a number of consulting firms, ie. Lillicrap Crutchfield (Pty) Ltd, Ellmer Partnership (Pty) Ltd and BKS Inc., in a number of different roles ranging from Design Engineer to Project Engineer on a number of commercial and industrial projects.

In 1999 he joined the Industrial Development Corporation of South Africa Ltd (IDC) until 2009. He was appointed in different positions in their Business Units. In 2005 and 2007 he headed the Risk Capital Facility and the Metal, Transport and Machinery Products SBUs respectively. At the culmination of his career, Mr Molepo was appointed the Managing Director of Khula Enterprise Finance Ltd, a state-owned development finance institution (DFI) established in 1996 to facilitate access to finance for small and medium enterprises (SMEs).

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

He has also been involved in numerous community projects, including a recent involvement as technical advisor to his local church based in Soweto when they built phase 2 R30 million extensions to the Auditorium, Youth Centre and Children's Church. He was also involved in the phase 1, which amounted to R17 million.

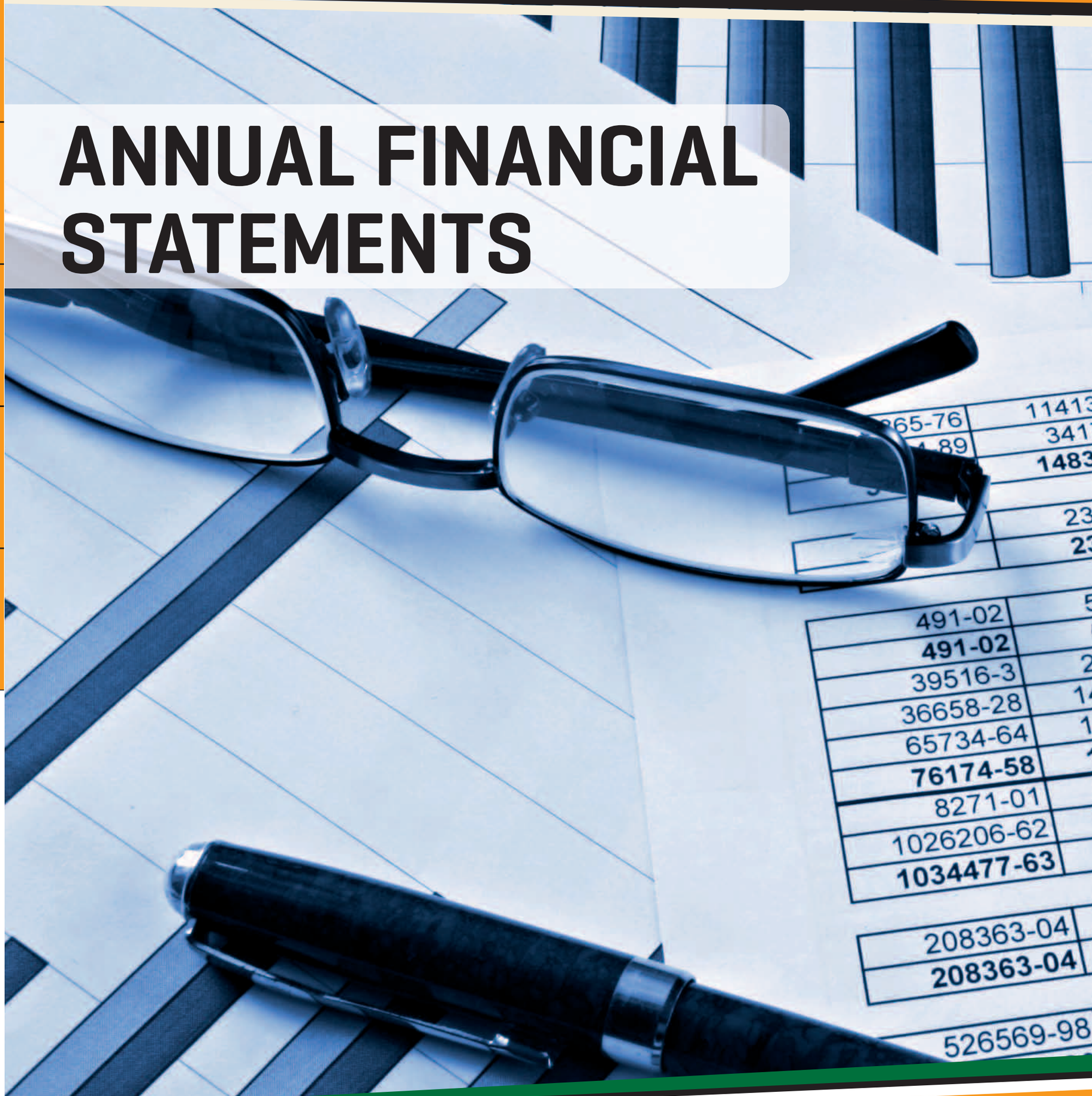
Ms Hlengiwe Makhathini

Divisional Executive: Venture Capital and Corporate Finance
B.Com (Hons) (KZN) CA (SA).

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

> *The special economic zones programme is one of the most critical instruments that can be used to advance Government's strategic objectives of industrialization, economic growth and job creation.*
>
> Minister Rob Davies, SEZ Launch, Pretoria, 10 June 2012.

ANNUAL FINANCIAL STATEMENTS



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TRUSTEE'S RESPONSIBILITY AND APPROVAL

The Trustees are responsible for the preparation, integrity and fair presentations of the report on performance information and the annual financial statements of the Trust. The financial statements presented on page 63 to 112 have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice, and requirements of the PFMA and the NEF Act and include amounts based on judgements and estimates made by management. The Trustees also prepared the other information included in the Annual Report and are responsible for both its accuracy and 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 have been audited by the independent auditors, PriceWaterhouseCoopers Inc, who were given unrestricted access to all financial records and related data, including minutes of all meetings of the Trustees and Committees of the Board. The Trustees believe that all representations made to the independent auditors are valid and appropriate.

The financial statements set out on pages 63 to 112, which have been prepared on the going concern basis, were approved by the Board of Trustees on 30 July 2012 and were signed on its behalf by:

Ms Zukiswa Ntlangula (Acting Chairman)	Ms Philisiwe Buthelezi (CEO)
31 July 2012	31 July 2012
Date	Date

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

Report on the Financial Statements

Introduction

We have audited the financial statements of the National Empowerment Fund Trust set out on pages 63 to 112 which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial statements

The board of trustees which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Recognised Accounting Practices (GRAP) 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 accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Empowerment Fund Trust as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the Public Finance Management Act of South Africa and the National Empowerment Fund Act.

Report on other Legal and Regulatory Requirements

In accordance with the PAA and the General Notice issued in terms thereof, we report the following which is relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Pre-determined objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the performance against the Annual Performance Plan as set out on pages 30 to 34 of the annual report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

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

There were no material findings on the performance against the Annual Performance Plan concerning the usefulness and reliability of the information.

Compliance with laws and regulations

We did not identify any instances of material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA.

Internal control

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Raj Dhanlall
Registered Auditor
Johannesburg
31 July 2012

STATEMENT OF FINANCIAL POSITION
as at 31 March 2012

	Notes	2012 R	2011 R
ASSETS			
Non-Current Assets		**2 763 089 168**	**2 557 044 017**
Property and equipment	4	7 064 715	7 976 813
Intangible assets	5	1 864 223	4 153 031
Investments in associates	6	201 855 314	102 951 249
Investments available-for-sale	7	1 449 434 153	1 490 214 567
Originated loans	8	847 653 728	749 086 331
Preference Shares	9	198 445 058	170 762 845
Finance lease receivables	10	54 886 938	31 889 180
Investments at fair value through profit and loss	12	1 885 039	10 000
Current Assets		**2 539 999 768**	**2 758 815 621**
Current portion of originated loans	8	243 760 565	87 934 546
Investments held-for-trade	13	36 644 087	46 091 412
Non-current asset held-for-sale	14	8 100 000	-
Trade and other receivables	15	49 497 475	42 234 616
Cash and cash equivalents	17	2 201 997 641	2 582 555 047
TOTAL ASSETS		**5 303 088 936**	**5 315 859 638**
NET ASSETS AND LIABILITIES			
Net Assets		**5 258 890 572**	**5 280 576 646**
Trust capital	18	2 468 431 472	2 468 431 472
Fair value reserves	19	1 281 490 431	1 297 193 378
Accumulated surplus		1 508 968 669	1 514 951 796
Current Liabilities		**44 198 364**	**35 282 992**
Trade and other payables	20	44 198 364	35 282 992
TOTAL NET ASSETS AND LIABILITIES		**5 303 088 936**	**5 315 859 638**

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STATEMENT OF FINANCIAL PERFORMANCE – For the year ended 31 March 2012

	Notes	2012 R	2011 R
Revenue	**22**	**335 498 814**	**359 524 113**
Other income	**23**	**4 918 197**	**511 419**
Sundry income		4 918 197	511 419
Administration expenses	**24**	**(191 898 032)**	**(153 888 722)**
Net Operating Income		**148 518 879**	**206 146 810**
Impairment charge	**11**	(105 092 503)	(102 658 547)
Loss on disposal of investments	**26**	(15 055 639)	(600 976)
Net Income before fair value adjustments		**28 370 837**	**102 887 287**
Fair value (losses)/gains		**(34 353 964)**	**(28 059 205)**
- Investments in associates	**6**	890 536	11 943 695
- Investments available for sale - Day 1 Profit	**7**	6 036 343	-
- Investments at fair- value through profit and loss	**12**	(31 833 518)	(37 193 000)
- Investments held-for-trade	**13**	(9 447 325)	(2 809 900)
(Deficit)/Surplus for the year	**25**	**(5 983 127)**	**74 828 082**

CASH FLOW STATEMENT – For the year ended 31 March 2012

	Notes	2012 R	2011 R
Cash flows from operating activities	**29**	**(168 220 477)**	(152 871 554)
Cash receipts from other income		4 918 198	511 419
Cash paid to suppliers and employees		(173 138 672)	(153 382 973)
Cash flows from investing activities		**(212 336 930)**	**(52 915 989)**
Additions to property and equipment	**4**	(2 636 323)	(3 215 861)
Additions to intangible assets	**5**	(237 617)	(2 917 198)
Investment disbursements	**30**	(596 636 976)	(393 067 295)
Dividends received		75 412 377	42 577 239
Interest receipts		136 780 502	172 615 341
Repayment of Originated Loans, Leases and Preference Shares		155 460 587	130 391 852
Proceeds from sale of investments		19 520 519	699 933
Decrease in cash and cash equivalents		**(380 557 406)**	**(205 787 543)**
Cash and cash equivalents at beginning of the year		**2 582 555 047**	**2 788 342 590**
Cash and cash equivalents at end of the year	**17**	**2 201 997 641**	**2 582 555 047**

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN NET ASSETS – For the year ended 31 March 2012

	Trust Capital	Fair Value Reserve	Accumulated Surplus	Total
	R	R	R	R
Balance at 31 March 2010	**2 468 431 472**	**1 050 380 873**	**1 440 123 714**	**4 958 936 059**
Trust capital introduced	-	-	-	-
Fair value gains / (losses) - investments available for sale	-	246 812 505	-	246 812 505
Surplus for the year *	-	-	74 828 082	74 828 082
Balance at 31 March 2011	**2 468 431 472**	**1 297 193 378**	**1 514 951 796**	**5 280 576 646**
Fair value gains/(losses) - investments available for sale	-	(15 702 947)	-	(15 702 947)
Surplus/(loss) for the year	-	-	(5 983 127)	(5 983 127)
Balance at 31 March 2012	**2 468 431 472**	**1 281 490 431**	**1 508 968 669**	**5 258 890 572**
	18	**19**		

Note:

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

The fair value reserve is a non- distributable reserve comprising the fair value adjustment on available for sale investments in terms of IAS 39 (AC 133)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

1.1. Main business and operations

The National Empowerment Fund Trust is a South African public entity under the direction of **the dti**. The Trust was established through the National Empowerment Fund Act (Act 105 of 1998), to provide access to funding for black entrepreneurs and black empowered businesses through the Fund Management Division and Strategic Projects Fund, which provides funding for venture capital actvities in the Industrial Policy Action Plan sectors. In addition, the promotion of investments and savings activities is undertaken by designing and offering retail investment products through the Asset Management Division which are offered for subscription to 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 SA GAAP in the absence of applicable GRAP Standards. The following is a list of SA GAAP standards applied by the Trust in the absence of applicable effective GRAP standards.

IFRS 3 (AC 140)	-	Business Combinations
IFRS 5 (AC 142)	-	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7 (AC 144)	-	Financial Instruments: Disclosures
IAS 19 (AC 116)	-	Employee Benefits
IAS 32 (AC 125)	-	Financial Instruments: Presentation
IAS 39 (AC 133)	-	Financial Instruments: Recognition and Measurement
IFRIC 4 (AC 437)	-	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC 442)	-	Reassessment of Embedded Derivatives

1.4. Consolidation

Investments in associates

Associates are all entities over which the Trust has significant influence but not control, generally accompanying a share holding 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.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

1.4. Consolidation (continued)

Once an investment in associate is initially designated at fair value through profit and loss it is recognised at fair value. Subsequent measurement will thereafter be in terms of IAS 39 which allows for associates to either be held at fair value or at cost. Specially 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 Projects Fund Division (SPF) where the measurement thereof is dependant on the stage of the project.

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

Interests in joint ventures

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

1.5. Revenue recognition

Revenue is recognised when, it is probable that future economic benefits will flow to the enterprise and these benefits can be reliably measured 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. 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 grant income earned through the Enterprise Development Fund Initiative and is recognised when the income is received. With regard to grant income earned through the Enterprise Development Fund Initiative there is no specific conditions relating to the use of funds. Interest earned on these funds is capitalised and accounted for as sundry income.

1.6. Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and if the cost of the item can be reliably measured. All repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

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

Item	Rate p.a
Furniture and fittings	16,67%
Motor vehicles	25%
Office equipment	20% - 40%
Leasehold improvements	20%
Audio Visual equipment	33,33%
Paintings	2%

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

Assets under R2,000 are written off on purchase.

An asset's carrying amount is written down to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of financial performance, under the 'administrative expenses' line.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

1.7. Intangible assets

Acquired computer software is capitalised on the basis of cost incurred to acquire and bring to use the specific software purchased in order to distinguish from any internally generated assets which are not capitalised and is amortised on a straight-line basis over the expected useful lives of the assets, usually 3 to 5 years. Intangible assets with an indefinite useful life are not amortised. The useful lives of intangible assets that are not being amortised are reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets.

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

Item	Rate p.a
Computer software	33,30%

1.8. Non-current assets held for sale

Non current assets held for sale comprises collateral assets against investment funding provided, that has been determined to be uncollectable and has been attached by the NEF for recovery of funds provided. Such assets are accounted for in terms of IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations. In terms of IFRS 5 (AC 142) Non-current Assets held for Sale are defined as non current assets or disposal groups for which the carrying amount will be recovered primarily through sale rather than through continuing use.

In terms in IFRS 5 (AC 142) 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 IFRS 5 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 through profit and loss and available-for-sale 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 or loss only were 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 through profit and loss, originated loans and preference shares (IAS 39 category: loans and receivable) and investments available-for-sale. Management determines the classification of investments at initial recognition.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

1.10. Financial assets (continued)

Originated loans

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

Investments carried at fair value through profit or loss

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

Financial assets are designated as fair value through profit and loss in instances where: (i) they meet the definition of held for trading in that they are principally held with the intention to dispose of in the near term or (ii) they represent assets that are acquired and managed through the Strategic Projects Fund.

Available-for-sale investments

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

Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to the needs of liquidity or changes in interest rates, exchange rates or equity prices or non derivatives that are not classified in any other category. Dividend income is recognised when the rights to receive payment has been established and interest income is recognised on a time apportionment basis using the effective interest rate method. Dividend and interest income is recognised in revenue.

Embedded derivative financial instruments

The Trust has invested in instruments which in some instances contain embedded derivatives. These derivatives are part of the equity exit and conversion mechanisms used by the NEF. In such instances where an embedded derivative is identified, these are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a stand alone derivative; and the combined contract is not recognised at fair value with any gains or losses from the change in fair value being recognised in the statement of financial performance (profit and loss). Upon identification and separate disclosure, the host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument with the embedded derivate portion being recognized at fair value through profit and loss.

Trade and other receivables

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

1.10. Financial assets (continued)

Preference shares

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

Subsequent measurement

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

Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

1.10. Financial assets (continued)

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

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

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

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

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

(b) Available-for-sale investments

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

1.10. Financial assets (continued)

Impairment of financial assets

(c) Renegotiated originated loans

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

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

Impairment of non financial assets

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

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

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

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

1.11. Trade and other payables

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

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

1.12. Leases

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

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

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

1.13. Employee benefits

(a) Pension obligations

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

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

1.13. Employee benefits (continued)

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

(a) Impairment losses on originated loans

The Trust reviews its loan portfolios to assess impairment at half yearly intervals. In determining whether an impairment loss should be recognised in the Statement of Financial Performance, the Trust makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease is identified for an individual loan in that portfolio. The portfolio is made up of new black empowerment investments most of which are start ups in the market. As a result there is no financial performance history which guides the impairment process. The Trust's management has thus developed an impairment matrix and is continually refining it. The impairment matrix was benchmarked against those utilised by peers in the market. Amongst others, the impairment matrix encompasses the review of the following observable data:

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

1.15. Critical accounting estimates and judgements in applying accounting policies (continued)

(b) Impairment of equity investments

The Trust determines that equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Trust evaluates amongst other factors, the normal volatility in earnings. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. For the carrying amount of these investments refer to note 6.

(c) Fair value on unlisted securities

The Trust establishes the fair value of unlisted securities by enterprise valuation techniques as outlined in note 1.10 financial assets. For the carrying amount of the investments refer to note 6, 7 and 12.

2. NEW STANDARDS AND INTERPRETATIONS

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

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

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

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

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

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

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

The impact of the amendments have been considered in the accounting policies of the Trust and the related party disclosures made in note 21 of the Annual Financial Statements.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.1. Standards and interpretations effective and adopted in the current year (continued)

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

The amendments to IFRS 7 provide clarification on the required qualitative risk disclosures required to enable evaluation of an entities exposure to risk. Specific clarification provided relates to the following disclosure requirements:

- For each risk arising from financial instruments disclosure of summary quantitative data regarding exposure to such risks.
- Qualitative information relating to the concentration of risk.
- For each class of financial instrument the amount that best represents the maximum exposure to credit risk at the end of reporting period.
- A description of collateral held as security with regard to the maximum exposure to credit risk.
- Information regarding the credit quality of financial assets that are neither past due nor impaired.
- Disclosures relating to financial assets past due or impaired.
- Removal of the disclosure requirement for collateral held as security and other credit enhancements and an estimate of their fair value for financial assets past due and not impaired, and financial assets that have been determined to be individually impaired.
- Additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets held at reporting date.

The impact of the amendments have been considered in the disclosures made by the Trust, in the notes to the Annual Financial Statements, relating to risk exposure and financial assets.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the borrower issuing its own equity instruments to the lender. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

The clarification provided by IFRIC 19 has had minimal impact on the Trust's annual financial statements.

2.2. Standards and interpretations issued but not yet effective

The Trust has chosen not to early adopt the following standards and interpretations, which have been published but are mandatory for the Trust's accounting periods beginning on or after 01 April 2012 or later periods:

GRAP 21 – Impairment of non-cash-generating assets

This standard prescribes the procedures that the NEF will apply to determine whether a non-cash generating asset is impaired and to ensure that impairment losses are recognised.

The effective date of the standard is for years beginning on or after 01 April 2012. The Trust expects to adopt the standard for the first time in the 2013 annual financial statements. It is unlikely that the standard will have a material impact on the Trust's annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2. Standards and interpretations issued but not yet effective (continued)

GRAP 23 – Revenue from Non-exchange transactions

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

The effective date of the standard is for years beginning on or after 01 April 2012. The Trust expects to adopt the standard for the first time in the 2013 annual financial statements. It is unlikely that the standard will have a material impact on the Trust's annual financial statements.

GRAP 24 – Presentation of Budget Information in the financial statements

This standard requires a comparison of budget and actual amounts and an explanation for material differences.

The effective date of the standard is for years beginning on or after 01 April 2012. The Trust expects to adopt the standard for the first time in the 2013 annual financial statements. It is unlikely that the standard will have a material impact on the Trust's financial statements.

GRAP 26 – Impairment of Cash-generating Assets

This standard prescribes the procedures to determine whether a cash generating asset is impaired and to ensure that impairment losses are recognised.

The effective date of the standard is for years beginning on or after 01 April 2012. The Trust expects to adopt the standard for the first time in the 2013 annual financial statements. It is unlikely that the standard will have a material impact on the Trust's annual financial statements.

GRAP 104 – Financial Instrument

This standard establishes principles for recognising, measuring, presenting and disclosing financial instruments.

The effective date of the standard is for years beginning on or after 01 April 2012. The Trust expects to adopt the standard for the first time in the 2013 annual financial statements. The impact of the standard on the Trust's annual financial statements is still to be assessed.

IFRS 9 – Financial Instruments

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and de-recognition of financial assets and liabilities. The following are main changes from IAS 39:

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

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2. Standards and interpretations issued but not yet effective (continued)

- Investments in equity instruments may be measured at fair value through other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on de-recognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date of the standard has been revised for years beginning on or after 01 January 2015 (previously effective years beginning on or after 01 January 2013). The Trust expects to adopt the standard for the first time in the 2016 annual financial statements. The impact of the standard on the Trust's annual financial statements is still to be assessed.

IFRS 10 – Consolidated financial statements

This standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

The effective date of the standard is for years beginning on or after 01 January 2013. The Trust expects to adopt the standard for the first time in the 2014 annual financial statements. It is unlikely that the standard will have a material impact on the Trust's annual financial statements as the Trust applies GRAP 6 Consolidated and Separate Financial Statements.

IAS 27 – Separate Financial Statements

Consequential to the issue of IFRS 10 the amended IAS 27 (AC 132) now only deals with separate financial statements.

The effective date of the amendment is for years beginning on or after 01 January 2013. The Trust expects to adopt the amendment for the first time in the 2014 annual financial statements. It is unlikely that the amendment will have a material impact on the Trust's annual financial statements as the Trust applies GRAP 6 Consolidated and Separate Financial Statements.

IFRS 11 – Joint arrangements

IFRS 11 replaces IAS 31(AC 119) Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non Monetary Contributions by Venturers. IFRS 11 provides for a change in the assessment of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed under IFRS 11.

The effective date of the standard has been revised for years beginning on or after 01 January 2013. The Trust expects to adopt the standard for the first time in the 2014 annual financial statements. It is unlikely that the standard will have a material impact on the Trust's annual financial statements as the Trust will apply the venture capital exclusions contained in the IFRS.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2. Standards and interpretations issued but not yet effective (continued)

IAS 28 (AC 110) (revised 2011) – Associates and joint ventures

Consequential to the issue of IFRS 11 the amended IAS 28 (AC 110) now includes the requirements for joint ventures, as well as associates, to be equity accounted.

The effective date of the amendment is for years beginning on or after 01 January 2013. The Trust expects to adopt the amendment for the first time in the 2014 annual financial statements. It is unlikely that the amendment will have a material impact on the Trust's annual financial statements as the Trust applies the venture capital exclusions contained in the current IAS 31 Interest in joint Ventures (AC 119) and IAS 28 (AC 110) Investments in Associates.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 sets out disclosure requirements for investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 01 January 2013. The Trust expects to adopt the standard for the first time in the 2014 annual financial statements. It is unlikely that the standard will have a material impact on the Trust's annual financial statements.

IFRS 13 – Fair Value Measurement

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

The effective date of the standard is for years beginning on or after 01 January 2013. The Trust expects to adopt the standard for the first time in the 2014 annual financial statements. It expected that the guidance provided will impact on the disclosures made by the Trust with regard to financial instruments measured at fair value.

2.3. Standards and interpretations not yet effective or relevant

GRAP 18 – Segment Reporting

This standard establishes principles for reporting financial information by segments.

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

GRAP 25 – Employee Benefits

This standard prescribes the accounting treatment and disclosure for employee benefits.

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

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.3. Standards and interpretations not yet effective or relevant (continued)

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

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

The effective date of the amendment is for years beginning on or after 01 January 2012. The Trust expects to adopt the amendment for the first time in the 2013 annual financial statements. The amendment will have no material impact on the Trust's annual financial statements as the Trust is exempt from Income Tax.

IAS 19 (AC 116) – Employee Benefits Revised

The amendments to IAS 19 provide for the following:

- Required recognition of changes in the net defined benefit liability/(asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of re-measurements in other comprehensive income, plan amendments, curtailments and settlements
- Introduction of enhanced disclosures about defined benefit plans
- Modify accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits
- Clarification of miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk sharing and conditional indexation features.

The effective date of the amendment is for years beginning on or after 01 January 2013. The Trust expects to adopt the amendment for the first time in the 2014 annual financial statements. It is unlikely that the amendment will have a material impact on the Trust's annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

3. RISK MANAGEMENT

3.1. Credit risk

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

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

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

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

	Credit Ratings	Closing Balances 2012	Closing Balances 2011
		R	R
Standard Bank	AA+	408 382 128	915 210 112
First National Bank	A-2	532 271 330	516 820 827
South African Reserve Bank	BAA	1 013 458 447	909 789 386
Rand Merchant Bank	A-2	247 883 736	235 069 932
Investec	A1+		5 662 790
Total Cash held with Banks		**2 201 995 641**	**2 582 553 047**

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

The impairment methodology utilized by the Trust results in Originated Loans that are in excess of 60 days in arrears ie, two repayment 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.

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

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

3. RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

Originated Loans, Finance leases and Preference shares are individually impaired. After impairments the originated loans, finance lease and preference shares (Notes 8, 9, 10) may be analysed as follows:

	2012	2011
Originated Loans	**R**	R
Normal monitoring and performing loans	910 806 247	561 609 968
Close monitoring	133 183 303	177 022 386
Partly/fully impaired	217 964 176	250 428 986
Re-negotiated loans	-	47 689 663
	1 261 953 726	**1 036 751 003**
Finance Leases		
Normal monitoring and performing leases	49 018 947	20 985 916
Close monitoring	-	-
Partly/fully impaired	9 965 310	22 492 416
Re-negotiated finance leases	-	-
	58 984 257	**43 478 332**
Preference Shares		
Normal monitoring and performing preference shares	193 320 058	165 637 846
Close monitoring	-	-
Partly/fully impaired	29 940 032	39 814 986
	223 260 090	**205 452 832**

The average loan disbursed is R8 493 000 (2011: R12 085 000), with the minimum being R250 000 (2011: R250 000), and the maximum being R49 250 000 (2011: R50 000 000).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

3. RISK MANAGEMENT (continued)

3.1. Credit risk (continued)

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.

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

2012

Collateral held in favour of impaired loans	Land and buildings	Plant and equipment	Furniture, other equipment and office equipment	Motor vehicles	TOTAL
	R	R	R	R	R
Book Value	42 041 166	256 225 365	34 062 554	82 195 930	414 525 015
Fair value	29 428 816	85 399 914	10 344 845	27 395 903	152 569 479

2011

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

Collateral available against current 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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

3. RISK MANAGEMENT (continued)

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.

3.3. Interest rate risk

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

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

A significant part (2012 - 85%: 2011 – 70%) 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 2012, the portfolio was assessed from this risk rating approach as follows:

	2012		2011	
Category	% by number	% by value	% by number	% by value
Performing	72%	73%	22%	34%
Impairments	24%	10%	26%	32%
Workouts	4%	17%	52%	34%

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

3. RISK MANAGEMENT (continued)

3.3. 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:

	2012			2011		
	R			R		
	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment	Carrying Amount	Interest earned	Sensitivity of 1% effective adjustment
Originated loans	1 123 297 063	112 271 800	11 232 971	837 020 877	94 913 128	8 370 208
Cash and cash equivalents	2 201 997 641	136 754 681	22 019 976	2 582 555 047	171 089 744	25 825 550
Total	**3 325 294 704**	**249 026 481**	**33 252 947**	**3 419 575 924**	**266 002 872**	**34 195 758**

3.4. 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.

3.5. Price risk

The Trust is exposed to listed equity market price risk due to its portfolio of equities classified as either held for trading, at fair value through profit and loss or available for sale. These investments are as a result of the state allocated investment in MTN and some listed investments undertaken as a result of the Trust's funding products for listed investments.

The investment in MTN was transferred to the Trust at subscription date value and hence significant fair value has accrued to the Trust through the fair value reserve. This fair value is applied in the development of appropriate retail products in terms of the mandate of the Trust and part of this fair value has been transferred to the Trust's beneficiaries in the form of discounts on subscription values.

The Trust manages other price risk in terms of its listed investment portfolio by means of structured exits as well as minimum return fair values being catered for in the investment funding agreements. In this way the Trust's maximum exposure to other price risk is limited with the bulk of the risk being associated with underlying business and credit risk.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

3. RISK MANAGEMENT (continued)

3.5. Price risk (continued)

Listed Investments	Number of shares at year end	Share price at year end	10% increase in share price	10% decrease in share price
	R	R	R	R
AH Vest Ltd	7 860 473	0,20	157 209	(157 209)
Hospitality Property Fund A Ltd	2 523 165	11,90	3 002 566	(3 002 566)
Hospitality Property Fund B Ltd	1 261 583	4,00	504 633	(504 633)
MTN Ltd	10 109 108	135,02	136 493 176	(136 493 176)
Total			140 157 584	(140 157 584)

Liquidity risk

The Trust was historically capitalized out of voted transfers made to it for the purposes of funding operations and also for the advancing of capital to eligible black empowered businesses through its fund management products. This funding was voted annually and advanced in tranches by **the dti** to cover operational and fund management capital requirements for disbursements during the applicable years.

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.

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 (2011: R2 297 431 472 - note 18). Historically funding for operations was also advanced by **the dti** in the form of transfer funds. These were matched against operational expenditure for the year and to the extent there was some level of operational surplus or deficit, then this was transferred or offset to Accumulated Surplus once approval is granted in this respect from National Treasury.

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

4. PROPERTY AND EQUIPMENT

	Owned							
2012	**Motor Vehicles**	**Computer Equipment**	**Audio Visual Equipment**	**Office Equipment**	**Furniture and Fittings**	**Leasehold Improvements**	**Paintings**	**Total**
	R	**R**	**R**	**R**	**R**	**R**	**R**	**R**
Opening Balance								
Cost	907 003	4 748 926	706 795	2 655 640	4 329 548	6 908 209	286 304	20 542 424
Accumulated depreciation	(392 941)	(3 226 507)	(672 002)	(1 444 439)	(2 958 347)	(3 824 692)	(46 685)	(12 565 613)
Net Book Value	**514 062**	**1 522 420**	**34 793**	**1 211 201**	**1 371 201**	**3 083 517**	**239 619**	**7 976 812**
Movement for the year:								
Additions	-	640 082	257 427	425 728	987 894	325 192	-	2 636 323
Disposals/Derecognition at cost	-	(76 464)	(391 133)	(133 377)	-	(2 449 596)	(101 402)	(3 151 972)
Reclassifications	-	(195 085)	-	(149 821)	(267 122)	521 113	-	(90 915)
Depreciation on disposed /derecognised assets	-	72 264	389 201	132 832	-	2 449 596	22 072	3 065 965
Depreciation	(170 876)	(900 691)	(15 246)	(701 021)	(510 498)	(1 066 978)	(6 189)	(3 371 499)
Closing Balance	**(170 876)**	**(459 894)**	**240 249**	**(425 659)**	**210 273**	**(220 673)**	**(85 519)**	**(912 099)**
Cost	907 003	5 117 459	573 089	2 798 170	5 050 320	5 304 918	184 902	19 935 862
Accumulated depreciation	(563 817)	(4 054 934)	(298 047)	(2 012 628)	(3 468 845)	(2 442 074)	(30 802)	(12 871 147)
Net Book Value	**343 186**	**1 062 525**	**275 042**	**785 542**	**1 581 475**	**2 862 845**	**154 100**	**7 064 715**
Gross carrying amount of fully depreciated assets still in use.	**408 103**	**936 563**	**164 990**	**49 800**	**1 124 618**	**98 439**	**-**	**2 782 513**

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

4. PROPERTY AND EQUIPMENT (CONTINUED)

	Owned							
2011	Motor Vehicles	Computer Equipment	Audio Visual Equipment	Office Equipment	Furniture and Fittings	Leasehold Improvements	Paintings	Total
	R	R	R	R	R	R	R	R
Opening Balance								
Cost	408 103	3 796 443	682 854	2 442 360	4 047 732	5 662 769	286 304	17 326 565
Accumulated depreciation	(260 252)	(2 203 539)	(655 947)	(729 167)	(2 409 216)	(3 023 350)	(40 513)	(9 321 984)
Net Book Value	**147 851**	**1 592 904**	**26 907**	**1 713 194**	**1 638 516**	**2 639 419**	**245 791**	**8 004 582**
Movement for the year:								
Additions	498 900	952 483	23 942	213 280	281 816	1 245 440	-	3 215 861
Disposals/Derecognition at cost	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Depreciation on disposed /derecognised assets	-	-	-	-	-	-	-	-
Depreciation	(132 689)	(1 022 968)	(16 055)	(715 272)	(549 131)	(801 342)	(6 172)	(3 243 630)
Closing Balance	**366 211**	**(70 485)**	**7 887**	**(501 992)**	**(267 315)**	**444 098**	**(6 172)**	**(27 770)**
Cost	907 003	4 748 926	706 795	2 655 640	4 329 548	6 908 209	286 304	20 542 424
Accumulated depreciation	(392 941)	(3 226 507)	(672 002)	(1 444 439)	(2 958 347)	(3 824 692)	(46 685)	(12 565 613)
Net Book Value	**514 062**	**1 522 420**	**34 793**	**1 211 201**	**1 371 201**	**3 083 517**	**239 619**	**7 976 813**
Gross carrying amount of fully depreciated assets still in use.	**-**	**1 458 174**	**645 612**	**380 056**	**969 513**	**2 449 596**	**6 789**	**5 909 742**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
5. INTANGIBLE ASSETS		
Computer software		
Opening Balance		
Cost	13 746 903	10 829 705
Accumulated amortisation	(9 593 872)	(5 551 358)
Net Book Value	**4 153 031**	**5 278 347**
Movement for the year:		
Additions	237 617	2 917 198
Reclassifications	90 915	-
Disposals	(642 118)	-
Amortisation on disposed asset	642 118	-
Amortisation	(2 617 340)	(4 042 514)
	(2 288 808)	**(1 125 316)**
Closing Balance		
Cost	13 433 317	13 746 903
Accumulated amortisation	(11 569 094)	(9 593 872)
Net Book Value	**1 864 223**	**4 153 031**

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
6. INVESTMENTS IN ASSOCIATES		
Investments at cost	**178 374 871**	**55 374 579**
- Opening balance	55 374 579	30 567 328
- Additions	107 000 361	35 003 321
- Transfers from Available-for-Sale Investments - SA Metals	10 000 000	-
- Transfers from Investments held at Fair Value through profit and loss - i3 Africa	7 000 000	-
- Write off	(69)	-
- Disposals	(1 000 000)	(10 196 070)
Fair value adjustments	**23 480 443**	**47 576 670**
- Opening Balance	47 576 670	25 436 905
Movements	(24 096 227)	22 139 765
- Fair value gains	890 536	11 943 695
- Disposal	(24 986 763)	-
- Impairment written off against cost	-	10 196 070
Net investment in associates	**201 855 314**	**102 951 249**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

6. INVESTMENTS IN ASSOCIATES (continued)

The Trust's principal associates are:

			2012	2011
Name	**Country of incorporation**	**Principal activity**	**Interest held (%)**	**Interest held (%)**
Unlisted:				
Blue Glamour (Pty) Ltd	South Africa	Manufacturing	32,00%	32,00%
DMS Powders (Pty) Ltd	South Africa	Mining	-	20,00%
Inca Concrete Masonry (Pty) Ltd	South Africa	Construction	35,00%	35,00%
Lak Investment T/A Stone Age (Pty) Ltd	South Africa	Construction	25,00%	25,00%
Safepak (Pty) Ltd	South Africa	Manufacturing	20,00%	20,00%
Stutt Brick Company (Pty) Ltd	South Africa	Construction	45,00%	45,00%
Wiredloop (Pty) Ltd	South Africa	ICT and Media	-	25,00%
Amajuba Berries (Pty)Ltd *	South Africa	Agro-Processing	51,00%	51,00%
Colliery Dust Control (Pty) Ltd	South Africa	Mining	40,10%	40,10%
False Bay Bricks (Pty) Ltd	South Africa	Construction	30,00%	30,00%
Trennplast (Pty) Ltd	South Africa	Manufacturing	26,50%	26,50%
Middelsdrift Dairy (Pty) Ltd	South Africa	Agro-Processing	40,00%	40,00%
White Heat Trading 4 (Pty)Ltd t/a Hollywood Displays	South Africa	Manufacturing	34,50%	34,50%
Renu Energy (Pty)Ltd	South Africa	Manufacturing	-	26,00%
Ntsinde Royal Jozini Holdings (Pty)Ltd	South Africa	Tourism and Entertainment	33,40%	33,40%
Buffalo Bull (Pty) Ltd	South Africa	Agro-Processing	30,00%	30,00%
Busa Holdings (Pty) Ltd	South Africa	Healthcare	49,00%	49,00%
Africa Rising (Pty) Ltd	South Africa	Financial Services	25,10%	25,10%
Crowie Holdings (Pty) Ltd	South Africa	Construction	25,10%	25,10%
Boipelo Piggery (Pty) Ltd	South Africa	Agro-Processing	20,00%	20,00%
Inala Shipping (Pty) Ltd	South Africa	Shipping	30,00%	30,00%
Pretamix (Pty) Ltd	South Africa	Services	49,00%	49,00%
Sizovuna Investments Holding (Pty) Ltd	South Africa	Property	49,00%	49,00%
Basfour (Pty) Ltd	South Africa	Engineering	49,00%	49,00%
IM Capital (Pty) Ltd	South Africa	Engineering	49,00%	49,00%
SA Metals (Pty) Ltd	South Africa	Mining	29,00%	10,00%
i3 Africa (Pty) Ltd	South Africa	Telecommunication	30,00%	-
Business Venture Investments (Pty) Ltd	South Africa	Agro-Processing	30,00%	-
Karbochem Co-generation (Pty) Ltd	South Africa	Energy	30,00%	-
Imbaza Mussel (Pty) Ltd	South Africa	Agro-Processing	30,00%	-
Value Cement (Pty) Ltd	South Africa	Construction	31,00%	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

6. INVESTMENTS IN ASSOCIATES (continued)

	Voting power		Equity at fair value	
Name	2012	2011	2012	2011
			R	R
Unlisted:				
Blue Glamour (Pty) Ltd	32,00%	32,00%	11 036 387	12 795 886
DMS Powders (Pty) Ltd	-	20,00%	-	25 986 673
Inca Concrete Masonry (Pty) Ltd	35,00%	35,00%	350	350
Lak Investment T/A Stone Age (Pty) Ltd	25,00%	25,00%	25	25
Safepak (Pty) Ltd	20,00%	20,00%	20	20
Stutt Brick Company (Pty) Ltd	45,00%	45,00%	45	45
Wiredloop (Pty) Ltd	-	25,00%	-	33
Amajuba Berries (Pty)Ltd *	31,00%	31,00%	12 928 895	19 369 051
Colliery Dust Control (Pty) Ltd	40,10%	40,10%	16 637 549	9 794 532
False Bay Bricks (Pty) Ltd	30,00%	30,00%	300	300
Trennplast (Pty) Ltd	26,50%	26,50%	2 247 349	265
Middelsdrift Dairy (Pty) Ltd	40,00%	40,00%	40	40
White Heat Trading 4 (Pty)Ltd t/a Hollywood Displays	34,50%	34,50%	300	300
Renu Energy (Pty)Ltd	-	26,00%	-	36
Ntsinde Royal Jozini Holdings (Pty)Ltd	33,40%	33,40%	334	334
Buffalo Bull (Pty) Ltd	30,00%	30,00%	38	38
Busa Holdings (Pty) Ltd	49,00%	49,00%	50 000 000	10 000 000
Africa Rising (Pty) Ltd	25,10%	25,10%	2 510	2 510
Crowie Holdings (Pty) Ltd	25,10%	25,10%	25 000 000	25 000 000
Boipelo Piggery (Pty) Ltd	20,00%	20,00%	200	200
Inala Shipping (Pty) Ltd	30,00%	30,00%	30	30
Pretamix (Pty) Ltd	49,00%	49,00%	240	240
Sizovuna Investments Holding (Pty) Ltd	49,00%	49,00%	49	49
Basfour (Pty) Ltd	49,00%	49,00%	146	146
IM Capital (Pty) Ltd	49,00%	49,00%	146	146
SA Metals (Pty) Ltd	29,00%	10,00%	40 000 000	-
i3 Africa (Pty) Ltd	30,00%	0,00%	32 000 000	-
Business Venture Investments (Pty) Ltd	30,00%	0,00%	30	-
Karbochem Co-generation (Pty) Ltd	30,00%	0,00%	12 000 000	-
Imbaza Mussel (Pty) Ltd	30,00%	0,00%	300	-
Value Cement (Pty) Ltd	31,00%	0,00%	31	-
			201 855 314	**102 951 249**

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

** Warehoused shares of Mayborn (Royal Jozini) is 16.7% held in favour of the Jozini Community Trust.

*** These investments are measured at cost less accumulated impairments in terms of IAS 39, due to the significant variance with regard to the possible range of fair values. These investments have reached bankable feasibility stage and have not yet reached financial closure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - For the year ended 31 March 2012

	2012	2011
	R	R
7. INVESTMENTS AVAILABLE-FOR-SALE		
Fair value balance at beginning of the year	1 490 214 567	1 183 391 962
Movements	**(40 702 946)**	**246 812 505**
MTN shares - fair value adjustments	(15 702 947)	246 812 505
On Time Digital Media (Pty) Ltd - impairment	(25 000 000)	-
Fuel Logistics Group (Pty)Ltd - write-off	(1)	-
Transfer to Investments in Associates	(10 000 000)	-
Additions - Cost	3 886 191	60 010 100
- Day 1 profit on purchase of MTN shares*	6 036 343	-
Fair value balance at the end of the year	**1 449 434 153**	**1 490 214 567**
Available-for-sale investments include:		
Listed securities:		
- Equity securities: RSA (MTN Shares)	1 366 103 329	1 371 883 754
Unlisted securities:		
Securities not traded on an active market	**83 330 824**	**118 330 814**
Intaba Technologies (Pty) Ltd	1	1
Inkwali Fabrication (Pty) Ltd	1	1
Fuel Logistics Group (Pty)Ltd	-	1
Gidani (Pty) Ltd	100	100
Thin Film (Pty) Ltd	5 313 211	5 313 211
Connex (Pty) Ltd	3 007 500	3 007 500
SA Metal Equipment (Pty) Ltd	-	10 000 000
Vuwa Pharmaceuticals (Pty) Ltd	11	-
On Time Digital Media (Pty) Ltd	75 010 000	100 010 000
	1 449 434 153	**1 490 214 567**

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

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
8. ORIGINATED LOANS		
Opening balance	**1 036 751 003**	**963 589 670**
Net movement for the year	**225 202 723**	**73 161 333**
Loans disbursed	393 454 018	210 478 011
Interest capitalised	79 688 523	94 913 128
Loan repayments	(130 556 622)	(116 762 487)
Write-offs	(109 283 196)	(93 858 705)
Transfer to non-current asset held for sale	(8 100 000)	-
Loans re-classified to other investment categories	-	(21 608 614)
Closing balance	**1 261 953 726**	**1 036 751 003**
Provision for impairments	**(170 539 433)**	**(199 730 126)**
- Opening balance	(199 730 126)	(217 660 560)
- Impairments for the year	(80 092 503)	(75 909 102)
- Disposals / Write-offs	109 283 196	92 389 536
- Impairment reversal	-	1 450 000
Net Originated Loan balance	**1 091 414 293**	**837 020 877**
Current Portion	243 760 565	87 934 546
Long Term Portion	847 653 728	749 086 331

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
9. PREFERENCE SHARES		
Opening balance	**205 452 832**	**142 273 923**
Net movement for the year	**17 807 258**	63 178 909
Additions	15 090 000	50 375 866
Loans re-classified from other investment categories	-	6 394 135
Interest capitalised	27 965 009	20 038 273
Repayments	(7 664 850)	(13 629 365)
Disposal	(17 582 901)	-
Closing balance	**223 260 090**	**205 452 832**
Provision for impairment	**(24 815 032)**	(34 689 987)
- Opening balance	(34 689 987)	(12 629 836)
- Impairments for the year	-	(22 060 151)
- Disposals / Write-offs	9 874 955	-
Net Preference shares balance	**198 445 058**	**170 762 845**

Some loans and receivables are secured by general notarial bonds over movable property, cession of receivables, cession of bank accounts, personal sureties, second mortgage bonds and insurance policies, refer to note 3.1 for more details.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
10. FINANCE LEASE RECEIVABLES		
Gross investment in leases due	**70 033 238**	**50 351 265**
- within one year	21 520 659	16 239 419
- in second to fifth year inclusive	43 604 957	34 111 846
- after 5 years	4 907 622	-
Less: Unearned finance income	(11 048 981)	(6 872 933)
Present value of minimum lease payments receivable	58 984 257	43 478 332
Less: Allowance for uncollectable minimum lease payments	(4 097 319)	(11 589 152)
Present value	**54 886 938**	**31 889 180**
Present value of minimum lease payments due		
- within one year	17 152 985	13 269 551
- in second to fifth year inclusive	37 581 085	30 208 781
- after 5 years	4 250 187	-
	58 984 257	43 478 332
Less: allowance for uncollectable minimum lease payments	(4 097 319)	(11 589 152)
Carrying amount of minimum lease payments	**54 886 938**	**31 889 180**

The average lease term is 5 years (2011:5 years) and the average effective lending rate is 7% (2011:6.5%)

11. IMPAIRMENT CHARGE TO THE STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR		
Originated loans	80 092 503	74 459 102
Preference shares	-	22 060 151
Finance leases	-	6 139 294
Available for sale	25 000 000	-
Impairment for the year	**105 092 503**	**102 658 547**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Investments at fair value through profit and loss	**79 789 947**	47 700 000
Opening Balance	47 700 000	10 500 000
Disbursements	41 589 947	37 200 000
Transfer to Investments in Associates	(7 000 000)	-
Loss on exited transactions	(2 500 000)	-
Fair value adjustments	**(77 904 908)**	**(47 690 000)**
- Opening Balance	(47 690 000)	(10 497 000)
- Fair value (losses) / gains	(31 833 518)	(37 193 000)
- Disposal	1 618 610	-
Net investment in fair value through profit and loss	**1 885 039**	**10 000**

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

2012

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

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

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

2011

Investment	Investment at cost	Fair value	Interest in project / joint venture	Effective voting on Joint Steering Committee %
	R	R	R	R
Tourvest - Sky Tower	2 000 000	1 000	25%	50%
Inkomazi Chemicals (Pty) Ltd	1 000 000	1 000	50%	50%
Rare Metals Industries (Pty) Ltd	10 000 000	1 000	30%	27%
Manhize - Coking Coal	3 000 000	1 000	75%	50%
African Silica Investments (Pty) Ltd	7 000 000	1 000	50%	50%
Organic Coconut Beverage Co.	5 000 000	1 000	49%	50%
Premier Foods Boiler Conversion	2 500 000	1 000	n/a	n/a
i3 Africa (Pty) Ltd	7 000 000	1 000	23%	50%
Kimocode - Hluhluwe Wind Farm	2 200 000	1 000	40%	50%
Comprecom (Pty) Ltd t/a Waste Tyre Energy	8 000 000	1 000	47%	50%
	47 700 000	**10 000**		

	2012	2011
	R	R
13. INVESTMENTS HELD-FOR-TRADE		
Fair value balance at beginning of year	46 091 412	50 182 068
Additions	-	-
Disposals	-	(106 812)
	46 091 412	**50 075 256**
Fair value (losses) / gains	(9 447 325)	(2 809 900)
Disposals	-	(1 173 944)
Fair value balance at end of year	**36 644 087**	**46 091 412**
Investments Held-for-Trade include:		
Listed Securities:		
AH Vest/All Joy Ltd	1 572 093	1 179 071
Hospitality Fund A Ltd	30 025 662	34 315 044
Hospitality Fund B Ltd	5 046 332	10 597 297
	36 644 087	**46 091 412**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R

14. NON-CURRENT ASSET HELD FOR SALE

Opening Balance	-	-
Transfer from Originated Loans	8 100 000	-
Closing balance	**8 100 000**	-

Non- current asset held for sale represents collateral assets against loan defaults that have been attached by the NEF for resale. These assets are expected to be disposed of within 3 to 4 months of attachment and sale is considered to be highly probable.

15. TRADE AND OTHER RECEIVABLES

Deposits	877 650	739 321
Interest receivable - cash and cash equivalents	22 879	48 700
Dividends receivable	48 119 354	37 059 398
Other receivables	477 592	4 387 197
	49 497 475	**42 234 616**

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

16. FINANCIAL ASSETS

	Carrying amount	Fair value	Carrying amount	Fair value
	R	R	R	R
Loans and receivables	**1 394 243 764**	**1 394 243 764**	**1 081 907 518**	**1 081 907 518**
- Originated loans	1 091 414 293	1 091 414 293	837 020 877	837 020 877
- Preference shares	198 445 058	198 445 058	170 762 845	170 762 845
- Finance leases	54 886 938	54 886 938	31 889 180	31 889 180
- Trade and other receivables	49 497 475	49 497 475	42 234 616	42 234 616
Investments available for sale	**1 449 434 153**	**1 449 434 153**	**1 490 214 568**	**1 490 214 568**
- Unlisted equity investments	83 330 824	83 330 824	118 330 814	118 330 814
- Listed equity investments	1 366 103 329	1 366 103 329	1 371 883 754	1 371 883 754
Investment in associates	**201 855 314**	**201 855 314**	**102 951 249**	**102 951 249**
Investments at fair value through profit and loss	**1 885 039**	**1 885 039**	**10 000**	**10 000**
Investments held for trade	**36 644 087**	**36 644 087**	**46 091 412**	**46 091 412**
- Listed equity	36 644 087	36 644 087	46 091 412	46 091 412
Total	**3 084 062 357**	**3 084 062 357**	**2 721 174 747**	**2 721 174 747**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

16. FINANCIAL ASSETS (continued)

Fair value hierarchy

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

	2012			
	Level 1 R	Level 2 R	Level 3 R	Total R
Financial assets at fair value through profit and loss	**36 644 087**	**–**	**203 740 353**	**240 384 440**
Associates	–	–	201 855 314	201 855 314
Financial assets at fair value through profit and loss	–	–	1 885 039	1 885 039
Investments held for trade	36 644 087	–	–	36 644 087
Financial assets available for sale	**1 366 103 329**	**–**	**83 330 824**	**1 449 434 153**
Listed equities	1 366 103 329	–	–	1 366 103 329
Unlisted equities	–	–	83 330 824	83 330 824
Total	**1 402 747 416**	**–**	**287 071 177**	**1 689 818 593**

	2011			
	Level 1 R	Level 2 R	Level 3 R	Total R
Financial assets at fair value through profit and loss	**46 091 412**	**–**	**102 961 249**	**149 052 661**
Associates	–	–	102 951 249	102 951 249
Financial assets at fair value through profit and loss	–	–	10 000	10 000
Investments held for trade	46 091 412	–	–	46 091 412
Financial assets available for sale	**1 371 883 754**	**–**	**118 330 814**	**1 490 214 568**
Listed equities	1 371 883 754	–	–	1 371 883 754
Unlisted equities	–	–	118 330 814	118 330 814
Total	**1 417 975 166**	**–**	**221 292 063**	**1 639 267 229**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

16. FINANCIAL ASSETS (continued)

Reconciliation of financial assets held at fair value

	2012			
	Level 1 R	Level 2 R	Level 3 R	Total R
Opening balance for the year	1 417 975 166	-	221 292 063	1 639 267 229
Purchases				
- Cost	3 886 191	-	158 590 319	162 476 510
- Day 1 Profit	6 036 343	-	-	6 036 343
Sales/Transfers	-	-	(36 868 222)	(36 868 222)
Impairment of financial assets recognised	-	-	(25 000 001)	(25 000 001)
Total fair value adjustments recognised:				
- In profit and loss	(9 447 325)	-	(30 942 982)	(40 390 307)
- Directly in equity	(15 702 959)	-	-	(15 702 959)
Closing balance	**1 402 747 416**	**-**	**287 071 177**	**1 689 818 593**

	2011			
	Level 1 R	Level 2 R	Level 3 R	Total R
Opening balance for the year	1 175 253 316	-	114 327 947	1 289 581 263
Purchases	-	-	132 213 421	132 213 421
Sales	(1 280 755)	-	(10 196 070)	(11 476 825)
Impairment of financial assets recognised	-	-	-	-
Total fair value adjustments recognised:				
- In profit and loss	(2 809 900)	-	(37 193 000)	(40 002 900)
- Directly in equity	246 812 505	-	22 139 765	268 952 270
Closing balance	**1 417 975 166**	**-**	**221 292 063**	**1 639 267 229**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

16. FINANCIAL ASSETS (continued)

Valuations based on observable inputs
Valuations based on observable inputs include:

Level 1
Financial instruments valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

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

This category comprises of 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
17. CASH AND CASH EQUIVALENTS		
For the purposes of cash flow statements, the cash and cash equivalents comprise the following:		
Bank balances		
- Current accounts	41 861 284	55 330 563
- Short-term bank deposits	2 160 134 357	2 527 222 484
- Cash on hand	2 000	2 000
	2 201 997 641	**2 582 555 047**
The effective interest rate on short term deposits was 6.5% (2011 - 6.5%).		
18. TRUST CAPITAL		
Investment in listed shares		
– At cost	**171 000 000**	**171 000 000**
Cash funds received from **the dti:**	**2 297 431 472**	**2 297 431 472**
- Opening Balance	2 297 431 472	2 297 431 472
Closing balance	**2 468 431 472**	**2 468 431 472**
19. FAIR VALUE RESERVES		
Balance at beginning of the year	**1 297 193 378**	**1 050 380 873**
Net (decrease)/increase	**(15 702 947)**	**246 812 505**
Revaluation of investments available for sale	(15 702 947)	246 812 505
Balance at end of the year	**1 281 490 431**	**1 297 193 378**
20. TRADE AND OTHER PAYABLES		
Trade payables	5 617 380	4 302 526
Lease accrual	1 495 347	502 506
Unallocated receipts generated by Asonge	427 791	497 179
Accruals	**36 657 846**	**29 980 781**
- Performance awards	27 282 772	21 617 918
- Supplier accruals	4 248 379	4 613 433
- Leave pay	5 126 695	3 749 430
	44 198 364	**35 282 992**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

21. RELATED PARTY TRANSACTIONS

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

Related party balances

	% Holding	Loans receivable 2012	Loans receivable 2011	Investments at cost 2012	Investments at cost 2011
		R	R	R	R
Blue Glamour (Pty) Ltd	32,00%	27 339 961	18 515 888	20	20
DMS Powders (Pty) Ltd	0,00%	-	9 125 237	-	1 000 000
Inca Concrete Masonry (Pty) Ltd	35,00%	21 515 654	24 263 537	350	350
Lak Investment T/A Stone Age (Pty) Ltd	25,00%	36 588 918	39 011 879	25	25
Safepak (Pty) Ltd	20,00%	30 446 376	34 769 149	20	20
Stutt Brick Company (Pty) Ltd	45,00%	27 339 961	25 978 443	45	45
Wiredloop (Pty) Ltd	0,00%	-	905 902	-	33
Amajuba Berries (Pty)Ltd *	51,00%	6 752 024	6 110 357	19 369 051	19 369 051
Colliery Dust Control (Pty) Ltd	40,10%	19 436 118	24 481 879	401	401
False Bay Bricks (Pty) Ltd	30,00%	69 927 320	65 807 082	300	300
Trennplast (Pty) Ltd	26,50%	64 333 868	63 003 968	265	265
Middelsdrift Dairy (Pty) Ltd	40,00%	12 532 439	11 990 899	40	40
White Heat Trading 4 (Pty)Ltd t/a Hollywood Displays	34,50%	58 977 795	54 052 661	300	300
Renu Energy (Pty)Ltd	0,00%	-	42 428 475	-	36
Ntsinde Royal Jozini Holdings (Pty)Ltd **	33,40%	31 782 979	31 495 104	334	334
Buffalo Bull (Pty) Ltd	30,00%	11 390 668	10 727 177	38	38
Busa Holdings (Pty) Ltd	49,00%	-	-	50 000 000	10 000 000
Africa Rising (Pty) Ltd	25,10%	6 646 197	3 014 384	2 510	2 510
Crowie Holdings (Pty) Ltd	25,10%	-	-	25 000 000	25 000 000
Boipelo Piggery (Pty) Ltd	20,00%	3 721 599	3 441 959	200	200
Inala Shipping (Pty) Ltd	30,00%	273 562	247 623	30	30
Pretamix (Pty) Ltd	49,00%	18 651 098	15 746 833	240	240
Sizovuna Investments Holding (Pty) Ltd	49,00%	55 596 437	56 937 010	49	49
Basfour (Pty) Ltd	49,00%	-	-	146	146
IM Capital (Pty) Ltd	49,00%	-	-	146	146
SA Metals (Pty) Ltd	29,00%	-	-	40 000 000	-
i3 Africa (Pty) Ltd	30,00%	18 022 192	-	32 000 000	-
Business Venture Investments (Pty) Ltd	30,00%	3 339 974	-	30	-
Karbochem Co-generation (Pty) Ltd	30,00%	36 009 863	-	12 000 000	-
Imbaza Mussel (Pty) Ltd	30,00%	6 136 585	-	300	-
Value Cement (Pty) Ltd	31,00%	30 072 603	-	31	-
		596 834 190	**542 055 446**	**178 374 871**	**55 374 579**

Interest has been earned on the above balances at an average rate of 7%. (2011:7%)

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

** Warehoused shares of Mayborn (Royal Jozini) is 16.7% held in favour of the Jozini Community Trust.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
22. REVENUE		
Interest received – cash	136 022 591	167 514 082
Interest received – preference shares	27 965 009	20 038 275
Interest received – originated loans	79 688 523	94 913 128
Interest received – finance leases	4 618 268	–
Interest received – other investments	732 090	1 657 621
Dividends received	86 472 333	75 401 007
	335 498 814	**359 524 113**
23. SUNDRY INCOME		
Bad debts recovered	1 610 802	511 419
Enterprise Development Funding	3 307 395	–
	4 918 197	**511 419**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	Note	2012	2011
		R	R
24. ADMINISTRATION EXPENDITURE BY NATURE			
Net operating expenditure is arrived at after taking into account:			
Auditors' Remuneration		**2 821 778**	**2 242 888**
- For external audit fees		2 452 190	1 064 228
- Internal audit		369 588	1 178 660
Professional fees		**26 839 907**	**15 912 866**
- Human Resources		219 000	-
- Information technology		1 704 714	2 308 148
- Legal fees		5 327 023	4 044 488
- Administration		227 761	-
- Finance		144 980	-
- Risk management		1 444 067	93 923
- Marketing		11 606 083	4 306 307
- Public Relations		-	1 418 924
- Professional fees - Investments		6 166 279	3 741 076
Depreciation	4	**3 371 499**	**3 243 630**
- Motor vehicles		170 876	132 689
- Owned computer equipment		900 691	1 022 968
- Audiovisual equipment		15 246	16 055
- Office equipment		701 021	715 272
- Furniture and fittings		510 498	549 131
- Other assets		6 189	6 172
- Leasehold improvements		1 066 978	801 342
Trustees and senior management emoluments	28	**14 737 503**	16 497 782
Amortisation of intangible assets	5	**2 617 340**	**4 042 514**
Operating lease rentals		**7 947 461**	**6 922 584**
- Property rental		7 924 672	6 281 878
- Equipment rental		22 789	640 706
Total staff costs		**108 634 370**	**86 636 022**
- Salaries and other benefits		100 349 478	80 053 225
- Provident fund contributions		8 284 892	6 582 797
Number of employees at year end		**157**	**125**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
25. RECONCILIATION OF STATEMENT OF FINANCIAL PERFORMANCE TO BUDGET		
Net surplus per Statement of Financial Performance	(5 983 127)	74 828 082
Adjusted for:		
Fair value adjustments	34 353 964	28 059 205
Loss on investment disposals	15 055 639	-
Impairments recognised	(4 907 497)	16 217 547
(Under)/overspending against budget - Opex	(9 529 451)	2 694 166
(Under)/overspending against budget - Projects	(26 159 082)	-
Under/(over) against budget - Revenue	12 582 989	-
Net surplus against approved budget	**15 413 435**	**121 799 000**

26. PROFIT/(LOSS) ON DISPOSAL OF INVESTMENTS

The net loss on disposal of investments of R 15 055 639 (2011 R 600 976) is made up as follows:

- Loss on disposal of Investments in Associate - Dense Media Separation Powders	**(15 055 639)**	-
- Profit on disposal Held for Trade Investment - Enaleni	-	577 976
- Loss on disposal Held for Trade Investment - Hospitality Fund A	-	(1 178 952)
	(15 055 639)	**(600 976)**

27. COMMITMENTS

27.1. OPERATING LEASE COMMITMENTS – PROPERTY RENTALS

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

Not later than 1 year	7 300 885	6 353 333
Later than 1 year but not later than 5 years	22 200 821	27 743 668
	29 501 706	**34 097 001**

Operating lease payments represent rentals payable by the Trust for office properties. Leases are negotiated for an average term of between 3 to 5 years, with an average ascalation of 9% per annum.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
27. COMMITMENTS (continued)		
27.2. UNDRAWN INVESTMENTS		
Not later than 1 year	**300 913 434**	**277 450 410**
Payment will be met out of cash reserves.		
27.3. INVESTMENTS APPROVED AND COMMITTED BUT NOT CONTRACTED FOR		
Not later than 1 year	**879 850 410**	**339 950 410**
Payment will be met out of cash reserves.		
27.4. ENTERPRISE DEVELOPMENT FUND CONTRIBUTIONS		
Contributions received	3 238 939	-
Interest earned on contributions received	68 456	-
Investment disbursements	(1 251 703)	-
Contributions available for investment	**2 055 692**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

28. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS

	Basic	Bonuses and performance payments	Long-term bonus payments	Pension contributions	Other contributions	Fees to Non-Executive Trustees	Total
	R	R	R	R	R	R	R
Year ended 31 March 2012							
Executive trustees:							
P Buthelezi (CEO)	2 449 212	1 315 559	-	441 643	109 424	-	4 315 838
A Wright (CFO) (Resigned 30/6/2012)	1 569 472	548 188	-	197 286	114 781	-	2 429 727
	4 018 684	**1 863 747**	**-**	**638 929**	**224 205**	**-**	**6 745 565**
Senior management:							
S Molepo (Divisional Executive - Appointed 01/04/2011)	1 486 870	765 000	-	213 130	194 143	-	2 659 143
H Makhathini (Divisional Executive - Appointed 01/04/2011)	973 717	487 080	-	145 307	117 851	-	1 723 955
B Lombard (Corporate Services Executive)	1 197 971	648 702	-	179 695	111 012	-	2 137 380
	3 658 558	**1 900 782**	**-**	**538 132**	**423 006**	**-**	**6 520 428**
Non-executive trustees:							
R Ntuli - Chairman (Resigned 31 October 2011)	-	-	-	-	5 073	81 551	86 624
N Mosala	-	-	-	-	-	279 612	279 612
A Makwetla	-	-	-	-	-	132 279	132 279
Z Ntlangula (Acting Chairman)	-	-	-	-	-	284 782	284 782
A Raiz	-	-	-	-	-	181 152	181 152
R Garach	-	-	-	-	-	318 516	318 516
T Tlelai	-	-	-	-	-	188 495	188 495
	-	-	-	-	5 073	1 466 387	1 471 460
TOTAL	**7 677 242**	**3 764 529**	**-**	**1 177 061**	**647 211**	**1 466 387**	**14 737 503**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

28. TRUSTEES AND SENIOR MANAGEMENT EMOLUMENTS (continued)

	Basic	Bonuses and performance payments	Long-term bonus payments	Pension contributions	Other contributions	Fees to Non-Executive Trustees	Total
	R	R	R	R	R	R	R
Year ended 31 March 2011							
Executive trustee:							
P Buthelezi (CEO)	2 318 645	1 502 715	1 079 925	383 415	68 058	-	5 352 759
A Wright (CFO)	1 598 518	939 262	675 000	182 431	124 616	-	3 519 828
	3 917 163	**2 441 977**	**1 754 925**	**565 846**	**192 674**	**-**	**8 872 587**
Senior management:							
F Gillion (CIO) (Resigned 31 October 2010) *	890 326	-	1 750 000	124 799	5 093	-	2 770 217
C Clarke (COO) (Resigned 31 May 2010)	631 004	-	-	-	-	-	631 004
B Lombard (Corporate Services Executive)	1 111 185	661 250	-	152 302	98 521	-	2 023 258
S Molepo (Acting CIO) (Joined 11 November 2010)	574 139	340 000	-	-	8 268	-	922 406
	3 206 654	**1 001 250**	**1 750 000**	**277 101**	**111 882**	**-**	**6 346 885**
Non-executive trustees:							
R Ntuli	-	-	-	-	-	165 531	165 531
N Mosala	-	-	-	-	-	209 334	209 334
A Makwetla	-	-	-	-	-	157 050	157 050
Z Ntlangula	-	-	-	-	-	174 868	174 868
A Raiz	-	-	-	-	-	109 113	109 113
R Garach	-	-	-	-	-	240 977	240 977
N Fakude (resigned 31 May 2011)	-	-	-	-	-	43 974	43 974
T Tlelai	-	-	-	-	-	177 463	177 463
	-	**-**	**-**	**-**	**-**	**1 278 310**	**1 278 310**
TOTAL	**7 123 817**	**3 443 227**	**3 504 925**	**842 947**	**304 556**	**1 278 310**	**16 497 782**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

	2012	2011
	R	R
29. NOTES TO THE CASH FLOW STATEMENT		
Reconciliation of net surplus to cash utilised in operations:		
Surplus for the year	**(5 983 127)**	**74 828 082**
Adjustment for:	**(174 921 919)**	**(217 812 344)**
Depreciation and amortisation	5 988 839	7 286 144
Interest received on cash and cash equivalents	(136 754 681)	(167 514 082)
Interest accrued on investments	(112 271 800)	(114 951 403)
Loss / (Profit) on disposal of fixed assets	85 951	-
Loss on disposal of investment	15 055 581	600 976
Dividends received	(86 472 333)	(75 401 007)
Impairment of investments	105 092 560	104 107 823
Fair value adjustments	34 353 964	28 059 205
Operating surplus / (deficit) before working capital changes	**(180 905 046)**	**(142 984 262)**
Working capital changes	**12 684 570**	**(9 887 292)**
(Increase) / decrease in trade and other receivables	3 769 197	(3 852 646)
Increase / (decrease) in trade and other payables	8 915 373	(6 034 646)
Cash utilised in operations	**(168 220 477)**	**(152 871 554)**
30. INVESTMENT DISBURSEMENTS		
Originated loans	393 454 018	194 585 857
Preference shares	15 090 000	50 375 866
Investments in Associates	107 000 361	35 003 321
Available for Sale *	3 886 280	60 010 100
Finance leases	35 616 370	15 892 151
Investments at fair value through profit and loss	41 589 947	37 200 000
	596 636 976	**393 067 295**

* The difference between Available-for-Sale additions as per the table above and the additions as per note 7 of R6 036 343 is due to the non-cash Day 1 profit recognised on the MTN Available-for-Sale addition.

ANNUAL FINANCIAL STATEMENTS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – For the year ended 31 March 2012

31. FRUITLESS AND WASTEFUL EXPENDITURE

No incidents ocurred during the current financial year.

32. UNAUTHORISED, IRREGULAR EXPENDITURE

No incidents ocurred during the current financial year.

33. INCOME TAX EXEMPTION

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

34. NATIONAL EMPOWERMENT FUND CORPORATION (PTY) LTD

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

35. CONTINGENT LIABILITY

The Trust's application under S 53(3) of the PFMA to retain surpluses reported for the financial year ending 31 March 2011 (R 74 828 082) has been submitted. Should permission to retain this surplus not be granted then the Trust may be required to declare a distribution to National Treasury through its Executive Authority, **the dti**. The effect of such a distribution would be significant to the cash balances of the Trust.

ADMINISTRATION – 31 MARCH 2012

TRUSTEES

Mr R Ntuli (Chairman) (Resigned 31/10/2011)
Ms Z Ntlangula (Acting Chairman) (Appointed 01/11/2011)
Ms P Buthelezi (CEO)
Mr A Wright (CFO) (Resigned 30/06/2012)
Ms N Fakude (Resigned 16/05/2011)
Mr R Garach
Ms A Halstead
Ms A Makwetla
Ms J Molisane
Ms N Mosala
Mr A Raiz
Mr K Thaver
Mr T Tlelai

EXECUTIVE AUTHORITY

Department of Trade and Industry, South Africa, to which the Trust reports as its Executive Authority under the auspices of the Public Finance Management Act.

AUDITORS

PricewaterhouseCoopers Inc.

BANKERS

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

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

INVESTEE STORIES

Building the Economy, Sharing the wealth

Ahanang Hardware and Construction (R8.75 million)

Ahanang Hardware and Construction CC (Ahanang) was formed in 1998. It is 100% owned and managed by a black woman. Its core business is in construction, hardware, retail of building products and allied activities. Ahanang was appointed to execute critical construction services on the Kgalagadi Manganese Mine in Hotazel, Northern Cape. Although based in Gauteng, the logisitics of the location require the sourcing of critical skills and labour in surrounding areas like Kuruman and Khathu, thus a great deal of skills transfer is being undertaken through the project. A total of 48 jobs will be created during this 12-month project (with scope for more work upon the satisfactory completion of this project). The iMbewu Fund was thus approached by the entrepreneur (a previous investee) for funding to bridge the capital demands of the project ramp-up. This deal represents the growing belief in the ability of NEF to fund sustainably, since Ahanang has grown from strength to strength since its first application for funding was approved in 2007 (fully re-paid), its revenue growth has shown that black women entrepreneurs can be successful in a white-male dominated industry such as the construction industry.

Long Walk To Freedom (R50 million)

Long Walk to Freedom (Pty) Ltd (LWTF) is a company incorporated for the production of a film based on President Nelson Mandela's autobiography, Long Walk to Freedom. In 1996, the coveted film rights were awarded to Anant Singh, a South African film producer who has a successful track record in the production of local and international films. The film will be a full-length epic motion picture, and it will be the only movie that will span President Mandela's life from childhood to his presidency. More than 12, 000 jobs will be created over a 2-year period during production of the film, and skills will be transfered from international sources in all aspects of the film production process. The company will ensure that where possible, goods and service are procured from BEE companies.

Value Cement (R35 million)

The entity's core business is the blending of top quality cement that is supplied to the infrastructure development sector and others. The invested R35 million will enable the company to own the property, plant and equipment they are currently renting as well as create 50 fulltime jobs in the process. The company is black owned and blends, produces and sells cement to a wide range of customers across the country, and has a strong pipeline of customers interested in their products including in the SADC region.

Value Cement is a prime example of broad based black empowerment with a significant percentage of directors and management being female.

Value Cement has the necessary muscle and ability to compete in a highly controlled, protected and competitive industry while further ensuring that the enterprise is sustainable and creates meaningful employment.

The funding of Value Cement was facilitated through Umnotho Fund, a funding vehicle within the organisation that is designed to increase access to BEE capital.

Value Cement plant is one of the most modern blending plants in South Africa and has sufficient capacity to service most of the provinces as well as export markets. The plant is designed in such a way that the current capacity can be tripled without a large capital expenditure and is ready to supply the market with an excellent product for the next 20 to 30 years.

Comhealth (Pty) Ltd. (R5 million)

Comhealth develops healthcare infrastructure in black areas by offering comprehensive ambulatory healthcare. The company aims to deliver this service at affordable prices by deploying a lean service delivery model that emphasizes superior quality.

The first healthcare centre is in Chatsworth and it employs 12 support staff and partners 11 black healthcare providers from various disciplines, including general practitioners already practicing in the area. The Chatsworth centre has been renovated to Comhealth specifications and will be opened to the public officially from the 1st of June 2012.

Vigor Swift Connectors (Pty) Ltd. (R400 000)

The transaction was a culmination of the Enterprise Development (ED) Fund established by NEF to encourage large enterprises to find an innovative way through which to meet their B-BBEE targets. The first transaction concluded through the ED Fund was in collaboration with Chrysler SA for Vigor Swift Connectors (Pty) Ltd, a 100% black owned company, to provide Customer Relations Management "CRM", Warranty and Maintenance Adjudication Solutions and Roadside Assistance Services in the Automotive industry. This transaction will also lead to the creation of five new jobs.

Sales Hire (R22.5 million)

Sales Hire (established in 1990) is a Cape Town-based company that specialises in the hire of building equipment and other related tools. The transaction was enterprising in that existing managers in the business (each with at least 5 years' experience) were selected to acquire and own the respective outlets that the managed. The chosen outlets have previously been profitable and the NEF was, through the iMbewu investment team. Through the NEF's assistance nine manages were able to become owners through a franchising agreement with Sales Hire.

Engen

The NEF through iMbewu Fund has allocated R50million in affordable loan facility towards Black entrepreneurs that are interested in acquiring an ENGEN retail service station throughout any of our 9 provinces. It is envisaged that this will lead to an increase in Black owned service stations from the current 39% to the targeted 45% Black ownership by 2016. Allowing for further penetration and increase in the provinces that are still lagging behind such as Mpumalanga, Limpopo and the Eastern Cape.

It is within the context of the Liquid Fuels Charter and the Petroleum Products Amendment Act (PPAA) which integrates into law the requirements of promoting BEE that the relationship between the NEF and ENGEN is founded. It is the common vision of promoting the advancement of Black South Africans in several tangible forms, including shareholdings of existing and future oil companies operating in South Africa, the need to gradually increase the allocation of procurement budgets to BEE suppliers as well as increasing Black owned and operated retail sites or dealerships in the country

The first of the new 100 % black owned NEF-financed ENGEN franchises is now open in City Deep in Johannesburg. Black potential entrepreneurs are required to put up between 10% and 20% of the purchase price, and the NEF provides financing for the balance. ENGEN also stands surety for half of the average R5 million purchase price, and covers training, evaluation and business support costs.

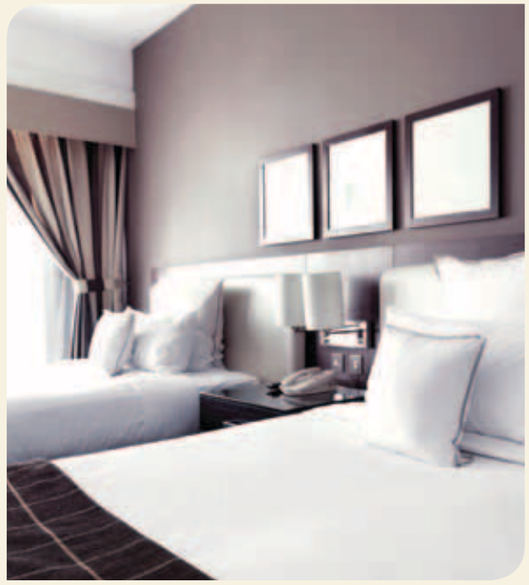
Commonly ENGEN requires that entrepreneurs put up 60% of the purchase price, however lowering the level of own contribution required for these deals is aimed at making service station ownership more accessible for black entrepreneurs.

ENGEN
With us you are Number One

Linen Tech (R10 million)

Linen Tech is a 100% black owned and managed company, which also has 34% black woman ownership. The company manufacturers household linen and distributes towels for institutions and the hospitality industry. Linen Tech is based in Central Business District of Johannesburg.

Due to a closure of local manufacturers of raw materials Linen Tech was forced to source raw materials from Pakistan to maintain its competitiveness and process locally and add value. The NEF provided R10 million funding to Linen Tech and in the process 120 jobs were retained in a currently troubled textiles industry to assist to retaining manufacturing capabilities, skills and the know-how in the country through Linen Tech.



Texifin (Pty) Ltd. (R11.8 million)

Texifin (Pty) Ltd is a special purpose vehicle (SPV) established in 2009 by Elandsfontein Eiendome CC and the Central Region Transport Co-operative (CRTC) Ltd with the intention of constructing and operation of a Total service station and shopping centre (next phase)in extension 9 of the Lichtenburg township (North West Province). The CRTC is made up of 793 members (all black) who are individual taxi owners and operators and owns a 51% stake in Texifin (Pty) Ltd. The iMbewu fund was approached to fund the first phase of the Texifin program (the service station). The transaction will result in at least 30 initial jobs and further opportunities once the next phase of Texifin's strategy is rolled out. The impact will be substantially significant as this is in one of NEF's priority target investment areas in semi-rural North West Province where unemployment rates are quite high. Also in collaboration with our socio economic development specialist workshops will be conducted to educate the members of CRTC on the benefits of having an ownership stake in the value chain of their taxi businesses among other inititatives.

Colliery Dust Control (Pty)Ltd. (R41 million)

Colliery Dust Control (Pty) Ltd. develops and manufactures the components for integrated dust suppression systems used on continuous mining in underground coal mines. Colliery Dust Control is a South African based business and focuses on the design, manufacturing and supply of integrated dust-suppression systems for various underground mining applications.

The NEF provided funding to Business Venture Investment towards the full acquisition of the business. The main BEE partners are two black women, Ms Thembi Chagonda and Ms Babalwa Geza. Ms Chagonda is an HR specialist and her role is to drive CDC's Transformational Agenda, whilst Ms Geza has an engineering background and has taken over the role of Deputy Managing Director.

The company supports 24 fulltime jobs.

Finishing Touch Trading (Pty) Ltd t/a Wassa (R12.5 million)

Wassa is a 100% women-owned business operating in the energy sector. The entrepreneurs are Ms Nokwanele Qonde, a 60% shareholder, and Ms Thandekile Sibisi who holds a 40% stake. The business has been operational since 2008 and is based in Kya-Sands, Randburg. The core business of Wassa is to wholesale liquid petroleum gas (LPG) to Industrial and Commercials retailers. The company buys directly from SASOL Oil, SASOL Nitro, BP and Petro SA. LPG is usually used for domestic, industrial and commercial cooking and heating purposes. The company currently supplies across Gauteng, and has a long-term goal to distribute to other provinces.

The company supports a total of 14 fulltime jobs.

Tawana Business Projects (R5 million)

Tawana Business Projects (Pty) Ltd is involved in the construction of low-cost residential houses. The company has two shareholders, Ms Malebo Magasa (90% interest) and Ms Martha Toloane holding minority interest of 10%. In 2007, Ms Martha Toloane joined the company as a shareholder and the company's Financial Director. Since then the company has tendered and completed the following projects, amongst others:

2007 – Paving project for Benoni Dog Unit for the Department of Public Works. The contract value was for R7 million.

2008/2009 – Implementation of infrastructure development of 110 poultry units and 44 hydroponic units for different farmers in Gauteng. The contract value was R9,1 million

2008/2009 – Building of 50 RDP houses for the developer Fikile Construction (Pty) Ltd at Ivory Park in Tembisa at a sub-contract value of R1,25 million.

2010 – Construction of the Regional Community Centre, Freedom Park, for the Rustenburg Local Municipality. The contract value was R4,6 million.

2011 - Construction of 50 RDP houses for the Rustenburg Local Municipality in Rasimone Village in Rusternburg. The contract value was R3,6 million.

The company supports 27 fulltime jobs.

Gizilwa Trading (R3.3million)

Gizilwa Trading CC t/a Scotch Corner Randburg is a Service station which is 100% owned by a black woman, Ms Nontobeko Mkhize. Ms Mkhize boasts 7 years' experience in the petroleum industry in various positions as a business advisor and a territory Manager. She continues to display sound knowledge required to efficiently operate a filling station. She actively spends 10 hours per day and 7 days a week on site. The service station comprises a forecourt and a Shell Select Store.

The company supports a total of 21 fulltime jobs.

Doneveli General Services (R2.75million)

Donoveli General Services CC is an entity that was established by Mr Dovhani Dzivhani and Mrs Nonhlanhla Dzivhani in November 2007. The business only became fully operational after acquiring a BP filling station in Bryanston. The site had been operated by the previous owner for five years and was sold as business performance was deteriorating.

The service station has two forecourts. The first forecourt is situated at the corners of William Nicol and Grosvenor Roads. The second forecourt is situated at the corners of Main and Grosvenor Roads. The first forecourt has a convenience store which is about 16 square metres in size and the latter has a convenient store which is about 28 square metres in size.

The company supports a total of 40 full time jobs.

Afripotego IT & Construction (Pty) Ltd R2.75 million

Afripotego IT and Construction (Pty) Ltd. previously trading as Ekurhuleni Women and Youth Empowerment (Pty) Ltd. is the brainchild of Ms Tsakani Mudau, and was established in 2004 to empower women in the IT and Construction industries.. She was invited on board by WDB Investment Holdings (WDBIH), which believes in investing in women for their self-sustainability. Afripotego IT and Construction (Pty) Ltd. is one of the eleven Regional Field Service Centres (RFSC's) servicing Gidani Lottery Machines.

The company has supported TM Afrika Kopanang Business Enterprise since 2005 in supplying building material to Cashbuild clients, Women for Housing Project in Orange Farm, RDP houses in Bramfischer and Orlando East, as well as Hardware Stores in Soweto.

In the process of supporting TM Afrika Kopanang, Afripotego IT and Construction (Pty) Ltd. also decided to diversify after seeing a gap or business opportunity in construction, transportation and the supply of building material, as a women organization.

Afripotego IT and Construction (Pty) Ltd. and TM Afrika Kopanang work jointly in projects that need greater capacities especially in supplying building material, transportation and any other logistical opportunities.

The company supports 37 fulltime jobs.

Dlamini Incorporated (R880 000)

Dlamini Incorporated was established in June 2009 by Ms. Nthabiseng Dlamini. Dlamini Inc. is a Law Firm with its core areas of expertise focused on Project Finance, Corporate Finance and Structured Finance. The business has positioned itself to become the leading Africa-focused corporate law firm on the continent in the energy, finance, commercial and utilities space by providing an innovative and complete solution for all its clients. The law firm has a specific bias towards female associates and candidate attorneys.

The law firm supports a total of 9 fulltime jobs.

Mohale Agricultural Cooperative (R13.7 million)

Mohale Agricultural Co-operative based in Limpopo has approached the NEF for funding assistance totalling R13.7 million for the purchase of Poultry and vegetable farm. The product line includes chickens, cabbages and maize. The identified farm is located in Soekmekaar, Limpopo Province.

Supporting operationally involved entrepreneurship, the growth prospects of the land will yield 15 additional jobs, and saving 30 current permanent jobs, offering significant job creation prospects, the farm is based in Limpopo Province- one of the less economic active provinces.

Nyonende Poultry Cooperative t/a Nyonende Investments (PTY) LTD (R9.6 million)

Nyonende Poultry Cooperative based in Kwa Zulu Natal is a 100% black owned and who's business is that of a Poultry Hatchery. The entity hatches eggs commercially for National Chicks, under a term contract, the facility was financed by the NEF for R9.6 million. The NEF came in to acquire the farm and its assets on behalf of the Cooperative.

The project will save 18 existing jobs, create 17 new jobs directly and many more downstream, the NEF funding will assist in the transformation of an industry dominated by large, vertically integrated, white-controlled, listed groups and finally women empowerment will be achieved through an effective 40% black female shareholding.

Molam's Farming (R13.2 million)

Molam's Farming based in Delpan North West is a 100% black owned start-up primary agriculture enterprise focusing on grain (maize and sunflower), groundnut and soybeans crop production. Lantek SA (precision farming experts) will provide technical assistance over a 3-year period. NWK (major grain and soybeans buyer) and The New Nut Company (the third largest groundnuts buyer in RSA) will uplift 100% of the produce based on contracts and a signed off-take agreement.

Job creation: Total 95 jobs. 20 jobs during development, 15 full-time, 60 seasonal jobs (6-7 months), Resuscitation of restituted land and stimulation of the local economy.

Richmond Opkomende Boere Co-operative (R3.6 million)

Richmond Opkomende Boere Co-operative is a start-up primary agriculture entity based in the Northern Cape which will focus on free range merino sheep farming for the purposes of lamb and wool production.

The business is a start-up and will create 7 permanent jobs, and it is a co-operatives which consists of 48 members.

Empowering through franchising

The NEF has a range of funding products. One of these is franchising, which is designed for black entrepreneurs who have been pre-approved by franchisors. Below are some of the franchises that the NEF has funded to date.

We are grateful to the family of investees whose courage and entrepreneurial spirit is the energy that fuels our mandate, and whose resolve to grow our economy we execute in daily and patriotic service. May your successes glow forever.

Report of the Chief Executive Officer, 2012, Ms Philisiwe Buthelezi

CODES OF GOOD PRACTICE

Codes Of Good Practice For Broad-Based Black Economic Empowerment

The Codes of Good Practice as per the requirements of the Broad-Based Black Economic Empowerment (B-BBEE) Act No. 53 of 2003.

1. Ownership

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

2. Management Control

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

3. Employment Equity

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

4. Preferential Procurement

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

5. Skills Development

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

6. Enterprise Development

The assistance provided by large companies and Government to qualifying small enterprises, exempted micro enterprises and black-owned or women-owned enterprises.

7. Socio-Economic Development

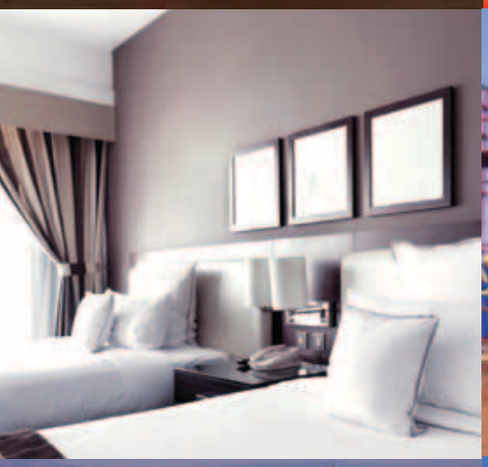
Assistance provided by business and Government in facilitating the improvement of living standards of black people in rural areas, black unemployed people and black people with disabilities.

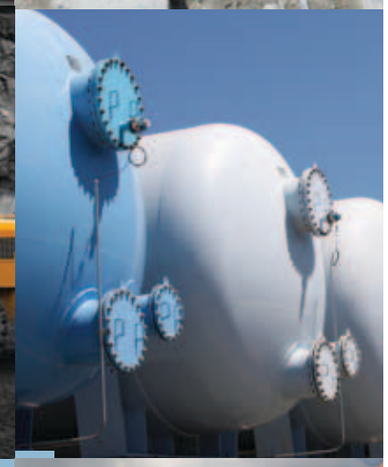
ACRONYMS

AMD	: Asset Management Division
B-BBEE	: Broad-Based Black Economic Empowerment
BFS	: Bankable Feasibility Study
CP	: Construction Phase
DFIs	: Development Finance Institutions
EIA	: Environmental Impact Assessments
ETF	: Exchange Traded Funds
Equity	: Another name for shares (derived from the word "equal" meaning each share is equal to every other share in the same class)
EXCO	: Executive Committee
EXCO IC	: EXCO Investment Committee
FC	: Financial Closure
FMD	: Fund Management Division
GAAP	: Generally Accepted Accounting Practice
GDP	: Gross Domestic Product
GRAP	: Generally Recognised Accounting Practice
IAS	: International Accounting Standards
IDC	: Industrial Development Corporation
IFRS	: International Financial Reporting Standards
IPAP	: Industrial Policy Action Plan
IPF	: Industrial Policy Framework
IRR	: Internal Rate of Return
JSE	: JSE Securities Exchange Limited
KPI	: Key Performance Indicator
MBO	: Management Buy-Out
MOU	: Memorandum of Understanding
MTEF	: Medium-Term Expenditure Framework
NCOP	: National Council of Provinces
NEF	: National Empowerment Fund
NIPF	: National Industrial Policy Framework
PFMA	: Public Finance Management Act
PFS	: Pre-feasibility study
PIU	: Pre-Investment Business Support Unit
POIU	: Post Investment Business Support Unit
RPMC	: Risk and Portfolio Management Committee
ROI	: Return on Investment
SAIs	: State-Allocated Investments
SAVCA	: South African Venture Capital and Private Equity Association
SME	: Small and Medium Enterprise
SOCE	: State Owned Commercial Enterprise
SPF	: Strategic Projects Fund
TC	: Technical Completion
the dti	: The Department of Trade and Industry









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ultimate
217.9




HOW TO REACH THE NATIONAL EMPOWERMENT FUND

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 (Funding) | 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

Free State Province

34 Fountain Towers, Corner Zastron and Markgraaf Street, Westdene, Bloemfontein, 9300
Tel: 0861 NEF FSP (0861 633 377) | Fax: 0861 FSP NEF (0861 377 633)
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

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

Mpumalanga Province

Trust Building, 16 Brander Street, Nelspruit, 1200
Tel: (013) 754 9860 | 0861 NEF MPU (0861 633 678) | 013 754 9860
Fax: 0861 MPU NEF (0861 678 633) | mpumalanga@nefcorp.co.za

North West Province

32B Heystek Street, Sunetco Office Park, Ground Floor, Rustenburg, 0299
Tel: 0861 NEF NWP (0861 633 697) | Fax: 0861 NWP NEF (0861 697 633)
northwest@nefcorp.co.za

Northern Cape Province

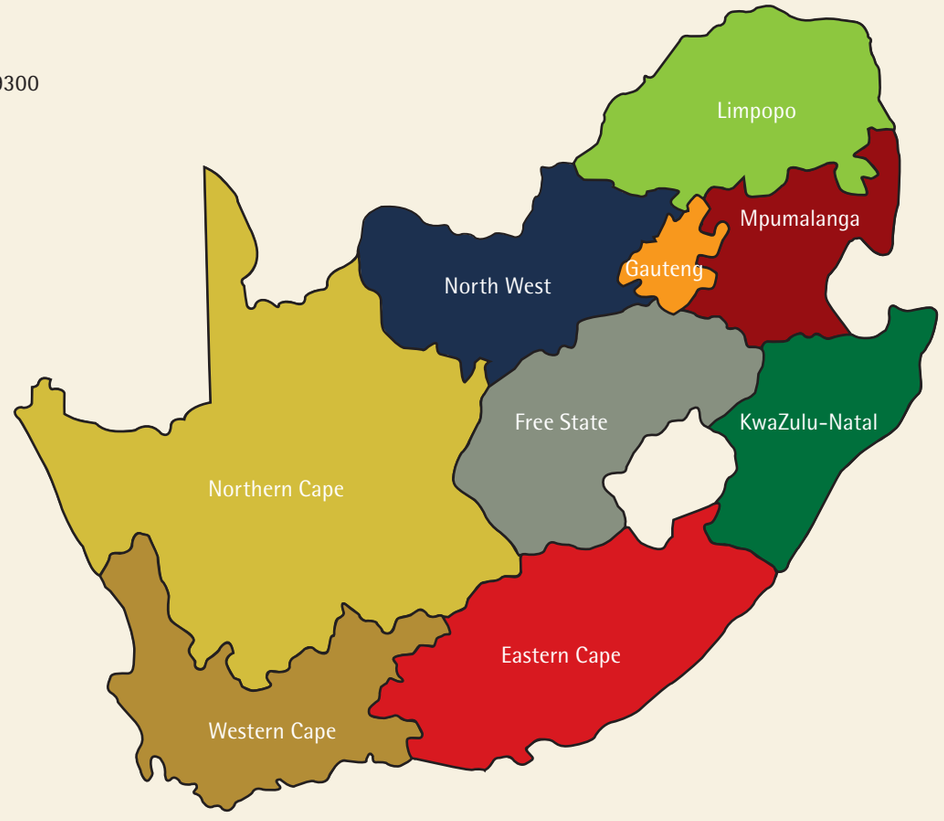
Tel: 0861 NEF NCP (0861 633 627)
Fax: 0861 NCP NEF (0861 627 633) | northerncape@nefcorp.co.za

Western Cape Province

Suite 2818, 28th Floor, ABSA Centre, 2 Riebeek 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

NATIONAL EMPOWERMENT FUND

Growing Black Economic Participation



STOP Fraud, Corruption and Theft

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

Disclaimer:
The investee sector photography contained herein is for illustrative purposes only, and must not be construed to be depicting the actual investee enterprises.

National Empowerment Fund Trust (established by Act 105 of 1998) IT: 10145/00
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RP172/2012

the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA